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# Disguised Patent Policymaking

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ANTONIN SCALIA  
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## DISGUISED PATENT POLICYMAKING

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*Patent Office power has grown immensely in this decade, and the agency is wielding its power in predictably troubling ways. Like other agencies, it injects politics into its decisions while relying on technocratic justifications. It also reads grants of authority expansively to aggrandize its power, especially to the detriment of judicial checks on agency action. However, this story of Patent Office ascendancy differs from that of other agencies in two important respects. One is that the U.S. patent system still remains primarily a means for allocating property rights, not a comprehensive regime of industrial regulation. Thus, the Patent Office cannot yet claim broad autonomy to make substantive political judgments. Indeed, the agency until now has wielded its power mostly in disguise. The other difference is that the era of broad Patent Office power is still in relative infancy. Recent years have seen important analytical and empirical studies of the agency's dramatic changes, but its new and controversial practices are not yet entrenched. Meaningful reform is still possible, and it is desirable. Patent Office power has grown so much so quickly in part because the political valence of that power has been obscured by a blinkered focus on technological expertise. Understanding the agency's pernicious structural choices—such as commingling separately delegated powers in order to evade judicial review and stacking adjudicatory panels to reach desired outcomes—in terms of politicization reveals significant risks of injury upon the agency's ability to make credible commitments, and also illuminates potential solutions.*

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## INTRODUCTION

The Patent Office has begun to make policy in disguise, with enough success that the pretense may not be needed much longer. The power of the agency has reached a high-water mark, and although some of the most important and troubling effects of this administrative ascendancy were unintended, they were not unforeseeable. For more than a third of a century, institutional primacy in the patent system lay in the courts, especially the U.S. Court of Appeals for the Federal Circuit. Over the same period, however, Congress diminished this judicial primacy three times in favor of growing agency power, most recently in the 2011 America Invents Act. The relatively benign nature of the first two diminishments, together with an incomplete understanding of how they relate to the third, explain much about why the agency's power has now started to grow unchecked.

Prior reallocations of power away from the judiciary and to the agency rested on broad legislative consensus. Even in the AIA, the creation of robust agency proceedings by which administrative judges in the USPTO Patent Trial and Appeal Board could revoke previously issued patents rights was a deliberative, if dramatic, choice by Congress. However, the most recent and aggressive expansions of Patent Office power have come from inside the agency itself. Upon receiving specific grants of discretion from Congress, the Patent Office has advanced expansive interpretations of those grants, reflecting ever broader claims of its own power. At their most extraordinary, these claims include the power to stack panels of administrative judges to reach desired outcomes in individual cases. The agency has stacked panels in a number of cases and even multiple times within individual cases. The agency also claims the power to make far-reaching decisions about vested patent rights with absolute immunity from judicial review. The pattern of aggrandizement in the agency's positions, especially before its supervisors in the Federal Circuit, is unmistakable.

What has been less clear, until now, is why Congressional action in this power transfer has been so one-sided. Historically, the justifications for enlarging Patent Office power and for creating and endowing the Federal Circuit's own considerable power were the same: expertise. The Federal Circuit was created in 1982 out of a desire for nationally uniform appellate oversight in patent litigation, which had previously been fragmented across regional circuits. Uniformity would come from a single court with exclusive appellate jurisdiction, populated by judges who were

experts in patent doctrine. Since then, a number of Federal Circuit judges have also brought substantive expertise in science and technology.

Meanwhile, the first grant to the Patent Office of power broadly to reevaluate already-issued patents came in 1981 with the creation of *ex parte* reexamination. Power over patent validity previously belonged primarily to Article III courts, but the relatively greater expertise of the Patent Office promised faster, cheaper, and more accurate decisions than those of generalist district judges and juries. Even more than the Federal Circuit, the agency had clear expertise in the science and technology of the inventions being patented as well as in the doctrinal details of patent law.

Subsequent enlargements of Patent Office power relied on the same claim of expertise, especially scientific expertise. The system of *inter partes* reexamination created in the 1999 American Inventors Protection Act and the suite of trial-like administrative adjudications created in the 2011 America Invents Act all held up the agency's expertise as a reason to empower it further. Indeed, the AIA in particular was explicitly substitutionary in ways that the preceding reexamination systems were not. The Patent Office did not only receive broader power but now received it at the expense of the courts. In many contexts, parties could choose one forum or the other, but either choice now foreclosed the other. Patent power became more of a zero-sum game, and expertise was the stated justification.

The blinkered focus on expertise, however, has obscured until now another important principle that animates the Patent Office's claims to expansive power and does much to explain the agency's behavior, even its initial success. That principle is the direct injection of politics and policy preferences into patent law. The Patent Office has suffered from a well-known history of being denied autonomy in matters of substantive patent law and policy. This history, which includes a lack of *Chevron* deference on legal matters and intrusive judicial review even on factual matters, set the agency apart from most of the modern administrative state. Meanwhile, the transformations that the AIA brought about were a sea change in the systemic role of the Patent Office. Legislative and academic opinion were focused on agency expertise, with no corresponding political account of agency power to impose principled limits, creating the opportunity for a clean break from past practice.

The effects of this break are profound. The Patent Office stands to make considerable institutional gains from its aggrandizements. Foremost among these gains is the freedom to engage in structural and, eventually, substantive policymaking with little or no judicial competition from

district courts or supervision from the Federal Circuit. Indeed, the initial balance in this power struggle is mixed but presently tips in the agency's favor. At the same time, recent Patent Office practices inflict significant injury to stable property rights in the patent system, to the ability of Congress and of the agency itself to make credible commitments to innovators and consumers, and to the future of judicial safeguards in the patent system. If realized, the gains may be short-lived or not, but the injuries are likely to be long-lasting.

To be sure, one may reasonably ask what is so fundamentally troubling about an administrative agency exercising political power and making policy in its own domain. Even the tendency of agencies to aggrandize their power is well-theorized and easy to identify precisely because this tendency is widespread. Why is Patent Office power different?

For one thing, it is unlike decades-old regimes such as securities regulation or telecommunications that, at times, also present concerns of unchecked agency power. The revocation of patent rights through administrative trial proceedings under the AIA is only a few years old. The system's current scale was much larger than predicted, its eventual scale still unknown, and its eventual reach still untested. For scholars and institutional designers who have been present at the creation, therefore, the best time to curb Patent Office aggrandizement is now, after detailed empirical information about the system and its effects has become available—but before its more dubious precedents become too strongly entrenched to reverse.

The other, more fundamental difference is that the Patent Office's disempowered past is also its present. Though the agency may wish to move away from its past subordination to the Federal Circuit, Congress has made no such move. Patent law historically denied the Patent Office substantive rulemaking authority and the judicial deference that comes with it. Congress considered proposals to change this in the AIA, but rejected them. Congress could have committed more of the administrative trial process to the agency's discretion, but did not do so. What politically inflected powers the Patent Office did receive were specific and more limited than how it actually exercises those powers. For the agency now to try and squeeze elephants into these mouseholes is inappropriate.

Given these likely systemic injuries and the unpersuasive counter-arguments that support the Patent Office's conduct, a political explanation and evaluation of agency power that goes beyond expertise alone is necessary. This Article provides that explanation and evaluation, offering

the first detailed critique of recent Patent Office aggrandizements to make policy in disguise.

Part One details the offending practices. First, it traces the agency's startling admissions about stacking administrative panels, inconsistent and shifting justifications for it, and the ways in which panel-stacking has worked. Then it turns to the agency's attempts to evade judicial review, first by colorably interpreting ambiguous nonappealability statutes and then by relying on early victories to stake out more implausible terrain. Part Two evaluates the effects of these practices, identifying particular agency benefits as well as systemic harms. It also explores alternatives to judicial review for policing Patent Office excesses and concludes that these alternatives are ultimately inadequate.

Building on these descriptive and normative premises, Part Three then explains how the Patent Office was able to engage in these successful and attempted expansions of its own power. It begins with the traditional account of expertise as the reason why power over patent validity should be reallocated from courts to the agency, finding this account incomplete. It continues with a discussion of politics and policy preferences as an increasingly salient explanation for Patent Office power, including even legislative indications that these values should, within limits, play a role in patent law. It turns next to a discussion of the agency's especially pernicious choice to commingle the separate powers of screening and adjudication, which Congress delegated separately in the AIA, in a single administrative decision making body. It concludes with focal points for reforming the current system of disguised patent policymaking so that the validity of patent rights is adjudicated more coherently, and the Patent Office exercises its power in a more principled and accountable way.

## I. AGENCY AGGRANDIZEMENT IN PATENT LAW

This Part discusses the two principal ways in which the Patent Office has exercised questionable power in its adjudicatory processes. Both have inappropriately displaced judicial authority, that of the U.S. district courts as well as that of the Federal Circuit, and both are best understood as political claims to power in the guise of technocratic administration. Subpart A discusses panel-stacking, the practice of changing the makeup of certain Patent Office panels of administrative judges to reach desired outcomes. Subparts B–D discuss a progression of related efforts by the Patent Office to insulate itself from judicial review in the Federal Circuit and from competition with the U.S. district courts for patent validity cases.

### A. STACKING ADMINISTRATIVE-JUDGE PANELS

The systematic push to enlarge Patent Office power in administrative adjudication, free from judicial interference, is a phenomenon in progress. The first and most troubling symptom of this enlargement is a pattern of opaquely political Patent Office decision making. In cases where USPTO leadership has been dissatisfied with an administrative panel's initial decision, the agency's practice has been to reconfigure the panel with additional agency judges and rehear the case to produce a more desirable outcome. Though the impropriety of changing an adjudicatory tribunal's composition for result-oriented reasons is intuitive, the particular benefits that the agency seems to see for itself through this approach are less obvious,<sup>1</sup> and the particular systemic harms that result are bound up with the structural details of the agency's patent validity review system.<sup>2</sup>

The Patent Trial and Appeal Board is the Patent Office unit that hears administrative challenges to patent validity, whether *inter partes* review, covered business method review, or post-grant review.<sup>3</sup> These three types of proceedings were established by the AIA to provide a more vigorous reevaluation of the validity of patents that the agency has already issued.<sup>4</sup> Due to a number of institutional and structural factors, the initial review that patent applications receive from agency examiners tends, in close cases, to err on the side more of granting undeserving patents than of denying deserving ones.<sup>5</sup> Meanwhile, correcting patent errors through the federal courts is perceived to be unduly costly, protracted, prone to error, and hard to access due to Article III standing and the declaratory judgment

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<sup>1</sup> See *infra* Part II.A.1.

<sup>2</sup> See *infra* Part II.B.1.

<sup>3</sup> 35 U.S.C. §§ 316(c), 326(c).

<sup>4</sup> Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, Strategic Decision Making in Dual PTAB and District Court Proceedings, 31 Berkeley Tech. L.J. 45, 51 (2016) [hereinafter "Strategic Decision Making"].

<sup>5</sup> This is the subject of a wide-ranging analytical and empirical literature. For representative discussions of the analytical issues, see, e.g., Sean B. Seymore, The Presumption of Patentability, 97 Minn. L. Rev. 990 (2013); Jonathan Masur, Patent Inflation, 121 Yale L.J. 470 (2011); Melissa F. Wasserman, The PTO's Asymmetric Incentives: Pressure to Expand Substantive Patent Law, 72 Ohio St. L.J. 379 (2011); Mark A. Lemley, Rational Ignorance at the Patent Office, 95 Nw. U. L. Rev. 1495 (2001). For representative empirical discussions, see, e.g., Michael D. Frakes & Melissa F. Wasserman, Does the U.S. Patent and Trademark Office Grant Too Many Bad Patents?: Evidence from a Quasi-Experiment, 67 Stan. L. Rev. 613 (2015); Michael D. Frakes & Melissa F. Wasserman, Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO's Granting Patterns, 66 Vand. L. Rev. 67 (2013).



cause of action, among other constraints.<sup>6</sup> The AIA review proceedings allow these issues to be resolved in adversarial litigation before administrative patent judges who must be “persons of competent legal knowledge and scientific ability”—i.e., who must understand both the technological details of patented inventions and the doctrinal details of patent law.<sup>7</sup>

In hearing cases challenging patent validity, the PTAB must sit in panels of “*at least 3 members.*”<sup>8</sup> The Director and Deputy Director of the Patent Office as well as the Commissioners for Patents and Trademarks are, by statute, members of the PTAB in addition to the administrative patent judges themselves.<sup>9</sup> The power to grant rehearing rests exclusively in the PTAB, and the power to designate members of a PTAB panel belongs to the Director.<sup>10</sup>

Thus, expanding a panel for a rehearing seems, on first impression, to be within the power of the Director, who is a member of the PTAB and is empowered to designate members of a PTAB panel. Yet a series of cases has revealed both the questionable way in which the Patent Office actually exercises these powers and the agency’s shifting justifications for its practice. The agency first confirmed its result-oriented panel-stacking during a December, 2015, oral argument in the *Yisum* case:

Judge Taranto: And, anytime there has been a seeming other outlier, you’ve engaged the power to reconfigure the panel so as to get the result you want?

