

PENNSYLVANIA INTELLECTUAL PROPERTY FORUM
201 NORTH JACKSON STREET • MEDIA • PENNSYLVANIA • 19063
PHONE: (610) 891-0668 • FAX: (610) 891-0655
EMAIL: IPFORUM@YARBROUGHILAW.COM

March 17, 2004

VIA FACSIMILE
Hon. Orrin G. Hatch
Chairman
Committee on the Judiciary
United States Senate
224 Dirksen Senate Office Building
Washington, DC 20510

Re: Pennsylvania Intellectual Property Forum

Dear Sen. Hatch,

This letter is to advise you of our concerns relating to the U.S. Patent and Trademark Office and the pending fee bill (H.R. 1561).

The Pennsylvania IP Forum is an organization of patent practitioners and intellectual property attorneys located principally in Southeastern Pennsylvania. While some of us represent large entities, all of us represent individual inventors and small entities. Large entities already have significant advocates in Washington. Our purpose is to provide a voice to individual inventors and small entities that otherwise would not be heard.

A. The Pennsylvania IP Forum has the following concerns:

1. H.R. 1561 disproportionately affects small business.

While we agree that the Patent and Trademark Office ("PTO") needs a dedicated funding source and additional revenues, we do not believe that the burden should fall disproportionately on small business. Vast differences exist between the length, complexity and time required to prepare and hence to review different patent applications. Although exceptions always will exist, individuals and small businesses generally produce shorter and simpler applications while large businesses generally produce lengthier and more complex applications. H.R. 1561 provides some recognition of the disparity in applications by providing a discount to small business. Nonetheless, we believe that the discount does not adequately reflect reality and that small business, particularly individual inventors and businesses with only a few employees, will subsidize large businesses under H.R. 1561.

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Large businesses easily can afford the fee increases. Small businesses and individual inventors frequently operate on a shoestring and will be disproportionately affected by the increased fees. Fees can, and will, be a significant barrier to the development and protection of intellectual property by small business. The net result will be less innovation by small business and individual inventors and a less competitive economy.

2. The PTO routinely ignores its duty to consider the effect of its rulemakings on small business.

The PTO has launched several massive rulemaking proposals in recent months. In each of the rulemakings, the PTO has ignored its obligations under the Regulatory Flexibility Act (5 U.S.C. § 601 et seq.) to consider and explain the effect that each rulemaking will have on small business. Those rulemakings will have a substantial impact on patents and hence on innovation. We are concerned that the PTO is rushing to change its rules without a deliberate and extensive internal review and without fully considering the implications of its actions.

The Regulatory Flexibility Act requires that an agency evaluate and disclose the impact of a proposed regulation on small business. If there will be no impact, the head of the agency may so certify and the factual basis for the certification is required to be published in the Federal Register. See 5 USC § 605(b). In each of the recent rulemakings, the PTO has certified that there will be no impact on small business. In each of the rulemakings, **the PTO has failed to publish the factual basis for its certification.**

We believe that the PTO has failed to publish the factual basis for the certification because the certification is not true and not supportable and no factual basis exists. Attached as Appendix 1 are copies of several emails exchanged between Stuart Bowie, a member of the Pennsylvania IP Forum, and the PTO's Office of General Counsel relating to this issue. Although we have repeatedly requested that the agency supply us with the factual basis required by the Regulatory Flexibility Act for the certification, the PTO has failed to supply us with that factual basis. We can only conclude that a factual basis does not exist.

Our position is explained in detail in the attached letter to Acting Commissioner Dudas of the PTO. A copy of that letter is attached as Appendix 2. We believe that the proposed rules are void and any resulting regulations will be unenforceable due to the PTO's failure to comply with the Regulatory Flexibility Act.

