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PTO's patent appeals board set to raise its profile

Changes in policy and case law should make rulings more prominent.

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THE U.S. PATENT and Trademark Office (PTO)'s Board of Patent Appeals and Interferences is an internal agency tribunal that has long played a central role in interference actions when priority of inventions is in dispute. It has had a lesser role in issues of patentability. But recent changes in patent case law and PTO policies, together with the hiring of a large batch of new patent examiners, is likely to raise the profile of this ex parte appeal process—giving it a larger and more dispositive role in granting patents than in the past.

Established under the U.S. Patent Laws at 35 U.S.C. 6, the board is charged with reviewing adverse decisions by examiners upon written appeal by the applicant. Its members are the director, deputy director, commissioner and the administrative patent judges (APJs), who are not administrative law judges (ALJs) with protection under the Administrative Procedure Act (APA), 5 U.S.C. 500 et seq., as to their independence. It should be noted that

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a petition was recently filed in the U.S. Supreme Court by a company contending that one of the three panel judges in its case was named to the board in violation of the Constitution's appointments clause. *Translogic Technology v. Dudas*, No. 07-1303. The status of nearly two-thirds of the current APJs is also in question. Marcia Coyle, "Patent board's rulings in doubt," NLJ, April 28, 2008, at 1.

The board has long played the central role in interference actions. However, statistics and daily practice show that matters of patentability have largely been determined by the judgment of individual examiners, acting alone or in partnership with a supervising patent examiner. The board reviews only about 3,500 examiner decisions each year, which is roughly 1% of the cases reviewed at the PTO. The board works in three-member, or larger, merits panels to issue written decisions on the correctness of an examiner's rejection, typically impaneling APJs with relevant technical backgrounds.

In practice then, the board is a tribunal of error that works largely from the appellant's brief and the examiner's reply brief. The best appellant briefs, therefore, must objectively tell the story why the PTO erred. They should determine the broadest reasonable claim scope, with citations to the specification, to provide the board a starting point for its claim construction; present a good argument that addresses the whole applied reference, not just the sections relied on by the examiner; and emphasize material facts in short and to-the-point arguments. There rarely is need to educate the board as to the law or the technology. While superficial arguments should be avoided, any unchallenged examiner finding or conclusion is presumed correct.

New rules are proposed for the appeal process, however. See 72 Fed. Reg. 41472 (July 30, 2007). They borrow heavily from the interference standing order and require an argument form that explic-

itly repeats each point made by the examiner and then answers it. Inherently, this proposed form of appeal shifts the burden to the appellant to prove patentability rather than have the examiner prove unpatentability.

The appeals trend

The PTO is trying to shift the responsibility for examination from the hands of individual examiners to panel reviews. Specifically, the PTO recently reintroduced the preappeal process that allows applicants to obtain review of their finally rejected applications by a panel of examiners to determine whether there were issues worthy of appeal. See New Pre-Appeal Brief Conference Pilot Program, 1296 Off. Gaz. Pat. Office 67 (July 12, 2005). Similarly in 2007, the PTO proposed sweeping new rules that, in part, limited the ability of applicants to file requests for continued examination and continuation applications. Although these rules were voided by the federal courts, the trend in PTO policy likely will drive practitioners to appeal more rejected applications.

Additional appeals are also likely to arise as a result of the U.S. Supreme Court's landmark decision *KSR v. Teleflex*, 127 S. Ct. 1727 (2007). For years, examiners were given a strict test to follow when determining whether a patent claim was obvious. They basically were required to find a reference that provided a "teaching, suggestion, or motivation" to combine the multiple references they had identified as the basis for their rejection. In *KSR*, the Supreme Court found that this test, referred to as the "TSM test" was too rigid, and that greater flexibility was needed when forming "obviousness" rejections.

This greater flexibility is likely to increase the number of appeals, as examiners and applicants adjust to the new paradigm. Applicants accustomed to the stricter TSM test will likely take some time to adapt to the looser standards mandated by the Supreme Court. Examiners with higher thresholds for

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patentability will have a stronger basis for maintaining their positions. Until a more complete body of jurisprudence from the Federal Circuit or the board is developed, it is likely that more applicant-examiner impasses will exist, resulting in more appeals.

Additionally, legal questions of patentability are becoming more subjective at a time when the PTO is relying on newly hired, and less experienced, examiners. To keep up with the ever-increasing pace of patent application filings, the PTO has been hiring a large number of examiners. In 2007 alone, the PTO hired more than 1,200 entry-level patent examiners. 73 Fed. Reg. 14230-14231 (March 17, 2008). More than one-third of the PTO's 6,000 examiners have been on the job for less than two years. See Rick Merritt, "Administration Softens Position On Patent Reform," EETimes, April 4, 2008, www.eetimes.com/news/latest/showArticle.jhtml?articleID=207001888. Many experienced examiners have both a thorough understanding of the law and their field of technology, as well as experience at working with applicants to help obtain a valuable and valid patent. More junior examiners lack the experience to comfortably play a collaborative role. The failure of applicants and examiners to work together could contribute to a rise in appeals filings.