Patent Office: Yes, your Honor.

Judge Taranto: And, you don’t see a problem with that?

Patent Office: Your Honor, the Director is trying to ensure that her policy position is being enforced by the panels.<sup>11</sup>

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<sup>6</sup> See Vishnubhakat, et al., Strategic Decision Making, *supra* note 4, at 50–64 (summarizing the evolving preference in U.S. patent law for administrative, rather than judicial, error-correction).

<sup>7</sup> 35 U.S.C. § 6(a).

<sup>8</sup> *Id.* § 6(c) (emphasis added).

<sup>9</sup> *Id.* § 6(a).

<sup>10</sup> *Id.* § 6(c).

<sup>11</sup> Audio Transcript of Oral Argument at 47:20, *Yisum Research Development Co. of the Hebrew University of Jerusalem v. Sony Corp.*, Nos. 2015-1342, 2015-1343 (Fed. Cir. Dec. 7, 2015), [www.perma.cc/S6AQ-C6EE](http://www.perma.cc/S6AQ-C6EE).

The motivation to implement policy preferences through adjudication rather than through rulemaking is not itself problematic, especially as the Patent Office lacks substantive rulemaking authority.<sup>12</sup> To the extent that Congress has empowered the agency to “speak with the force of law”<sup>13</sup> through formal adjudicatory authority, incremental policymaking through adjudication may be not only permissible, but preferable. The propriety of doing so by changing a panel’s composition, however, is not as clear, as Judge Taranto’s subsequent questions in *Yissum* suggest:

- Judge Taranto: The Director is not given adjudicatory authority, right, under § 6 of the statute? That gives it to the Board.
- Patent Office: Right. To clarify, the Director is a member of the Board, but your Honor is correct—
- Judge Taranto: But after the panel is chosen, I’m not sure I see the authority there to engage in case-specific readjudication from the Director after the panel has been selected.
- Patent Office: That’s correct, once the panel has been set, it has the adjudicatory authority and the—
- Judge Taranto: Until, in your view, it’s reset by adding a few members who will come out the other way?
- Patent Office: That’s correct, your Honor. We believe that’s what *Alappat* holds.<sup>14</sup>

The agency’s reliance on the 1994 *In re Alappat* decision is notable, as the Patent Office in that case survived a challenge to a similar practice of expanding a panel of the Board of Patent Appeals and Interferences.<sup>15</sup> The BPAI was the predecessor of the PTAB and differed in important ways, making *Alappat* distinguishable from the present context. The more

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<sup>12</sup> See *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) (explaining that the Patent Act “does [not] grant the Commissioner the authority to issue substantive rules”).

<sup>13</sup> See, e.g., *United States v. Vogel Fertilizer Co.*, 455 U.S. 16, 24 (1982) (quoting *Rowan Cos. v. United States*, 452 U.S. 247, 253 (1981)). For an excellent overview of the Patent Office’s historical inability to speak with the force of law and the changes that the AIA made in that regard by creating adjudications arguably formal enough to merit judicial deference, see Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 *Wm. & Mary L. Rev.* 1959, (2013).

<sup>14</sup> Audio Transcript of Oral Argument in *Yissum*, *supra* note 11.

<sup>15</sup> 33 F.3d 1526 (Fed. Cir. 1994).

basic weakness of relying on *Alappat*, however, is that the Federal Circuit did not actually address the due process challenge in that case but merely dismissed it as waived.<sup>16</sup> That the due process concerns associated with panel-stacking remain a live issue and raise serious questions about the rule of law became clear during another oral argument, this time in the *Wi-Fi One* case:

- Judge Wallach: The situation I described to your esteemed colleague where, in effect, the Director puts his or her thumb on the outcome—shenanigan or not? It's within the written procedures.
- Patent Office: So, your hypothetical is the Director stacks the Board?
- Judge Wallach: Yeah, more than a hypothetical. It happens all the time. It's a request for reconsideration with a larger panel.
- Patent Office: That's within the Director's authority. The makeup of the Board to review the petition is within the Director's authority. Whether that rises to the level of shenanigans or not—
- Judge Wallach: Aren't there fundamental rule of law questions there, basic things like predictability and uniformity and transparency of judgments and neutrality of decision makers? And don't we review that kind of thing?<sup>17</sup>

Indeed, these rule-of-law concerns are of a piece with Federal Circuit unease about other peculiarities in the PTAB's practices, such as selecting certain meritorious portions of petitions for review, denying other portions as being "redundant," and claiming absolute immunity from judicial review or even from explaining the contours of a "doctrine of redundancy."<sup>18</sup> Writing separately in *Shaw Industries v. Automated Creel*, for example, Judge Reyna concluded in that context that the claim of the Patent Office "to unchecked discretionary authority is unprecedented."<sup>19</sup>

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<sup>16</sup> Id. at 1536.

<sup>17</sup> Audio Transcript of Oral Argument at 26:37, *Wi-Fi One, LLC v. Broadcom Corp.*, Nos. 2016-1944, -1945, -1946 (Fed. Cir. May 4, 2016), [www.perma.cc/CN9M-CGP7](http://www.perma.cc/CN9M-CGP7).

<sup>18</sup> See generally Saurabh Vishnubhakat, *The Non-Doctrine of Redundancy*, 33 *Berkeley Tech. L.J.* (forthcoming), [www.ssrn.com/abstract=3200781](http://www.ssrn.com/abstract=3200781).

<sup>19</sup> *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1302 (Fed. Cir. 2016) (Reyna, J., concurring).

The Patent Office then replied more cautiously when pressed about panel-stacking during the June, 2016, oral argument in the *Nidec* case:

- Judge Reyna: What kind of uniformity or certainty do we have in that where the PTAB can look at a prior decision and say, “Well we don’t like that, let’s jump back in there and change that?”
- Patent Office: Well—
- Judge Wallach: How does the Director choose which judge to assign to expand the panel?
- Patent Office: That’s provided, your Honor, by our standard operating procedure. And, the Chief Judge actually makes that decision. And, the judges are selected based on their technical and legal competency. And, over the years, many, many panels at the Board have been expanded. In fact if you looked at the thirty—
- Judge Reyna: Are they selected on whether they’re going to rule in a certain way?
- Patent Office: Well, people can be placed on the panel—for example, the Director can place him- or herself on the panel, and certainly the Director knows how they’re going to rule. *Nidec* has not said—and they say at their blue brief at page 43 that they don’t challenge the independence of these judges on this panel. These judges were not selected and told to make a particular decision. If judges could be told to make a particular decision, there would be no need to expand a panel in the first place.<sup>20</sup>

The agency’s assurance of decisional independence for its administrative judges is, indeed, quite important and would do much to reduce concerns about “predictability and uniformity and transparency of judgments and neutrality of decision makers.”<sup>21</sup>

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<sup>20</sup> Audio Transcript of Oral Argument at 25:27, *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, No. 2016-2321 (Fed. Cir. June 8, 2016), [www.perma.cc/S6AQ-C6EE](http://www.perma.cc/S6AQ-C6EE).

<sup>21</sup> See supra note 17 and accompanying text.

However, this account rings hollow in light of the repeated panel-stacking in *Target v. Destination Maternity*.<sup>22</sup> In that case, the original panel consisted, as usual, of three judges.<sup>23</sup> As the decision drew near, the PTAB on its own initiative expanded the panel to five judges to avoid an anticipated unsatisfactory outcome by the three-judge panel.<sup>24</sup> The PTAB's standard operating procedure for panel-stacking provides for exactly this sort of *sua sponte* expansion.<sup>25</sup> The panel need not await a request for rehearing: the choice to expand may come before a decision by the current panel.<sup>26</sup>

But in *Target*, the plan failed at first. Even the expanded five-judge panel reached what the agency leadership considered the wrong outcome. The only way this could have happened, of course, was that all three judges originally on the panel had been planning to rule this way in light of the evidence and argument. Indeed, this is just what happened. The PTAB added two judges to the panel, apparently hoping to sway one of the original three and thus produce a 3–2 decision going the other way. None of the three were swayed, however, and the result was a 3–2 decision that frustrated the agency's first, preemptive attempt at panel-stacking.<sup>27</sup>

Granting rehearing over the objection of the three original judges, the PTAB added yet another two judges to the panel, for a total of seven, so that a 4–3 decision that was satisfactory to the agency leadership could be assured.<sup>28</sup> Even then, the three judges on the original panel, finally outnumbered, still issued a dissent adhering to their original position<sup>29</sup> just as they had dissented from the re-stacked panel's order granting rehearing at all.<sup>30</sup>

The sum of these illustrations of Patent Office panel-stacking is that the ostensibly neutral and independent adjudicatory process that the AIA put in place has been overlaid with a system of adjustments and distortions that are much more outcome-driven in nature and much more beholden to the agency's political hierarchy than a narrative of impartial technocracy

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<sup>22</sup> No. IPR2014-00508 (Pat. Tr. & App. Bd., filed Mar. 14, 2014).

<sup>23</sup> See Order on the Conduct of the Proceeding, *Target Corp.*, No. IPR2014-00508 (Paper 4, Mar. 25, 2014).

<sup>24</sup> *Id.* (Paper 18, Sept. 25, 2014).

<sup>25</sup> PTAB Standard Operating Procedure 1, *supra* note 179, pt. III(A)(3).

<sup>26</sup> *Id.*

<sup>27</sup> *Target Corp.*, No. IPR2014-00508 (Paper 18, Sept. 25, 2014).

<sup>28</sup> *Id.* (Paper 31, Feb. 12, 2015).

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* (Paper 28, Feb. 12, 2015).

might suggest. What the Patent Office might stand to gain from panel-stacking—notably, but not exclusively, *Chevron* deference—is discussed below,<sup>31</sup> as are the systemic costs that the practice might impose<sup>32</sup> and the analytical reasons why the agency might plausibly think itself authorized to decide cases this way at all.<sup>33</sup> The more immediate lesson is that the details of panel-stacking reveal an admitted pattern of Patent Office policymaking in the guise of adjudication, and a desire to implement political judgments using a process built on the rhetoric of the agency’s technical expertise.

## B. RESISTING REVIEW OF CASE SELECTION

Panel-stacking reflects an enlargement of Patent Office power that has unfolded primarily inside the agency (though later implications like *Chevron* deference do look outward to the judiciary). At the same time, the Patent Office has also directly aggrandized itself in the courts, on the issue of judicial review itself, through a series of procedural choices that push beyond the text and structure of the AIA. The Supreme Court approved one of these choices in 2016, as this Subpart discusses. The *en banc* Federal Circuit disapproved a second in early 2018, as Subpart C explains next. The third and most recent just failed in the Supreme Court, creating considerable disruption in PTAB administration, as Subpart D addresses. These attempted aggrandizements mark a significant shift away from the court-agency allocation of power that Congress put in place through the AIA.

The first of the Patent Office’s efforts at insulating itself from judicial scrutiny of PTAB review was in the context of evaluating PTAB petitions for merit and deciding whether even to proceed with review. This was a natural starting point because the AIA itself gives the Patent Office some discretion to screen cases and, importantly, makes those discretionary determinations “final and nonappealable.”<sup>34</sup> The eventual dispute on this issue would turn on the scope and extent of this discretion and of the insulation of screening-related decisions from judicial review.

In the early days of AIA reviews, particularly *inter partes* review, the PTAB quickly received a reputation for allowing a large majority of petitions to proceed through the screening phase and into merits

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<sup>31</sup> See *infra* Part II.A.1.

<sup>32</sup> See *infra* Part II.B.1.

<sup>33</sup> See *infra* Part III.