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Principal among the recent proposed rulemakings is the "Changes to Support Implementation of the United States Patent and Trademark Office 21st Century Strategic Plan," published at 68 Fed. Reg. 53816 (September 12, 2003). This rulemaking proposes substantial and important changes to the patenting system. The ability of interested persons to comment on this rulemaking, or to even know that they are interested persons, is substantially impaired by the PTO's failure to comply with the Regulatory Flexibility Act. The comments that the Pennsylvania IP Forum submitted relating to that rulemaking are attached as Appendix 3.

B. Actions we request:

1. H.R. 1561

We request that H.R. 1561 be amended to reduce its effect on small business. At a minimum, the discount to small business should apply to all fees, including petition fees. The power of the PTO to create new categories of fees by regulation should be curtailed. If the PTO incorrectly takes an action that causes an applicant to incur a fee, such as a petition fee, the PTO should be required to reimburse the applicant for the fee and for the applicant's reasonable attorney's or agent's fees in responding to the PTO action.

We request that an additional category of 'micro' businesses be created against which only nominal fees are assessed. A reasonable cutoff point for a 'micro' business would be, say, 20 employees. Such a category would serve to foster innovation among the youngest and most entrepreneurial businesses with the least ability to pay substantial fees.

We submit that Congress should impose upon any government agency which seeks to impose cost-based fees on taxpayers an absolute burden to present verifiable financial analyses justifying the monies sought. We submit that Congress should require that the financial analyses be prepared in accordance with the most current and conservative accounting principles that U.S. businesses must follow. If the PTO has conducted no such studies, we request that such studies be conducted prior to the taking up by the Judiciary Committee of H.R. 1561 for consideration.

We request that the Judiciary Committee require the PTO to produce all studies used by the PTO to develop or justify H.R. 1561. We request that all such studies be made available to the public and made available on PTO's web site.

We believe that the PTO has not met its burden and has not justified the fee increases of H.R. 1561, particularly as those fees apply to small businesses. The

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cost of examining a patent application is directly related to the size and complexity of the application. Unless the PTO has made a valid financial analysis of its costs in handling applications based on the size and complexity of the applications and has demonstrated how that analysis supports each newly proposed fee, we submit that the PTO has not met its burden and the fee request should be denied.

2. Regulatory Flexibility Act

We request that the PTO be held to the letter of Regulatory Flexibility Act and should be required to carefully consider the effect of its rulemakings on small business. We petition that the Judiciary Committee investigate the PTO's failure to comply with the Act and the PTO's failure to publish the factual basis for its conclusions. We further request that the Committee not accept unsupported conclusions by the PTO that there will be no effect on small business.

Thank you for your attention to this matter.

Respectfully,



Robert J. Yarbrough
Chairman,
Pennsylvania Intellectual Property Forum

Cc:

Sen. Charles E. Grassley	Sen. Patrick J. Leahy
Sen. Arlen Specter	Sen. Edward M. Kennedy
Sen. Jon Kyl	Sen. Joseph J. Biden, Jr.
Sen. Mike DeWine	Sen. Herbert Kohl
Sen. Jeff Sessions	Sen. Diane Feinstein
Sen. Lindsay Graham	Sen. Russell D. Feingold
Sen. Larry Craig	Sen. Charles E. Schumer
Sen. Saxby Chamblis	Sen. Richard J. Durbin
Sen. John Cornyn	Sen. John Edwards

Members of the House Committee on the Judiciary, Subcommittee on Courts, the Internet, and Intellectual Property
Hon. Jon W. Dudas, Acting Under Secretary and Acting Director, PTO
Mr. Thomas Sydnor, Esquire

MSN Hotmail -



wypat77@hotmail.com

Printed: Wednesday, March 17, 2004 4:06 PM

From : <BOWPAT77@aol.com>
Sent : Tuesday, January 13, 2004 10:27 PM
To : Hiram.Bernstein@USPTO.GOV
CC : BOWPAT77@aol.com, WYPAT77@HOTMAIL.COM
Subject : Re: Reg Flex Act re Strategic Plan Rulemaking

1. Would you please identify the proposed rules which you refer to as having "primary" impact.
2. Is the review under the Flexibility Act available on the web or otherwise?

Thanks for responding.