Greater flexibility as a result of 'KSR' will like increase appeals.

Recently, the board has undergone substantial changes, mostly directed to becoming a more visible agency review panel. Until 1998, decisions of the board were not published. However, with the publication of patent applications came the ability of the board to begin publishing its opinions as an organized body of decisions. Routine and organized publication of opinions has allowed the statistical measuring of board decisions. The board posts its own statistics at www.uspto.gov/web/offices/dcom/bpai/index.html, giving a breakdown of its dispositions in categories of affirmed, affirmed-in-part, reversed and remanded; breakdowns along the lines of technology groups and issues, such as enablement and obviousness, are made available from time to time by interested academics.

More important than the raw statistics was the publication of the reasoning and fact finding applied by the board. Early on, published opinions

were sometimes accused of being terse and favoring a quick resolution rather than presenting a clear and complete reason for the decision. In some cases, the substantive action of the opinion was a statement acknowledging the correctness of the examiner's reasoning and adopting that reasoning by reference. Efficiency and speed were keys to success of a busy board that suffered a backlog that at times stretched back several years.

Board now publishes its opinions as well as statistics.

Increased deference

At about the same time that opinions became largely public, the Federal Circuit, in *In re Zurko*, 142 F.3d 1447 (Fed. Cir. 1998), took up the issue of how much deference the courts should offer decisions from the board. Before *Zurko*, the Federal Circuit had reviewed decisions of the board essentially de novo. After *Zurko*, the court looks for decisions that present full and reasoned explanations. The board must set forth its findings and the grounds, as supported by the agency record, and explain its application of the law to the found facts. *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002). With *Zurko*, the bar was raised for the thoroughness of board decisions, and the board has made great efforts to rise to the challenge.

The board has begun publishing opinions it designates as precedential. Publication of Opinions of the Board of Patent Appeals and Interferences 1314 Off. Gaz. 4 (Dec. 27, 2006) (pub'd Jan. 23, 2007). Up until 2007, a precedential decision from the board was quite a rarity. Moreover, until recently the PTO stood fast on the position that decisions of the board were not precedential unless so designated, and routine opinions had no binding effect. Thus, to date, patent prosecution has rarely involved citing to opinions of the board. In a Jan 23, 2007, notice, the PTO stated that it was increasing the transparency of board decision making by increasing the number of board opinions that may be cited during prosecution.

As of 2007, the board began designating opinions and contested case orders as falling into one of three categories: precedential, informative and routine. Precedential opinions bind subsequent decisions of the board. To become precedential, an opinion must be adopted by a majority of the panel,

the chief administrative patent judge, a majority of voting administrative patent judges and the director of the PTO. These decisions are sent to case-reporting services. Informative opinions are not binding, but illustrate norms of board decision-making for the public, the patent-examining corps and future board panels. Informative opinions and orders may explain best practices, address recurring problems, identify developing areas of the law, exemplify types of decisions underrepresented in commercial case-reporting services or report cases of public interest. Routine opinions may be cited for whatever persuasive value they may have but, as a general matter, should be cited sparingly. Given the thousands of opinions and orders produced each year at the board, most opinions will be published as routine. All opinions will be published unless the opinion is subject to confidentiality protections under 35 U.S.C. 122(a) or secrecy under 35 U.S.C. 181.

It is likely that precedential opinions will have substantial influence during arguments with the examining corps. The board has long administered itself as an agency review board that reviewed allegations by applicants of examiner error. Consequently, the board's role is to identify and correct examiner error, which it now does through decisions that are clear, based on thorough fact finding and now are public and in some cases precedential. The APJs, in many ways, are supervisors who oversee the daily work of the examining corps, including the work and decisions of the more senior members of that corps, who in turn often are supervising the daily work of many more junior members of the corps. As such, precedential opinions represent decisions by the supervising body of the examining corps as to how certain issues related to patentability are to be decided. These decisions more clearly represent the immediate state of PTO policy than decisions from the Federal Circuit, which often are made years after the PTO has changed its internal position on a legal issue.

Moving forward, understanding the board will be crucial to effective prosecution. Practitioners should make monitoring decisions of the board a routine practice. Knowledge of precedential opinions will be a useful tool in obtaining the broadest patent protection for applicants.

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