<sup>34</sup> 35 U.S.C. §§ 314(d), 324(e).

adjudication.<sup>35</sup> Among petitions for *inter partes* review, the PTAB granted review as to at least one challenged claim in the patent for 84 percent of petitions.<sup>36</sup> Among those petitions that the PTAB selected, the eventual rate of patent cancellation was also quite high: one early estimate found that in 77 percent of cases that reached a final decision on the merits, all of the disputed claims in the patent were invalidated.<sup>37</sup>

The latter finding was to be expected. The PTAB's legal criterion for selecting cases is a sufficient likelihood that at least one of the challenged claims of the patent will successfully be invalidated.<sup>38</sup> Thus, it stands to reason that cases actually selected for review will tend to reflect outcomes in that direction.

The former finding, however—a high rate of acceptance through the screening process itself—was less self-evident. One possibility was that the set of patents that petitioners would initially be expected to challenge in the PTAB were subject to selection effects.<sup>39</sup> For example, this is true of disputes that parties litigate in court rather than resolve by settlement.<sup>40</sup> On this view, the early cohort of patents that petitioners chose to challenge, especially in *inter partes* review, were low-hanging fruit and unusually vulnerable to invalidation.<sup>41</sup>

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<sup>35</sup> See, e.g., R. David Donoghue, “3 Benefits Of Parallel District Court Litigation And IPR,” Law360 (June 9, 2014); Tony Dutra, Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill, BNA Pat. Trademark & Copyright L. Daily, Oct. 29, 2013 (recounting the opinion of former Federal Circuit Chief Judge Rader that PTAB judges are “acting as death squads, killing property rights”); Michelle Carniaux & Michael E. Sander, Claims Can Survive Inter Partes and Covered Business Method Review (But Few Do), IPR Blog (Apr. 7, 2014), [www.interpartesreviewblog.com/claims-can-survive-inter-partes-covered-business-method-review/](http://www.interpartesreviewblog.com/claims-can-survive-inter-partes-covered-business-method-review/) (arguing that the PTAB is “where patent claims go to die”); See Gregory Dolin, Dubious Patent Reform, 56 B.C. L. Rev. 881, 926–27 (2015) (arguing that the PTAB makes it “too easy to invalidate a duly issued patent”).

<sup>36</sup> Vishnubhakat, et al., Strategic Decision Making, supra note 4 at 78; Brian J. Love & Shawn Ambwani, Inter Partes Review: An Early Look at the Numbers, 81 U. Chi. L. Rev. Dialogue 93, 100 (2014).

<sup>37</sup> Love & Ambwani, supra note 36, at 94.

<sup>38</sup> 35 U.S.C. §§ 314(a), 324(a).

<sup>39</sup> Gregory Dolin & Irina D. Manta, Taking Patents, 73 Wash. & Lee L. Rev. 719, 756 (2016).

<sup>40</sup> See generally George Priest & Benjamin Klein, The Selection of Disputes for Litigation.

<sup>41</sup> Jarrad Wood & Jonathan R. K. Stroud, Three Hundred Nos: An Empirical Analysis of the First 300+ Denials of Institution for Inter Partes and Covered Business Method Patent Reviews Prior to In re Cuozzo Speed Technologies, LLC, 14 J. Marshall Rev. Intell. Prop. L. 112, 142 (2015); Robert Green Sterne, Sterne Kessler, PTAB Death Squads: Are All Commercially Viable Patents Invalid?, IPWatchdog (Mar. 24, 2014,

Another important source of the PTAB's observed leniency in screening petitions, however, was its lax interpretation of the requirement that a petition must identify each of its challenges with "particularity."<sup>42</sup> Controversy arose over this interpretation because the Patent Office did not merely claim the power to screen and select cases without judicial interference at the time of screening. Rather, the agency argued that its screening was not subject to judicial supervision at any time, even after a final agency action.<sup>43</sup> Two competing views arose about the propriety of this interpretation.

One view was that the nonappealability of the decision whether to institute review meant merely that a litigant, particularly an aggrieved patent owner who was being drawn into a review proceeding, could not obtain an interlocutory appeal of the agency's decision to proceed.<sup>44</sup> In other words, a patent owner's right not to be subjected to an unmeritorious patent validity challenge was not protected by the courts. Indeed, if such a "right not to stand trial" existed, then by definition it would have to be redressed up front through interlocutory review or not at all.

However, review would remain available later of all issues, on the basic administrative law principle that intermediate issues merge into an agency's final order on the merits.<sup>45</sup> This would include review of screening-related decisions that may have overlapped analytically with the adjudication of merits or that may have implicated statutory limits on the agency's authority.<sup>46</sup> For a petitioner who was incorrectly denied review, meanwhile, there would be no distinction between interlocutory or final-judgment review. The PTAB decision not to proceed would simply end the case with no appeal.

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1:42 PM), [www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/](http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/).

<sup>42</sup> 35 U.S.C. § 312(a)(3) (requiring that a petition must identify, "in writing and *with particularity*, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim") (emphasis added).

<sup>43</sup> Brief for the Respondent in Opposition, *Cuozzo Speed Techs., LLC v. Lee* 6, No. 15-446 (Sup. Ct., Dec. 11, 2015).

<sup>44</sup> *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1291 (Fed. Cir. 2015) (Newman, J., diss.); Brief for the Petitioner, *Cuozzo Speed Techs., LLC v. Lee* 46, No. 15-446 (Sup. Ct., Feb. 22, 2016). A petitioner to whom the PTAB had denied review was, of course, similarly unable to appeal the unfavorable decision, but strictly speaking, such a review would not have been interlocutory; the decision not to proceed would have been a final agency action otherwise subject to judicial review.

<sup>45</sup> E.g., *F.T.C. v. Standard Oil Co. of California*, 449 U.S. 232, 246 (1980).

<sup>46</sup> Brief for the Petitioner, *Cuozzo*, *supra* note 44, at 46–48.



The other, more expansive view was that the nonappealability of the PTAB’s screening decision barred more than just interlocutory review: the screening decision was unreviewable even after a final decision by the PTAB on the merits of the case.<sup>47</sup> In defending the PTAB’s practice, this latter expansive position was the view of agency power that the Patent Office took before the Federal Circuit.<sup>48</sup> It remained the view of agency power that the Solicitor General, in coordination with the Patent Office, took before the Supreme Court.<sup>49</sup>

The upshot of the agency’s argument was not only to immunize itself from immediate judicial interference with the PTAB’s actual decision to proceed with a review or not. That much the statute itself unambiguously provided. The agency’s approach also immunized it from judicial scrutiny of additional legal issues related to the screening process, including express statutory limits on the circumstances under which a petition “may be considered” at all by the agency<sup>50</sup>—like the requirement that such consideration was available “only if” the petition satisfied the particularity requirement.<sup>51</sup>

The Supreme Court in *Cuozzo v. Lee* ultimately ruled in favor of the Patent Office, concluding that the particularity requirement was merely an ordinary element of the screening of petitions, and its analytical proximity to the screening decision swept this legal question into the ambit of unreviewable agency discretion.<sup>52</sup> The Court majority in *Cuozzo* also expressed concern that allowing eventual judicial review over agency enforcement of the particularity requirement would hamper the ability of the Patent Office to “revisit and revise earlier patent grants” efficiently.<sup>53</sup>

Although the Court’s concern about efficient reevaluation of patent validity was well founded, it is questionable whether vindicating that concern required the far-reaching outcome in *Cuozzo*. For example, the more modest view of nonappealability, as a bar on interlocutory review,

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<sup>47</sup> *Cuozzo*, 793 F.3d 1268, 1273 (Fed. Cir. 2015) (concluding “that § 314(d) prohibits review of the decision to institute IPR even after a final decision”).

<sup>48</sup> Brief for Intervenor—Director of the United States Patent and Trademark Office, In re *Cuozzo Speed Techs., LLC*, at 30–33, No. 2014-1301 (Fed. Cir., June 5, 2014).

<sup>49</sup> Brief for the Respondent, *Cuozzo Speed Techs., LLC v. Lee*, at 44–50, No. 15-446 (Sup. Ct., Mar. 23, 2016).

<sup>50</sup> 35 U.S.C. § 312(a).

<sup>51</sup> *Id.* § 312(a)(3).

<sup>52</sup> *Cuozzo*, 136 S. Ct. 2131, 2139 (explaining that “the legal dispute at issue is an ordinary dispute about the application of certain relevant patent statutes concerning the Patent Office’s decision to institute inter partes review”).

<sup>53</sup> *Id.* at 2139–2140.

would also have protected PTAB adjudications from disruptive scrutiny. The Federal Circuit would not have been able to step in before the PTAB had a chance to conduct its review of the merits in a case. Eventual review of the initial screening decision may, at the margin, have allowed a final agency decision to “be unwound under some minor statutory technicality.”<sup>54</sup> Still, the Court seemed not to appreciate that this sort of problem would likely arise only in early appellate reversals. The agency would learn quickly—indeed, would be forced to learn quickly—from these unwindings and would conform to its supervising court’s precedents.

Ultimately, the Court’s desire not to undercut the important legislative objective of efficient patent validity reevaluation proved too much. By this reasoning, which Justice Alito articulated in dissent, the Court could “do away with judicial review whenever [it thought] that review makes it harder for an agency to carry out important work.”<sup>55</sup> Congress did give the Patent Office significant new power to reevaluate patent validity, but also prescribed certain means and proscribed certain others in reaching that objective.<sup>56</sup>

Finally, the Court’s conception of the actual relationship between screening and adjudication repays close scrutiny. In response to the argument that the Patent Office had improperly accepted a petition that was not pled with the necessary particularity, the Court concluded that complaints regarding the quality or adequacy of evidence (i.e., issues related to adjudicating the merits of an argument) “can always be recast as a complaint that the . . . presentation was incomplete or misleading” (i.e., recast as issues related to screening the viability of an argument).<sup>57</sup> In other words, the Court recognized that screening the likely viability of a petition and adjudicating its merits overlap considerably, and the danger of sweeping adjudication-related issues into the domain of screening is real, with the availability of judicial review at stake. However, rather than err prudently on the side of judicial oversight as the presumption of reviewability would counsel,<sup>58</sup> the Court took otherwise reviewable adjudication-related issues and placed them alongside screening-related issues, beyond the ability of courts to discipline.

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<sup>54</sup> Id. at 2140.

<sup>55</sup> Id. at 2151 (Alito, J., diss.)

<sup>56</sup> Id. (recounting that “no legislation pursues its purposes at all costs”) (citing *Rodriguez v. United States*, 480 U.S. 522, 525–526 (1987) (per curiam)).

<sup>57</sup> Id. at 2142 (citing *United States v. Williams*, 504 U.S. 36, 54 (1992) (internal quotations omitted)).

<sup>58</sup> Id. at 2150 (Alito, J., diss.) (“If a provision can reasonably be read to permit judicial review, it should be.”).

On its own terms, the *Cuozzo* opinion reflected potential limits on how much unreviewable discretion the Patent Office actually has. Review may still be available, or not, for (1) “appeals that implicate constitutional questions,” (2) “that depend on other less closely related statutes,” or (3) “that present other questions of interpretation that reach, in terms of scope and impact, well beyond [the nonappealability statute].”<sup>59</sup> Still, the practical reach of the *Cuozzo* decision remains unclear. How analytically separable from the institution decision can a statutory provision be and still be treated as a screening-related issue that the courts cannot review?

### C. RESISTING REVIEW OF STATUTORY BOUNDARIES

The first substantial answer to this question came from a decision of the *en banc* Federal Circuit about another statutory limit on the power of the Patent Office to reevaluate patent validity. The case, *Wi-Fi One, LLC v. Broadcom Corp.*,<sup>60</sup> pertained to the one-year time limit within which a defendant who is charged in a civil action with infringing a patent must bring a petition for *inter partes* review of that patent or else forgo agency adjudication entirely.<sup>61</sup>

The one-year time bar at issue in *Wi-Fi One* was an apt test of how far the Court’s logic in *Cuozzo* could extend in practice. Like the particularity requirement at issue in *Cuozzo* itself, the one-year time bar could be understood either as a screening-related issue beyond the reach of judicial review. It could also, more properly, be understood as an analytically distinct statutory limit on the agency’s power to adjudicate patent validity—power that is, indeed, subject to judicial review. The Federal Circuit’s own precedent on the question treated the one-year time bar as unreviewable.<sup>62</sup> The Patent Office agreed and sought to follow its success in *Cuozzo* with even broader scope for nonappealability.