Stuart S. Bowie 1/13/04, Reg. No. 22652

P. S. IN RESPONDING, PLEASE SEND TO BOTH OF THE EMAIL ADDRESSES LISTED [AOL + HOTMAIL].

<http://sea2fd.sea2.hotmail.msn.com/cgi-bin/getmsg?curmbox=F174284525&a=a92b768c8...> 3/17/2004

MSN Hotmail -



wypat77@hotmail.com

Printed: Wednesday, March 17, 2004 4:09 PM

From : <BOWPAT77@aol.com>
Sent : Wednesday, January 14, 2004 2:19 PM
To : Jennifer.Simmons@USPTO.GOV
CC : BOWPAT77@aol.com, WYPAT77@HOTMAIL.COM
Subject : 68 FED. REG. 53816, 53844-"Small Business Regulatory Enforcement Fairness Act"

Dear Attorney Simmons:

1. I phoned Mr. Bernstein at 1.15 PM today and he advised that he had forwarded my email inquiry to him of 1/13/04 to your attention at the office of the solicitor. (His email to me was responding to my fax to Mr. Spar sent earlier on 1/13/2004.)
2. By this email, I am requesting that PTO provide support for the 5 USC 605(b) waiver under the "Small Business Regulatory Enforcement Fairness Act of 1996 (P. L. 104-121), 5 USC 601-612" which waiver is published at page 53844 of 68 Fed. Reg., Vol. 177, 9/12/03 which proposed many changes to PTO patent rules.
3. I recognize that this request relates to the "Notice of Proposed Rule Making" which commences at 68 Fed. reg. 53816. However, the USPTO has, as noted by Mr. Bernstein, published a 5 USC 605(b) waiver certification at page 53844.
4. Specifically, I cannot find anywhere in the 9/12/03 rule change proposal any compliance with the requirement in 5 USC 605(b) that if "the head of the agency makes a certification ... the agency shall publish such certification in the federal Register at the time of publication of the final rule, ALONG WITH A STATEMENT PROVIDING THE FACTUAL BASIS FOR SUCH CERTIFICATION".
5. However, by invoking the waiver provision of section 605(b) in the 9/12/03 publication and stating flatly that "the changes in the proposed in this notice [if adopted] would not have a significant impact on a substantial number of small entities", citing section 605(b), the USPTO must have had a factual basis for the waiver.
6. Accordingly, it is respectfully requested that the PTO send me by email or fax ASAP all documents which provide the "factual basis" required by section 605(b).

Thank you for your anticipated response. It would be especially appreciated if you would forward the "STATEMENT PROVIDING THE FACTUAL BASIS FOR SUCH CERTIFICATION" to me by return email addressed to both the above AOL and HOTMAIL addresses today, since I am meeting with other Patent Attorneys regarding this issue tomorrow. (I presume that such a Statement is readily available since the Certification has been made.)

Respectfully,
Stuart S. Bowie, Reg. No. 22652

TEL 610-565-2252, FAX 610-565-2125
DATE 1/14/04

MSN Hotmail -



wypat77@hotmail.com

Printed: Wednesday, March 17, 2004 4:10 PM

From : Simmons, Jennifer <Jennifer.Simmons@USPTO.GOV>
Sent : Thursday, January 15, 2004 9:01 AM
To : <BOWPAT77@aol.com>
CC : <WYPAT77@HOTMAIL.COM>
Subject : RE: 68 FED. REG. 53816, 53844-"Small Business Regulatory Enforcement Fairness Act"

Dear Mr. Bowie
 I am looking into your requests. I will get back with you as soon as I have the information to relay.
 Jenny Simmons

-----Original Message-----

From: BOWPAT77@aol.com [mailto:BOWPAT77@aol.com]
 Sent: Wednesday, January 14, 2004 2:20 PM
 To: Simmons, Jennifer
 Cc: BOWPAT77@aol.com; WYPAT77@HOTMAIL.COM
 Subject: 68 FED. REG. 53816, 53844-"Small Business Regulatory Enforcement Fairness Act"