The *en banc* question presented was whether to overrule the governing panel precedent.<sup>63</sup> A decisive 9–4 majority did overrule it, holding that the PTAB’s application of the one-year time bar is, indeed, subject to judicial review.<sup>64</sup>

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<sup>59</sup> Id. at 2141.

<sup>60</sup> 851 F.3d 1241 (Fed. Cir. 2017) (granting *en banc* rehearing).

<sup>61</sup> 35 U.S.C. § 315(b).

<sup>62</sup> *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).

<sup>63</sup> 851 F.3d 1241, 1241.

<sup>64</sup> *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1367 (Fed. Cir. 2018) (*en banc*).

The dispute in *Wi-Fi One* implicated an important distinction between screening PTAB petitions and adjudicating them.<sup>65</sup> The availability of administrative review in the Patent Office as a substitute for federal-court litigation has direct effects both on individual case outcomes and on the patent system more generally. It was necessary, therefore, for the Federal Circuit to take into account these effects of Patent Office validity reviews because the Court in *Cuozzo* had emphasized these sorts of functional considerations in deciding whether judicial review is available.<sup>66</sup> Indeed, the substitution of Patent Office proceedings for the traditional modes of federal court resolution was not merely Congress’s intended use for the AIA. It is also the result actually observed in practice.

Litigants use *inter partes* review and covered business method review as strategic substitutes for litigation in two important ways.<sup>67</sup> One is the standard model of substitution, in which a defendant sued in district court for infringing a patent brings a petition in the agency to challenge that patent.<sup>68</sup> In contrast to this defensive posture is the nonstandard model of substitution, in which a party brings a preemptive challenge against a patent on which it has not yet been sued.<sup>69</sup> Litigants use each form of substitution differently, with variation across technology and other factors.<sup>70</sup> These differences also rest in significant part on statutory boundaries that the AIA drew between courts and the Patent Office.<sup>71</sup> The one-year time bar of § 315(b) is one of the most important of these boundaries, which force a choice between seeking administrative review or proceeding in an Article III court.<sup>72</sup>

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<sup>65</sup> The arguments summarized in this Subpart are more fully developed in a related article, see Saurabh Vishnubhakat, *The Porous Court-Agency Border in Patent Law*, 51 *Akron L. Rev.* 1069 (2018) [hereinafter “Porous Court-Agency Border”], as well as in an amicus curiae brief filed in the *Wi-Fi One* case itself, see Brief of Amici Curiae Professors of Patent and Administrative Law in Support of Neither Party, *Wi-Fi One, LLC v. Broadcom Corporation*, Nos. 15–1944, –1945, –1946 (Fed. Cir., Feb. 23, 2017), [www.ssrn.com/abstract=2923316](http://www.ssrn.com/abstract=2923316) [hereinafter “Professors’ Amicus Brief in *Wi-Fi*”].

<sup>66</sup> See *Cuozzo*, 136 S. Ct. 2131, 2141 (distancing the Court’s decision on the issue of particularity from other legal issues based on their potential “scope and impact”).

<sup>67</sup> Vishnubhakat, et al., *Strategic Decision Making*, supra note 4, at 64–77. Litigants use post-grant review in essentially the same ways, to a lesser but growing extent. See generally Saurabh Vishnubhakat, *The Youngest Patent Validity Proceeding: Evaluating Post-Grant Review*, 24 *Tex. Intell. Prop. L.J.* 333 (2016) [hereinafter “Youngest Patent Validity Proceeding”].

<sup>68</sup> Vishnubhakat, et al., *Strategic Decision Making*, supra note 4, at 49.

<sup>69</sup> *Id.*

<sup>70</sup> *Id.*

<sup>71</sup> Vishnubhakat, *Porous Court-Agency Border*, supra note 65, at 3–5.

<sup>72</sup> *Id.*

As to degrees of usage, standard petitioners account for a large majority (70 percent) of those who seek *inter partes* review.<sup>73</sup> Similarly, among all the patents being challenged in PTAB review, a large majority (87 percent) are also simultaneously being asserted in court litigation.<sup>74</sup> Meanwhile, the 30 percent of those seeking *inter partes* review who are nonstandard petitioners nevertheless constitute a substantial minority.<sup>75</sup> Of particular salience to these different levels of use between standard and nonstandard petitioning is coordination among those who mount administrative patent challenges. The nature of their coordination reveals that the Patent Office is the locus of significant collective action in a way that courts have long been unable to achieve.

Because a patent invalidation judgment in court renders the patented invention free not only to the successful challenger but to all others,<sup>76</sup> even those would-be free riders who did not contribute to the challenge, such judgments become a type of public good.<sup>77</sup> Meanwhile, those who are positioned to mount court challenges to patent validity at all must satisfy stringent Article III standing requirements.<sup>78</sup> Their “particularized stake” in the patent, on which their standing to sue rests, is often of a piece with their incentives to appropriate the full value of their investments in litigation—and tend to exclude those would-be challengers who might raise patent challenges in what they see as the broader public interest.<sup>79</sup> A single challenger or a small group of challengers is unlikely ever to fully capture the value of its successful judicial decree of patent validity, and economic theory suggests that collective action against questionable patents will likely be undersupplied.<sup>80</sup> By allowing Patent Office validity challenges with no standing requirement, the AIA has lowered the entry cost of engaging in this sort of collective action.<sup>81</sup>

The way in which this collective action in Patent Office proceedings actually plays out is through the PTAB’s joinder rules, which authorize the

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<sup>73</sup> Vishnubhakat, et al., *Strategic Decision Making*, supra note 4, at 73.

<sup>74</sup> *Id.* at 69.

<sup>75</sup> *Id.* at 73.

<sup>76</sup> *Blonder-Tongue Labs. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971).

<sup>77</sup> Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 *Berkeley Tech. L.J.* 667, 687–688 (2004).

<sup>78</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

<sup>79</sup> Michael J. Burstein, *Rethinking Standing in Patent Challenges*, 83 *Geo. Wash. L. Rev.* 498, 536–537 (2015). See also Sapna Kumar, *Gene Patents and Patient Rights*, 35 *Whittier L. Rev.* 363, 370–372 (2014) (discussing the problem of standing specifically in challenging genetics- and genomics-related patents).

<sup>80</sup> Miller, supra note 77, at 687–688; Burstein, supra note 79, at 542–548.

<sup>81</sup> Vishnubhakat, et al., *Strategic Decision Making*, supra note 4, at 49–50.

Director to consolidate into a single case any other party that has properly filed a petition of its own warranting review.<sup>82</sup> Across the population of *inter partes* reviews generally and especially in certain technology areas, there is considerable joinder among standard and nonstandard petitioners. For example, for drug and medical-related patents, 48.5 percent of *inter partes* review petitioners are standard petitioners acting in a defensive posture.<sup>83</sup> In the same technology, however, 70.8 percent of the *inter partes* review petitions actually filed had at least one standard petitioner associated with it.<sup>84</sup> Similarly, the observed petitioners-petition disparity for mechanical-related patents is 53.1 percent versus 70.2 percent.<sup>85</sup> These large joinder gaps suggest that nonstandard petitioners join petitions that standard petitioners have filed.<sup>86</sup>

Such joinders are permitted, of course, only if each underlying petition “warrants the institution of *inter partes* review under section 314.”<sup>87</sup> In other words, whether standard or nonstandard, every petition must satisfy, among other things, the one-year time bar of § 315(b) in order to be considered for joinder. The statutory boundaries between courts and the Patent Office give direct shape to the strategic uses that litigants make of these administrative proceedings.

As a result, in the language of *Cuozzo*, the “scope and impact” of the one-year time bar extend necessarily beyond the walls of the Patent Office and into the courts.<sup>88</sup> Ensuring compliance with the one-year time bar is certainly a necessary element of how the Patent Office must screen petitions, and this may suggest that the agency should enjoy unreviewable discretion in the matter. However, the larger power-allocation function that the one-year time bar serves as between the courts and the agency counsels strongly in favor of judicial review. This functional approach, for better or worse, was one that the Court itself articulated in *Cuozzo*.<sup>89</sup>

What was clear after *Cuozzo* was that, for a statutory limit on the Patent Office’s screening power to be judicially reviewable, the limit had to be more than just analytically separable from the screening decision itself; it had to be separable by enough.<sup>90</sup> By concluding that the one-year

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<sup>82</sup> 35 U.S.C. §§ 315(c), 325(c).

<sup>83</sup> Vishnubhakat, et al., Strategic Decision Making, *supra* note 4, at 102–103.

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Id.* at 74.

<sup>87</sup> 35 U.S.C. § 315(c).

<sup>88</sup> *Cuozzo*, 136 S. Ct. 2131, 2141.

<sup>89</sup> *Id.* at 2141. See also Vishnubhakat, Porous Court-Agency Border, *supra* note 65.

<sup>90</sup> The *Cuozzo* majority might call it sufficiently “less closely related.” *Id.* at 2141.

time bar is, indeed, separable by enough—and is accordingly subject to judicial review—the *en banc* Federal Circuit produced two important benefits. First, it did much to clarify what the necessary and sufficient conditions are for that separability. Second, it placed a necessary brake on the Patent Office campaign of enlarging its sphere of nonappealability, though that campaign still had one further engagement.

#### D. RESISTING REVIEW OF ADJUDICATORY OBLIGATIONS

While the Federal Circuit was considering *Wi-Fi One*, the Supreme Court considered yet another case that implicated the agency’s conflation of screening with adjudication. At issue in *SAS Institute Inc. v. Iancu*<sup>91</sup> was the statutory requirement that the PTAB, as adjudicator, “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.”<sup>92</sup> Indeed, although the dispute in *Wi-Fi One* was quite well suited to testing the analytical reach of *Cuozzo*, the question on which the Court granted certiorari in *SAS Institute* directly exposed what the Patent Office actually gained by conflating the power to screen petitions with the power to adjudicate them.

The contested agency practice in *SAS Institute* was the routine issuance by the PTAB of final written decisions that address only some of the patent claims that the petitioner challenged.<sup>93</sup> In its exercise of screening power, the PTAB frequently granted a petition in part and denied it in part, proceeding with review only as to certain patent claims or grounds.<sup>94</sup> At the end of trial, the PTAB’s final written decision adjudicated only those patent claims upon which the agency had initially granted review.<sup>95</sup> The remaining patent claims from the initial petition, which had been filtered out up front, were not addressed. The Patent Office argued that it was free to cherry-pick from petitions and to adjudicate fewer than all of the claims the petitioner had challenged.<sup>96</sup> Governing Federal Circuit precedent said the same, including the panel decision in the *SAS Institute* case itself.<sup>97</sup>

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<sup>91</sup> 138 S. Ct. 1348.

<sup>92</sup> 35 U.S.C. § 318(a).

<sup>93</sup> *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1352 (Fed. Cir. 2016).

<sup>94</sup> 37 C.F.R. § 42.108 (providing that “the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim”).

<sup>95</sup> *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016).

<sup>96</sup> *SAS Institute*, 138 S. Ct. 1348, 1351–1352.

<sup>97</sup> *SAS Institute*, 825 F.3d 1341, 1352–1353.

The Court rejected the position of the Patent Office and Federal Circuit, holding that the practice of partial institution was outside the statutory limits of the agency’s authority.<sup>98</sup> Accordingly, the Court also held that the necessary scope of PTAB final written decisions cannot be narrowed by filtering out claims and arguments at the front end.<sup>99</sup> And to reach both of these conclusions, the Court concluded as an initial matter that even though partial institution arose squarely in the exercise of the agency’s screening power, that alone did not render the practice unreviewable.<sup>100</sup> Under the framework of *Cuozzo*, the issue of partial institution represented agency action “in excess of statutory jurisdiction, authority, or limitations” and so was well within the “strong presumption in favor of judicial review.”<sup>101</sup>

As in *Cuozzo* and *Wi-Fi One*, what was notable about the framing of *SAS Institute* was neither the argument of the petitioner<sup>102</sup> nor the controlling Federal Circuit precedent that was sought to be overturned. Instead, it was the litigation position of the Patent Office—this time, about its underlying obligation of full and reasoned decision making.

The agency argument went essentially like this. Every administrative trial that results in a final written decision has gone through an initial screening. That initial screening and the resulting choice to proceed are immune from judicial review, including any agency choice to proceed as to part of the petition rather than all of it. Therefore, if the final written decision omits discussion of any part of the petition, that omission is unreviewable because it originates in the agency’s unreviewable screening choices.<sup>103</sup> Put another way, the Patent Office argued that even a statutory requirement pertaining directly to adjudication—which is subject to ordinary judicial review—can be made unreviewable by connecting some aspect of the adjudicatory task to the earlier threshold screening task.

This remarkable claim of agency power had appeared before. In the now-controlling Federal Circuit case that approved partial final written decisions by the PTAB, *Synopsys, Inc. v. Mentor Graphics Corp.*, the

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<sup>98</sup> *SAS Institute*, 138 S. Ct. 1348, 1359.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.* at 1359–1360.

<sup>101</sup> *Id.* at 1359.

<sup>102</sup> In this case, *SAS Institute* was both the PTAB petitioner seeking *inter partes* review in the PTAB and, eventually, the petitioner seeking certiorari in the Supreme Court. Petition for a Writ of Certiorari, *SAS Institute Inc. v. Matal* at 4–5, No. 16-969 (Sup. Ct., Jan. 31, 2017).

<sup>103</sup> See Brief for the Federal Respondent, *SAS Institute Inc. v. Matal*, No. 16-969 (Sup. Ct., Sept. 5, 2017).



Patent Office did not merely argue that its practice was entitled to deference under the *Chevron* doctrine for its reasonable resolution of ambiguous statutory language.<sup>104</sup> Foremost, the agency argued that even the scope of its adjudication was unreviewable and that there was no jurisdiction even to hear the appeal.<sup>105</sup> The Federal Circuit disagreed, and the *Synopsys* precedent that SAS Institute went on to challenge rested primarily on a theory of *Chevron* deference amid competing constructions of the statute prescribing final written decisions.<sup>106</sup>

The competing statutory constructions also implicated the presumption that agency actions are reviewable, in the same way as Justice Alito’s dissent in *Cuozzo* had explained. The Federal Circuit in *Synopsys* gave great weight to the seeming difference in text between the screening and adjudication statutes for *inter partes* review.<sup>107</sup> The former provides that a petition shall not be accepted for review absent a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the *claims challenged in the petition*.”<sup>108</sup> The latter provides that a final written decision must address “any patent claim *challenged by the petitioner* and any new claim added under section 316(d).”<sup>109</sup> The latter also makes the issuance of a final written decision conditional, requiring it “[i]f an *inter partes* review is instituted and not dismissed under this chapter.”<sup>110</sup>

From these provisions, both the Patent Office and the Federal Circuit had inferred legislative intent that patent claims on which a final written decision is required are different from patent claims that undergo initial screening. The reasoning was that Congress had used the phrase “claims challenged by the petitioner” to distinguish from “claims challenged in the petition.”<sup>111</sup> To reach this conclusion, however, the Federal Circuit had ignored the rest of the statutory text. Because the patent owner itself may introduce amended patent claims during the proceeding,<sup>112</sup> the final written decision must address not only what was initially challenged in the

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<sup>104</sup> *Synopsys*, 814 F.3d 1309, 1316 (citing *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984)).

<sup>105</sup> *Id.* at 1314; Brief for Intervenor–Director of the United States Patent and Trademark Office, *Synopsys, Inc. v. Mentor Graphics Corp.* 14–15, Nos. 2014-1516, 2014-1530 (Fed. Cir., Feb. 25, 2015).

<sup>106</sup> *Synopsys*, 814 F.3d 1309, 1316.

<sup>107</sup> *Id.* at 1314–15.

<sup>108</sup> 35 U.S.C. § 314(a) (emphasis added).

<sup>109</sup> 35 U.S.C. § 318(a) (emphasis added).

<sup>110</sup> *Id.*

<sup>111</sup> *Synopsys*, 814 F.3d 1309, 1315.

<sup>112</sup> 35 U.S.C. § 316(d).

patent (and subjected to screening), but also what was later amended into the patent. Thus, a more immediately sensible reading is that Congress used the phrase “claims challenged by the petitioner” to distinguish from new claims added by the patent owner—and to clarify that the final written decision must address both. The upshot of this reading was that screening and adjudication would remain analytically separate, and adjudication would remain subject to judicial review.

Similarly, the Federal Circuit had taken the conditional phrase “[i]f an inter partes review is instituted” and inferred from it that Congress intended to limit final written decisions not merely to cases that are instituted, but to the extent that they are instituted.<sup>113</sup> This, too, ignored the language that comes next. Another sensible reading was that Congress intended not to require final written decisions where review was dismissed through, e.g., settlement.<sup>114</sup> This would have reflected a sound desire for economy in PTAB resources. Indeed, the statute that governs settlement of *inter partes* review directly invokes judicial economy by providing for termination “unless the Office has decided the merits of the proceeding before the request for termination is filed.”<sup>115</sup> The upshot of this reading was also that screening and adjudication would remain analytically separate, and adjudication would remain subject to judicial review.

On both lines of reasoning, then, the statute governing final written decisions could reasonably—indeed, most sensibly—have been read in a way that respects the presumption of reviewability. For that reason alone, the Court’s eventual decision in *SAS Institute* was correct.<sup>116</sup> If instead the Patent Office’s resurrected argument from *Synopsys* had prevailed, it would have been difficult to imagine what meaningful sphere of judicial supervision could long remain over administrative patent validity review. It is straightforward to connect PTAB screening to any number of downstream adjudicatory issues. If this logic could put even ordinary requirements of complete and reasoned agency decision making beyond the reach of courts, then the statute furthest from initial screening would be “closely related” enough under *Cuozzo* to preclude review. Either such an outcome would have been a significant misreading of *Cuozzo*, or else the Court’s assurances in *Cuozzo* would, indeed, have rung hollow.

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<sup>113</sup> See *Synopsys*, 814 F.3d 1309, 1315 (concluding that this conditional phrase in the statute “strongly suggests that the ‘challenged’ claims referenced are the claims for which inter partes review was instituted, not every claim challenged in the petition”).

<sup>114</sup> See 35 U.S.C. § 317(a).

<sup>115</sup> *Id.*

<sup>116</sup> See *Cuozzo*, 136 S. Ct. 2131, 2150 (Alito, J., diss.) (“If a provision can reasonably be read to permit judicial review, it should be.”).

## II. EFFECTS OF AGGRANDIZED AGENCY POWER

Part One recounted the agency’s trajectory of self-aggrandizement at the expense of the courts, both through administrative panel-stacking to reach desirable case outcomes and through increasingly expansive positions about its immunity from judicial review. This Part reveals just what the agency stands to gain from these unusually aggressive policies, as well as what systemic harms these policies inflict. Subpart A discusses the benefits that accrue to the Patent Office, benefits that largely work to solidify recent enlargements of the agency’s power. Subpart B discusses several systemic harms that these agency choices have imposed and continue to impose. Subpart C explores alternatives other than judicial review that might be expected to discipline questionable Patent Office choices but concludes that these are inadequate in a system where patent rights are managed through a decentralized process of adjudication.

### A. RESULTING AGENCY BENEFITS

Both sets of benefits to the Patent Office are roughly the same. The agency has used panel-stacking as a basis for *Chevron* deference, signaling an important departure from recent practice. The persistent and increasingly broad arguments about nonappealability are similarly aimed at securing greater autonomy from the courts, but simply under the heading of unreviewable discretion rather than deference.

#### 1. *Chevron* Deference from Panel Stacking

An important effect of Patent Office aggrandizement is that the agency has begun using panel-stacking as a basis to seek *Chevron* deference for PTAB decisions. This marks a shift in Patent Office policy, which until recently had been characterized by a reluctance to “expend political capital in generating *Chevron*-ready opinions.”<sup>117</sup> The necessary and sufficient conditions within the PTAB for *Chevron* deference to apply are contested.<sup>118</sup> Still, the Patent Office procedures for designating PTAB

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<sup>117</sup> Stuart Minor Benjamin & Arti Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 *Duke L.J.* 1561, 1588 (2016).

<sup>118</sup> See *id.* at 1581–1584 (summarizing the debate over whether “adjudications overseen by agency heads and/or treated as precedential by the agency” are the only adjudications that merit *Chevron* deference). The discussion that follows is adapted from Professors Benjamin and Rai’s summary.

opinions as precedential likely satisfy these conditions.<sup>119</sup> The practice of panel-stacking likely does not.

The familiar starting points for whether *Chevron* is applicable are a delegation by Congress of authority for an agency to “speak with the force of law” and an exercise by the agency of that authority.<sup>120</sup> In practice, speaking with the force of law may impose a high bar for adjudicatory orders, as Thomas Merrill and Kristin Hickman have proposed.<sup>121</sup> On this view, the order must be binding not only on the parties involved but also on others inside the agency, i.e., must be reviewed by the agency head and carry precedential force upon other agency adjudications.<sup>122</sup> Alternatively, adjudicatory orders deserve *Chevron* deference virtually routinely, as Cass Sunstein has proposed.<sup>123</sup> On this view, the order need bind only the parties involved, as adjudicatory orders generally do.<sup>124</sup> This debate is also the subject of a circuit split. At one side are the Second, Ninth, and Tenth Circuits consistent with Merrill and Hickman’s approach.<sup>125</sup> At the other side is the Eleventh Circuit consistent with Sunstein’s approach.<sup>126</sup>

As applied to the Patent Office, John Golden has argued that the more strict standard is appropriate for routine PTAB opinions and that such opinions would likely fail under receive *Chevron* deference.<sup>127</sup> Benjamin and Rai agree to some extent, as routine PTAB opinions “resemble the sort of uncoordinated decision making process that *Mead* identified as an indicator of decisions that lack the force of law.”<sup>128</sup> They ultimately conclude, however, that the Patent Office Director’s necessary review and approval in designating PTAB opinions as precedential does make *those*

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<sup>119</sup> *Id.* at 1584.

<sup>120</sup> *United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001).

<sup>121</sup> Thomas W. Merrill & Kristin E. Hickman, *Chevron’s Domain*, 89 *Geo. L.J.* 833 (2001).

<sup>122</sup> *Id.* at 908.

<sup>123</sup> Cass R. Sunstein, *Chevron Step Zero*, 92 *Va. L. Rev.* 187 (2006).

<sup>124</sup> *Id.* at 222.

<sup>125</sup> Benjamin & Rai, *supra* note 117, at 1582–1583 (citing *Lin v. U.S. Dep’t of Justice*, 416 F.3d 184 (2d Cir. 2005); *Lagandaon v. Ashcroft*, 383 F.3d 983 (9th Cir. 2004); *Olson v. Fed. Mine Safety & Health Review Comm’n*, 381 F.3d 1007 (10th Cir. 2004)).

<sup>126</sup> *Id.* at 1583 (citing *Fla. Med. Ctr. of Clearwater, Inc. v. Sebelius*, 614 F.3d 1276 (11th Cir. 2010)).

<sup>127</sup> John Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 *Duke L.J.* 1655, 1663 (2016).

<sup>128</sup> *Id.*

opinions eligible for *Chevron* even under the more stringent view of *Mead* that Merrill, Hickman, and Golden take.<sup>129</sup>

The case of panel-stacking is murkier. The statutory authority of the Director includes the ability to designate PTAB panels of “at least” three PTAB members.<sup>130</sup> Similarly, the Director and other agency leadership are themselves members of the PTAB by statute.<sup>131</sup> This suggests, on first impression, that politically motivated designations of additional judges for rehearings may be acceptable. But apart from whether the Federal Circuit’s approval of this practice’s predecessor under the facts of *Alappat* remains viable in the current structure of the Patent Office—and there is reason to believe it does not<sup>132</sup>—panel-stacking is also a dubious means for developing the institutional coherence needed to speak with the force of law.

Yet this is precisely what the Patent Office has argued. One example is *Yissum*, the first of the three above-discussed cases in which the agency confirmed its panel-stacking practice to the Federal Circuit.<sup>133</sup> The Patent Office in that case sought *Chevron* deference for its interpretation of how the statutory joinder and one-year time bar statutes interact in *inter partes* review proceedings.<sup>134</sup> The joinder statute gives discretion to the Director to join as a party to an instituted *inter partes* review “any person who properly files a petition” that, in the Director’s view, would itself have warranted review.<sup>135</sup> The one-year time bar, meanwhile, does not apply to “a request for joinder.”<sup>136</sup>

Patent owner *Yissum* distinguished between the joinder of parties contemplated by the statute and the joinder of arguments, which is unmentioned.<sup>137</sup> *Yissum* argued that the agency had previously granted late motions to join arguments but lately had “flipped and then flopped,”

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<sup>129</sup> Benjamin & Rai, *supra* note 117, at 1584.