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MSN Hotmail -



Printed: Wednesday, March 17, 2004 4:20 PM

wypat77@hotmail.com

From : stuart bowie <wypat77@hotmail.com>
Sent : Thursday, January 15, 2004 3:56 PM
To : Jennifer.Simmons@USPTO.GOV
CC : WYPAT77@HOTMAIL.COM, BOWPAT77@aol.com
Subject : RE: FW: Reg Flex question

Please quote the "factual basis" to which you refer. I cannot find same anywhere in the Federal Register of Sept. 12, 2003 and certainly not at the pages you cite, " 68 Fed. Reg. 53816, 53844".

Given the tremendous changes in PTO rules proposed by the PTO in the subject 68 Fed. Reg. and the fact that the comment period has closed, it is essential that the PTO provide the FACTUAL JUSTIFICATION required. Moreover, 5 USC 601 et seq. requires publication of FACTS and that requirement is not satisfied by a bald conclusion--which is all that I can find in the subject proposal.

Comments about the proposed rule changes are posted on the PTO website. You will note that many patents attorneys have commented that the proposed rules would have an extremely harsh effect on small entities. I represent small inventor entities and quite agree.

If you cannot provide the FACTUAL BASIS required by the Act, then steps will be taken to challenge the entire 9/12/03 proposed rules, including a FOIA and, if necessary court challenge to obtain a judicial resolution of the issue after appropriate discovery of the relevant PTO data employed--if any--to assess the impact on entities protected by 5 USC 601 et seq.

Your prompt response will be appreciated. Thank you.

Stuart S. Bowie, Reg. No. 22652 1/15/04

STUART S. BOWIE, 206 KNOLL ROAD, WALLINGFORD, PA 19086 TEL
610-565-2252 FAX 610-565-2125 WYPAT77@HOTMAIL.COM

>From: Jennifer.Simmons@USPTO.GOV
 >To: WYPAT77@hotmail.com
 >Subject: FW: Reg Flex question
 >Date: Thu, 15 Jan 2004 14:30:31 -0500

>

>

>

> > -----Original Message-----

> > From: Simmons, Jennifer

> > Sent: Thursday, January 15, 2004 2:28 PM

> > To: 'BOWPAT77@aol.com'; 'WYPAT77@hotmail.com'

> > Subject: Reg Flex question

> >

> > Dear Mr. Bowie,

> > I am writing in response to your email to me dated 1/14/03.

> > In accordance

> > with 5 U.S.C. 605(b), the USPTO published the factual basis supporting

> > certification under the Regulatory Flexibility Act in the Federal Register

Subj: **RE: 68 FED. REG. 53816, 53844-"Small Business Regulatory Enforcement Fairness Act**
Date: 1/15/2004 9:01:17 AM Eastern Standard Time
From: Jennifer.Simmons@USPTO.GOV
To: BOWPAT77@aol.com
CC: WYPAT77@HOTMAIL.COM

Dear Mr. Bowie

I am looking into your requests. I will get back with you as soon as I have the information to relay.
Jenny Simmons

-----Original Message-----

From: BOWPAT77@aol.com [mailto:BOWPAT77@aol.com]
Sent: Wednesday, January 14, 2004 2:20 PM
To: Simmons, Jennifer
Cc: BOWPAT77@aol.com; WYPAT77@HOTMAIL.COM
Subject: 68 FED. REG. 53816, 53844-"Small Business Regulatory Enforcement Fairness Act

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Respectfully,
Stuart S. Bowie, Reg. No. 22652

TEL 610-565-2252, FAX 610-565-2125
DATE 1/14/04

MSN Hotmail -

Page 2 of 2

> > on Sept. 12, 2003. See 68 Fed. Reg. 53816, 53844. I trust
that this
> > answers your questions.
> >
> >
> >
> > Jennifer M. Simmons
> > Associate Counsel for General Law
> > U.S. Patent and Trademark Office
> > (703) 308-7554
> >
> >