<sup>130</sup> 35 U.S.C. § 6(c).

<sup>131</sup> 35 U.S.C. § 6(a).

<sup>132</sup> See *infra* Part II.B.1.

<sup>133</sup> See *supra* note 11 and accompanying text.

<sup>134</sup> Brief for Intervenor–Director of the United States Patent and Trademark Office, *Yissum Research Development Co. of the Hebrew University of Jerusalem v. Sony Corp.*, Nos. 2015-1342, 2015-1343 (Fed. Cir., June 25, 2015).

<sup>135</sup> 35 U.S.C. § 315(c).

<sup>136</sup> 35 U.S.C. § 315(b).

<sup>137</sup> Brief for Appellant 32–33, *Yissum Research Development Co. of the Hebrew University of Jerusalem v. Sony Corp.*, Nos. 2015-1342, 2015-1343 (Fed. Cir., Apr. 20, 2015).

holding that the statute late joinder of arguments was impermissible.<sup>138</sup> The result, Yissum urged, was an inconsistent agency position that was undeserving of *Chevron* deference.<sup>139</sup>

The Patent Office maintained that its consistently held position was to permit the late joinder of arguments. Its supposed flip to forbidding such late joinders came from a panel decision in *Target Corp. v. Destination Maternity Corp.*<sup>140</sup> Recognizing the inconsistency, the agency leadership granted rehearing and expanded the panel to reach the opposite, correct outcome.<sup>141</sup> By this account, even if panel-stacking is problematic on its own terms, it seems to be an effective vehicle for ensuring uniformity in implementing the policy preferences of the Director.<sup>142</sup> To that extent, at least, the agency might have spoken consistently enough for the *Chevron* deference that it sought.

One problem with this account is that it requires a party request for rehearing.<sup>143</sup> As the Patent Office conceded in its briefing for *Yissum*, the PTAB did deny late joinder in another case as being statutorily impermissible—and that case remained uncorrected.<sup>144</sup> The petitioner in that proceeding declined to seek rehearing, apparently denying the PTAB “the same opportunity to ensure consistency.”<sup>145</sup> If true, it is certainly questionable for an agency decision’s precedential force to be held hostage to litigant strategy in this manner.

An even more fundamental problem with the Patent Office’s account of consistency through panel-stacking is that the agency did it multiple times in the *Target* case. The original PTAB panel consisted, as usual, of three judges.<sup>146</sup> As the deadline for decision drew near, however, the

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<sup>138</sup> *Id.* The term “late motion” refers to a motion that comes after the one-year time bar of § 315(b).

<sup>139</sup> *Id.* at 33 (citing *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 515 (1994), for the proposition that “an agency’s interpretation of a statute or regulation that conflicts with a prior interpretation is entitled to considerably less deference than a consistently held agency view”).

<sup>140</sup> No. IPR2014-00508 (Pat. Tr. & App. Bd., filed Mar. 14, 2014).

<sup>141</sup> *Id.* (Paper 31, Feb. 12, 2015).

<sup>142</sup> Brief for USPTO, *Yissum*, supra note 134, at 20 (concluding that “[t]he USPTO thus has acted to ensure that its pronouncements remain consistent on this issue”).

<sup>143</sup> See 37 C.F.R. § 42.71(d) (conferring the power to seek rehearing upon a “party dissatisfied with a decision”).

<sup>144</sup> *Skyhawk Technologies, LLC v. L&H Concepts, LLC*, No. IPR2014-01485 (Pat. Tr. & App. Bd., Mar. 20, 2015) (Paper 13)

<sup>145</sup> Brief for USPTO, *Yissum*, supra note 134, at 20n.4.

<sup>146</sup> See Order on the Conduct of the Proceeding, *Target Corp.*, No. IPR2014-00508 (Paper 4, Mar. 25, 2014).

PTAB on its own initiative expanded the panel to five judges, and it was this panel who issued the supposedly aberrant decision to deny joinder.<sup>147</sup> The PTAB's internal procedures for panel-stacking do permit this sort of *sua sponte* expansion.<sup>148</sup> The panel, in fact, need not await a request for rehearing—the internal request may come even in advance of a decision by the current panel.<sup>149</sup>

Thus, the only way for the expanded five-judge panel in *Target* to have denied joinder as being impermissible was that all three judges originally on the panel were planning to rule in this way. Indeed, this is just what happened. The agency added two judges to the panel, hoping to sway one of the original three and thus produce a 3–2 decision allowing joinder. None of the three judges were swayed, however, and the result was a 3–2 decision denying joinder and frustrating the agency's first, preemptive attempt at panel-stacking.<sup>150</sup> Only upon rehearing did the agency leadership add yet another two judges to the panel so that a 4–3 decision allowing joinder could be assured.<sup>151</sup> Even then, the three judges on the original panel, now outnumbered, issued a dissent adhering to their original position<sup>152</sup> just as they dissented from the re-stacked panel's order granting rehearing at all.<sup>153</sup> This, too, calls into question the agency's claim that it has spoken with the force of law and consistently enough for *Chevron* deference.

This approach by the agency achieves its preferred results not through clear, foreordained legal criteria—nor even through clear, foreordained designations of which preferred precedents are to be followed—but simply through incrementalist political fiat. It reflects a view on the part of the Patent Office that deciding cases in an opaque manner is preferable to deciding them in a transparently political one even where the decisions themselves may have been politically defensible. This sort of *sub rosa* decision making in the guise of adjudication is not only problematic but also unnecessary. Other mechanisms already exist for singling out desirable cases for their precedential value and for offering reasoned explanations that are backed by the prevailing policy of the executive.

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<sup>147</sup> Id. (Paper 18, Sept. 25, 2014).

<sup>148</sup> USPTO, Patent Trial and Appeal Board Standard Operating Procedure 1 (Rev. 14) Assignment of Judges to Merits Panels, Interlocutory Panels, and Expanded Panels, at pt. III(A)(3), [www.perma.cc/T6RN-R68E](http://www.perma.cc/T6RN-R68E).

<sup>149</sup> Id.

<sup>150</sup> Target Corp., No. IPR2014-00508 (Paper 18, Sept. 25, 2014).

<sup>151</sup> Id. (Paper 31, Feb. 12, 2015).

<sup>152</sup> Id.

<sup>153</sup> Id. (Paper 28, Feb. 12, 2015).

## 2. Autonomy from the Courts without *Chevron*

Patent Office aggrandizement also had a second, more subtle effect for a time, though the agency has suffered some recent retrenchment. That effect is greater autonomy from judicial scrutiny outside the framework of *Chevron* or other forms of deference. The nonappealability of threshold decisions whether to institute PTAB review was undoubtedly a legislative choice aimed at shielding initial agency screening choices from disruptive judicial scrutiny prior to a final judgment.<sup>154</sup> The expansion of that nonappealability beyond initial screening, however, undermines the border that Congress put in place between the Patent Office and the Article III courts, and arrogates further power from the courts to the agency.

Expansionary influences like this are especially powerful early in a new legal regime, and often create substantial path-dependence.<sup>155</sup> By the agency's good luck, the initial years of PTAB adjudication under the AIA saw Patent Office arguments largely succeed. The first Federal Circuit case to construe the agency's nonappealable screening power was *St. Jude Medical v. Volcano Corp.*, in which the panel held that the PTAB's denial of a petition was not appealable.<sup>156</sup> On the very same day as the *St. Jude* decision, the Federal Circuit also explained that the screening power was generally beyond even the judicial power of mandamus to correct, regardless whether the PTAB had granted review<sup>157</sup> or denied review.<sup>158</sup> From these premises, it was—at least analytically—a fairly small step to hold, as the Federal Circuit panel in *Cuozzo* did hold, that PTAB decisions to proceed with review remain nonappealable even after final judgment.<sup>159</sup>

In a similar turn, the first Federal Circuit case to address whether the one-year time bar of *inter partes* review is judicially reviewable was *Achates Reference Publishing v. Apple*.<sup>160</sup> The panel in that case held that the PTAB's determinations regarding the one-year time bar were part of

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<sup>154</sup> Vishnubhakat, Porous Court-Agency Border, *supra* note 65, at 1090–1091.

<sup>155</sup> See Maxwell L. Stearns, Standing Back from the Forest: Justiciability and Social Choice, 83 Cal. L. Rev. 1309, 1349–50 (1995) (critiquing the *stare decisis* effect of privileging the view of the first court to adjudicate an issue over that of the second). See also Oona A. Hathaway, Path Dependence in the Law: The Course and Pattern of Legal Change in a Common Law System, 86 Iowa L. Rev. 601, 605–607 (2001).

<sup>156</sup> 749 F.3d 1373, 1375 (Fed. Cir. 2014).

<sup>157</sup> *In re Procter & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014).

<sup>158</sup> *In re Dominion Dealer Solutions, LLC.*, 749 F.3d 1379 (Fed. Cir. 2014).

<sup>159</sup> See 793 F.3d 1268, 1272–1273 (discussing *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76).

<sup>160</sup> 803 F.3d 652.



the exercise of its screening power and so were nonappealable.<sup>161</sup> As a result, the Federal Circuit, in a series of cases that followed, affirmed all of the agency’s applications of the time bar.<sup>162</sup> This was not because the agency was regularly correct, but because until the *en banc* reversal in *Wi-Fi One*, the Federal Circuit was bound not even to consider the issue.

The resulting autonomy for the Patent Office to act without any judicial check on its practices has been substantial. Importantly, this argument about agency autonomy from the courts is distinct from John Golden’s recent suggestion that the Patent Office can meaningfully compete with Article III courts, including the Federal Circuit, without *Chevron* deference by acting instead through the agency’s position as first mover on a range of patent law and policy questions.<sup>163</sup> Whereas Golden argues that the Patent Office can influence patent law by acting first and framing issues for judicial development, the argument developed here is that the Patent Office seeks to broaden its influence by reducing judicial oversight that would otherwise operate upon it. Thus, far from steering the court-agency dialogue in directions that the Patent Office might want, the agency’s push to interpret the PTAB nonappealability statute increasingly broadly is better understood as cutting off more and more of the dialogue altogether.

## B. RESULTING SYSTEMIC HARMS

Where the Patent Office has benefited from this sustained pattern of aggrandizement, however, the patent system has suffered several notable harms. The particular details of panel-stacking have done injury to due process, and the result-oriented posture of injecting political judgments into patent validity has likewise done injury to the property interests that inhere in patent rights. Meanwhile, both panel-stacking and the evading of judicial review have undermined the agency’s ability to make credible commitments. Finally, the Federal Circuit’s initial acceptance of agency arguments about nonappealability have weakened the long-term prospect of oversight upon the agency’s future behavior.

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<sup>161</sup> *Id.* at 653.

<sup>162</sup> See, e.g., *Click-to-Call Technologies, LP v. Oracle Corp.*, 622 Fed. Appx. 907 (Fed. Cir. 2015); *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015); *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016); *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016); *Wi-Fi One, LLC v. Broadcom Corp.*, 837 F.3d 1329 (Fed. Cir. 2016).

<sup>163</sup> John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 *Duke L.J.* 1657, 1691–1698 (2016).

## 1. Injury to Due Process

As multiple judges of the Federal Circuit have suggested, panel-stacking by the Patent Office presents a significant injury to due process in the form of “fundamental rule of law questions” such as “predictability and uniformity and transparency of judgments and neutrality of decision makers.”<sup>164</sup> Given the ascendant power of the Patent Office over the validity of already issued patents, the scale of this due process injury is correspondingly high. Thus far, the agency has defended the practice on the basis of a decision that is longstanding but of questionable relevance. That decision, *In re Alappat*,<sup>165</sup> represents a view of agency power that has possibly been overcome by intervening changes in the institutional environment of the Patent Office.

In *Alappat*, the Commissioner for Patents, then the head of the agency, directed the Board of Patent Appeals and Interferences to rehear and reverse a case.<sup>166</sup> He did so by reconstituting the panel with enough others, including himself, to outvote the three-member panel who had made the initial decision.<sup>167</sup> Patent applicant Kuriappan Alappat appealed, and the Federal Circuit affirmed the Commissioner.<sup>168</sup>

The facts of *Alappat* are similar in several respects to the current state of the agency. The BPAI as a whole is now reconstituted as the PTAB.<sup>169</sup> The political head of the agency is now the Director rather than the Commissioner for Patents.<sup>170</sup> The examiners-in-chief of “competent legal knowledge and scientific ability” who staffed the BPAI are now administrative patent judges who staff the PTAB.<sup>171</sup> And just as the political leadership of the agency were expressly members of the BPAI with authority vested in the Commissioner to designate BPAI panels, so now the leadership of the agency are members of the PTAB with authority vested in the Director to designate PTAB panels.<sup>172</sup>

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<sup>164</sup> See supra notes 11–20 and accompanying text.

<sup>165</sup> 33 F.3d 1526 (Fed. Cir. 1994).

<sup>166</sup> *Id.* at 1531–1532.

<sup>167</sup> *Id.*

<sup>168</sup> *Id.*

<sup>169</sup> 35 U.S.C. § 6 (“Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.”)

<sup>170</sup> 35 U.S.C. § 3.

<sup>171</sup> Compare 35 U.S.C. § 7(a) (1994) with 35 U.S.C. § 6(a) (2017).

<sup>172</sup> Compare 35 U.S.C. § 7(b) (1994) with 35 U.S.C. § 6(c) (2017).

However, when *Alappat* was decided, the available pool of examiners-in-chief from which three-member panels were selected were employees appointed to the competitive service.<sup>173</sup> By contrast, administrative patent judges are appointed by the Secretary of Commerce<sup>174</sup> and are “inferior Officers” with “significant functions” and “substantial powers.”<sup>175</sup> This difference between *Alappat*’s BPAI and today’s PTAB is directly relevant to the Director’s supervisory authority over the policy choices reflected in administrative panel decisions.

The desire after *Alappat* to strengthen the political oversight power of the Patent Office head and to give the agency more autonomy expressly included the experiment of allowing the Director to appoint administrative judges.<sup>176</sup> That experiment ultimately failed, and the reason was precisely that the burgeoning importance of administrative patent judges’ duties and powers required their appointment by a “Head of Department” such as the Secretary of Commerce.<sup>177</sup>

That same importance counsels in favor of decisional independence for administrative patent judges as well. Such independence need not divest the Director of his obligation and authority to “provid[e] policy direction and management supervision” for the agency.<sup>178</sup> The current process by which PTAB panels are reconfigured reasonably invokes as a justification the need “to secure and maintain uniformity of the Board’s decisions.”<sup>179</sup> For that uniformity to be obtained through result-oriented selection of additional judges, however, is problematic.

This problem also came before the Federal Circuit in *Alappat*, in the form of a due process challenge.<sup>180</sup> Although the court found the issue untimely and did not address it, certainly the Commissioner’s desire for an “effective ability to review decisions” and to “exercise legal and policy control over decisions” by administrative judges seems reconcilable with

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<sup>173</sup> 35 U.S.C. § 7(a) (1994).

<sup>174</sup> 35 U.S.C. § 6(c) (2017).

<sup>175</sup> See John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 77 *Geo. Wash. L. Rev.* 904, 906 (2009) (discussing *Freytag v. Comm’r*, 501 U.S. 868 (1991)) (internal quotations omitted).

<sup>176</sup> See *infra* notes 321–322 and accompanying text.

<sup>177</sup> See *infra* notes 323–325 and accompanying text.

<sup>178</sup> 35 U.S.C. § 3(a)(2)(A).

<sup>179</sup> USPTO, Patent Trial and Appeal Board Standard Operating Procedure 1 (Rev. 14) Assignment of Judges to Merits Panels, Interlocutory Panels, and Expanded Panels, at pt. III(A)(2), [www.perma.cc/T6RN-R68E](http://www.perma.cc/T6RN-R68E).

<sup>180</sup> 33 F.3d 1526, 1536.

due process, as Stuart Benjamin and Arti Rai have argued.<sup>181</sup> In pursuit of that purpose, however, the means properly available to the Director are not unbounded.

For example, the Supreme Court has previously explained that “[a]s a member of the Board and the official responsible for selecting the membership of its panels, . . . the Commissioner may be appropriately considered as bound by Board determinations.”<sup>182</sup> Moreover, the power to rehear and readjudicate panel decisions carries with it an obligation to consider evidence and argument, for “[t]he one who decides must hear.”<sup>183</sup> Thus, for members of the PTAB to be placed on a rehearing panel with foreknowledge that they “will come out the other way”<sup>184</sup> improperly puts the decision ahead of the consideration of evidence and argument.

Meanwhile, another mechanism is already available to the Director for ensuring uniformity among PTAB decisions. Indeed, it is one that comports more fully with the nature of the PTAB as a quasi-judicial body with adjudicatory authority independent from the authority of the Director.<sup>185</sup> That mechanism is the curation and designation of PTAB opinions as precedential, informative, or representative.<sup>186</sup> By default, all panel opinions are routine unless further action is taken.<sup>187</sup> Representative opinions describe and curate routine opinions to give practitioners and the public a concise view of the case law on a certain issue.<sup>188</sup> Informative opinions synthesize this descriptive survey into normative guidance for practitioners and the public to follow.<sup>189</sup> Precedential opinions go the furthest and make the synthesis binding upon the PTAB itself.<sup>190</sup>

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<sup>181</sup> See Benjamin & Rai, *supra* note 117, at 1586–1587 (expressing skepticism that the remaking of panels to accomplish policy objectives poses a due process concern).

<sup>182</sup> See Duffy, *supra* note 320, at 908 (citing *Brenner v. Manson*, 383 U.S. 519, 523 n.6 (1966)).

<sup>183</sup> *Id.* (citing *Morgan v. United States*, 298 U.S. 468, 481 (1936)).

<sup>184</sup> See *supra* note 11 and accompanying text.

<sup>185</sup> *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 928–929 (Fed. Cir. 1991).

<sup>186</sup> See generally USPTO, Patent Trial and Appeal Board Standard Operating Procedure 2 (Rev. 9) Publication of Opinions and Designation of Opinions as Precedential, Informative, Representative, and Routine, [www.perma.cc/K7NX-3RKP](http://www.perma.cc/K7NX-3RKP). The description that follows draws heavily from Saurabh Vishnubhakat, “Precedent and Process in the Patent Trial and Appeal Board,” *PatentlyO* (May 10, 2016), [www.patentlyo.com/patent/2016/05/precedent-process-patent.html](http://www.patentlyo.com/patent/2016/05/precedent-process-patent.html).

<sup>187</sup> Vishnubhakat, *supra* note 186.

<sup>188</sup> *Id.*

<sup>189</sup> *Id.*

<sup>190</sup> *Id.*

However, in the six-year history of the PTAB, the agency has designated as precedential only ten opinions from the administrative trials conducted under the AIA.<sup>191</sup> And in the main, these opinions pertain to the procedural structure of *inter partes* and covered business method reviews rather than to issues of substantive patent law. For the agency “to engage in case-specific readjudication”<sup>192</sup> via panel-stacking, especially when it has the power to promote decisional uniformity in a prospective fashion by designating precedential opinions on which *stare decisis* can operate, represents significant injury to due process, all the more because the injury is unnecessary to inflict.

## 2. Injury to Stable Patent Property Rights

The prevailing view of patents as property rights suggests that stability and certainty in those rights is of chief concern.<sup>193</sup> The current practices of Patent Office aggrandizement have compounded existing difficulties in the patent system’s ongoing struggle to provide stable rights. The existing difficulties are well-understood and need not be repeated here beyond a brief summary. However, the additional injuries to stable property rights in patents, both directly from panel-stacking and indirectly from overbroad nonappealability, are different in kind and newer in the patent system’s experience.

Some of the more persistent challenges to the stability and certainty of patent property rights fall under four general headings. One is the tension in defining patent law principles in terms of predictable rules or flexible standards, a tension that is well-known across the law.<sup>194</sup> The continually shifting and even disruptive nature of invention makes rules difficult to craft and unlikely to survive in the long run.<sup>195</sup> By contrast, standards may be more durable but none the clearer for that, as it is their very flexibility and openness to facts—especially technological facts in the context of

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<sup>191</sup> USPTO, Precedential and Informative Decisions » Issues Specific to AIA Trial Proceedings, <http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions>.

<sup>192</sup> See supra note 14 and accompanying text.

<sup>193</sup> John F. Duffy, Rules and Standards on the Forefront of Patentability, 51 Wm. & Mary L. Rev. 609, 610 (2009); Alan C. Marco & Saurabh Vishnubhakat, Certain Patents, 16 Yale J.L. & Tech. 103, 106 (2013).

<sup>194</sup> See generally Cass R. Sunstein, Problems with Rules, 83 Cal. L. Rev. 953 (1995); Louis Kaplow, Rules Versus Standards: An Economic Analysis, 42 Duke L.J. 557 (1992); Isaac Ehrlich & Richard A. Posner, An Economic Analysis of Legal Rulemaking, 3 J. Legal Stud. 257 (1974).

<sup>195</sup> Duffy, supra note 193, at 614.

patent law—that were not anticipated and planned-for that makes the outcomes of standards uncertain and unpredictable.<sup>196</sup> Recent years have provided many examples of this tension in patent law, arising from the Supreme Court’s repeated dissolution of the Federal Circuit’s bright-line doctrinal rules.<sup>197</sup>

A second existing challenges to stable patent property rights is the lack of durability in important principles of patent law, even when they do take the form of fairly clear rules. As John Duffy has observed, “clarity without durability has limited value for a system in which long term investment in tomorrow’s innovations is supposed to be fostered through property rights lasting for two decades.”<sup>198</sup> For example, the doctrine of patent-eligible subject matter suffered this very fate repeatedly in the last forty years, with bright-rule Federal Circuit rules thwarted either by newer attempts at the same or by Supreme Court interventions to impose standards instead.<sup>199</sup>

A third is the problem of notice, especially about the boundaries of the patent right. Claimants to knowledge resources such as invention may often have incentives to frame their claims vaguely, either because the cost of delineating precisely is high or because full information is not available yet about where among resource claims the greatest value might lie.<sup>200</sup> The increasingly contested placement of patent law within property theory adds more difficulty, as property-based approaches to patent law are often viewed as a mere proxy for stronger substantive rights for patent owners, though in fact, property-based approaches can impose greater obligations on patent owners as well.<sup>201</sup> Meanwhile, even within the patent-property framework, it is questionable whether the right level of notice that a patent (in its entirety) should provide is best measured by comparison merely to fences around land, rather than the correspondingly broad estate boundary of a real property interest.<sup>202</sup>

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<sup>196</sup> *Id.*

<sup>197</sup> Peter Lee, *Patent Law and the Two Cultures*, 120 *Yale L.J.* 2, 42–47 (2010); Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 *Berkeley Tech. L.J.* 787, 789, 797–800 (2008).

<sup>198</sup> Duffy, *supra* note 193, at 614–615.

<sup>199</sup> *Id.* at 612–613, 623.

<sup>200</sup> Peter S. Menell & Michael J. Meurer, *Notice Failure and Notice Externalities*, 5 *J. Legal Analysis* 1, 13–14 (2013) (internal quotations omitted).

<sup>201</sup> Deepa Varadarajan, *Of Fences and Definite Patent Boundaries*, 18 *Vand. J. Ent. & Tech. L.* 563, 594–595 (2016).

<sup>202</sup> Adam Mossoff, *The Trespass Fallacy in Patent Law*, 65 *Fla. L. Rev.* 1687, 1697–1698 (2013).

Fourth, and closely related to the problem of notice, is the problem of comparative institutional competence in evaluating a given patent right. When the Patent Office examines patent applications and generates a legal right in the form of a patent, the agency certainly has greater technological expertise, doctrinal familiarity, and policy experience than the generalist federal courts that are most likely to enforce or reevaluate the patent in the future.<sup>203</sup> However, because courts have the last word on patent validity precisely as a check on agency decision making,<sup>204</sup> the value of the patent both as a legal right and as an economic asset can be quite uncertain when that value is based only on the actions of the Patent Office.<sup>205</sup> Empirical estimates confirm this intuition, revealing that resolving uncertainty about the patent *qua* legal right “is worth as much on average as is the initial patent right.”<sup>206</sup>

The recent practices of the Patent Office have only added more fuel to these existing fires. The nature of panel-stacking is necessarily to depart from the adjudicatory conclusion that a PTAB panel has already reached after evaluating the evidence and applying relevant legal principles to the technological facts of the case. It is, as the agency itself has conceded, a “case-specific readjudication” to vindicate other values that the agency’s political leadership might find worthwhile.<sup>207</sup> This case-by-case injection of political values into the validity and scope of property rights is a destabilizing force. Indeed, the more valuable the patent property right is, the more likely it is to be involved in litigation<sup>208</sup> and, correspondingly, to be challenged in the PTAB.<sup>209</sup> Meanwhile, the agency’s attempts to broaden its nonappealable discretion push toward making it less and less accountable to independent judicial checks on its power.

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<sup>203</sup> David L. Schwartz, *Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission*, 50 *Wm. & Mary L. Rev.* 1699, 1701 (2009) (citing James F. Holderman & Halley Guren, *The Patent Litigation Predicament in the United States*, 2007 *U. Ill. J.L. Tech. & Pol’y* 1, 4–6).

<sup>204</sup> This was, of course, much more the case before the ascendancy of administrative patent revocation, though the availability of judicial review remains a key justification for the constitutionality of the administrative system. See *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018).

<sup>205</sup> Marco & Vishnubhakat, *Certain Patents*, *supra* note 193, at 104, 132 (discussing the effect of uncertainty about patent validity upon the value of patents).

<sup>206</sup> *Id.* at 104.

<sup>207</sup> See *supra* note 14 and accompanying text.

<sup>208</sup> See generally John R. Allison et al., *Valuable Patents*, 92 *Geo. L.J.* 435 (2004).

<sup>209</sup> Cf. George L. Priest & Benjamin Klein, *The Selection of Disputes for Litigation*, 13 *J. Legal Stud.* 1 (1984).

Of course, not every such case-by-case judgment involving a property interest will necessarily cut against the property owner. A specific Patent Office administration may instead be quite protective of patent rights. If confronted with a PTAB panel judgment that invalidates some or all of a patent right, such an administration might see fit to stack the panel and preserve the property interest against cancellation. Even individual victories like this for the patent owner, however, are no less destabilizing to the patent right itself. These judgments, too, rest just as strongly on the problematic premise that the patent is not a legal right to be adjudicated in accordance with stable principles of neutral and general applicability—but instead is subject to the political priorities of agency decision makers.<sup>210</sup>

In all, the politically inflected treatment of patents poses significant concerns about due process and other constitutional protections for property interests.<sup>211</sup> It also compounds the problem of durability with which patent law already struggles, so that not only are doctrines of patent law flimsy and potentially fleeting but so also is the integrity of individual patent rights.<sup>212</sup> In turn, the likely and rational result of destabilization in the legal integrity of patent property rights for economic actors to seek other means for appropriating value from their investments.<sup>213</sup> The main competitor of patent protection would be trade secrecy, and a turn to trade secrecy would directly contravene the patent system's aim of broader and faster dissemination of knowledge.<sup>214</sup>

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<sup>210</sup> This premise is problematic not only from the perspective of legal theory but also economic theory insofar as economic actors will rationally avoid both dealing with an untrustworthy government and dealing with each other where the benefits of their productive exchanges may be expropriated. Elizabeth Magill, *Agency Self-Regulation*, 77 *Geo. Wash. L. Rev.* 859, 871 (2009). See also Jon Elster, *Ulysses Unbound: Studies in Rationality, Precommitment, and Constraints* (2000); Douglass C. North & Barry R. Weingast, *Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England*, 49 *J. Econ. Hist.* 803 (1989).

<sup>211</sup> Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 *U. Pa. L. Rev.* 2001, 2007–2008 (2009). See also Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents under the Takings Clause*, 87 *B.U. L. Rev.* 689 (2007).

<sup>212</sup> See *supra* notes 198–199 and accompanying text.

<sup>213</sup> Wesley M. Cohen, Richard R. Nelson & John P. Walsh, *Protecting Their Intellectual Assets: Appropriability Conditions and Why U.S. Manufacturing Firms Patent (or Not)*, NBER Working Paper No. 7552 (Feb. 2000), <http://www.nber.org/papers/w7552>.

<sup>214</sup> Gideon Parchomovsky & Peter Siegelman, *Towards an Integrated Theory of Intellectual Property*, 88 *Va. L. Rev.* 1455, 1494 (2002); Rochelle Cooper Dreyfuss, *Trade Secrets: How Well Should We Be Allowed to Hide Them? The Economic Espionage Act of 1996*, 9 *Fordham Intell. Prop. Media & Ent. L.J.* 1, 11 (1998).



### 3. Injury to Credible Commitments

The foregoing critique of imposing political valence on patent rights follows from a property-rights conception of patent law, but a property-based conception is not necessary to the critique. A view of patents as a form of regulation or public franchise rather than as a type of property<sup>215</sup> also has much to reject about the particular recent self-aggrandizements of the Patent Office. In this context, panel-stacking and agency discretion that is broadly unreviewable by the courts undermines the ability of public institutions, including and especially the Patent Office itself, to make credible commitments to innovators and investors.<sup>216</sup>

Adherence to the legal principles of property is an example of credible commitments.<sup>217</sup> However, because property rights, especially rights in private property, are vindicated primarily in the courts, a departure from property-centric views of patent law might suggest that a lack of robust judicial review is commensurately less problematic. As discussed below, there is reason to doubt this.<sup>218</sup> Still, the broader problem of credible commitments is a distinct implication of the Patent Office's recent actions.

The theory of credible commitments may be summarized as holding that an institution can induce others to behave, and especially to invest, in desirable ways by voluntarily constraining its own decisional power.<sup>219</sup> In general, the relevance of credible commitments to executive action affects

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<sup>215</sup> Much has been written to debate whether patents are, indeed, property and should be treated accordingly. See, e.g., Varadarajan, *supra* note 201, at 573–575 (citing, *inter alia*, Eric R. Claeys, *On Cowbells in Rock Anthems (and Property in IP): A Review of Justifying Intellectual Property*, 49 *San Diego L. Rev.* 1033 (2012); David Fagundes, *Property Rhetoric and the Public Domain*, 94 *Minn. L. Rev.* 652 (2010); Frank H. Easterbrook, *Intellectual Property Is Still Property*, 13 *Harv. J.L. & Pub. Pol'y* 108, 113 (1990)).

<sup>216</sup> The literature on credible commitments derives primarily from new institutional economics. See generally Oliver E. Williamson, *The Economic Institutions of Capitalism* (1985); Douglass C. North, *Institutions and Credible Commitment*, 149 *J. Inst. & Theoret. Econ.* 11 (1993). It also has some counterpart in the political science literature on agency commitments but is, as Elizabeth Magill points out, concerned with a different set of questions. Magill, *supra* note 210, at 872n.40 (2009) (citing Murray Horn, *The Political Economy of Public Administration: Institutional Choice in the Public Sector* (1995)). The discussion that follows draws primarily from the legal literature that applies credible commitment theory to the problems of administrative agency action.

<sup>217</sup> Douglass C. North, *Institutions, Institutional Change and Economic Performance* 3 (1990).

<sup>218</sup> See *infra* Part II.C.

<sup>219</sup> Daryl J. Levinson, *Foreword: Looking for Power in Public Law*, 130 *Harv. L. Rev.* 31, 64–65 (2016).

the President or the executive branch as a whole, whose actions vis-à-vis the coordinate branches of government, the public, or the market are being evaluated.<sup>220</sup> In this context, where an executive agency is concerned, the commitment is that of the President to signal credibly the agency's future policy priorities by acting in certain ways including the appointment of the agency head.<sup>221</sup> Indeed, as an agency itself answers variously to all three branches, it “does not even fully control its own destiny because those principals can force the agency to change its commitments.”<sup>222</sup>

That said, agencies do have some limited abilities to make credible commitments. According to what Thomas Merrill has called the *Accardi* principle, the discretion that an administrative agency might enjoy can be turned upon itself to bind its own future action.<sup>223</sup> Under *Accardi*, an agency is obliged to follow its own duly promulgated regulations, and to act otherwise is contrary to law.<sup>224</sup> Thus, where no relevant regulation exists to bind the agency's hand, despite delegated authority for the agency to create it, one of two explanations is likely. The agency may value the flexibility of its own power more than it values the credibility of the commitments it can make to stakeholders. Or, if the agency does, in fact, value the credibility of its proffered incentives more, it is simply acting irrationally.

Given the current posture of the Patent Office at the formative stages of the first robust adversarial system for administrative patent revocation, these two potential explanations are especially salient. If the use of panel-stacking represents a deliberately muscular use of the agency's discretion (or at least of the discretion that the agency thinks it has), then the agency has been trading away its already limited ability to make credible commitments to induce investments in innovation. If that is not the result the agency wants, then it is not trading away the commitment mechanism but simply squandering it.

The push for broader unreviewable discretion is fraught with similar problems. Until 2005, agencies were even more robustly able to commit credibly to future courses of action. If a court held that a statute that the agency administered is unambiguous, with an accompanying interpretation

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<sup>220</sup> E.g., Eric A. Posner & Adrian Vermeule, *The Credible Executive*, 74 U. Chi. L. Rev. 865 (2007).

<sup>221</sup> *Id.* at 900 (citing Nolan McCarty, *The Appointments Dilemma*, 48 Am. J. Polit. Sci. 413, 418–21 (2004)).

<sup>222</sup> Magill, *supra* note 210, at 872.

<sup>223</sup> Thomas W. Merrill, *The Accardi Principle*, 74 Geo. Wash. L. Rev. 569, 571 (2006).

<sup>224</sup> *United States ex rel. Accardi v. Shaughnessy*, 347 U.S. 260, 266–267 (1954)

of the statute by the court itself, then the *stare decisis* effect of that judicial interpretation would naturally bind the agency.<sup>225</sup> Though this outcome would likely be disagreeable to the agency, it would at least lend credibility to the agency's promise to act according to the court's interpretation.<sup>226</sup> If the agency wanted to seek that credibility proactively, it could interpret an ambiguous statute reasonably and secure a judicial holding approving the agency's interpretation based on *Chevron* deference.<sup>227</sup> The binding interpretation would be the agency's own, but binding it would be. The *stare decisis* effect would be the same, as would the resulting credibility of the agency's promise.<sup>228</sup>

That changed after *Nat'l Cable & Telecomms. Ass'n v. Brand X*, in which the Supreme Court held that “[a] court’s prior judicial construction of a statute trumps an agency construction otherwise entitled to *Chevron* deference only if the prior court decision holds that its construction follows from the unambiguous terms of the statute and thus leaves no room for agency discretion.”<sup>229</sup> In other words, judicial findings about the meaning of ambiguous statutes could no longer enjoy *stare decisis* effect, and an agency could no longer rely on judicial entrenchment to make its own commitments credible.<sup>230</sup>

In light of this change, the sustained litigation agenda by the Patent Office to make its discretion in PTAB cases increasingly unreviewable is even more baffling. As with panel-stacking, the relevant trade-off at hand is whether the agency values the flexibility of its discretion more than the credibility of its commitment to induce innovation through the incentive of stable, durable patent rights. Such an agenda might have been conceivable prior to *Brand X* as a matter of longer-term agency policy, especially if the agency had not yet rendered a *Chevron*-worthy interpretation. On that view, the agency today could exercise flexible discretion, and the option to seek *Chevron* deference tomorrow would remain.<sup>231</sup> However, after *Brand X*, pushing to expand unreviewable discretion only aggravates the Patent Office's inability to look to judicial entrenchment as a source of credibility to back the agency's own assurances.

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<sup>225</sup> Jonathan Masur, *Judicial Deference and the Credibility of Agency Commitments*, 60 *Vand. L. Rev.* 1021, 1032–1033 (2007).

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

<sup>228</sup> *Id.*

<sup>229</sup> 545 U.S. 967, 982 (2005).

<sup>230</sup> Masur, *supra* note 225, at 1036–1037.

<sup>231</sup> See *id.* at 1032 (citing *Chevron* itself that in such cases, courts “must allow the agency the flexibility to adjust its interpretation over time”).

The sum of these effects is, ironically, that the recent power-seeking acts of the Patent Office have the net effect of undermining the agency's power of persuasion to induce investments. It is this ability to make credible commitments, ultimately, that is at the heart of the agency's importance to innovation policy. To risk losing it is short-sighted and has the potential to inflict lasting harm on private decisions about resource allocation.

#### 4. Injury to Future Oversight

Finally, beyond the present and potentially lasting harms that these Patent office policies are likely to bring about within the tolerance of the agency's current judicial authorities, the future supervisory power of the courts is also at stake. The push for greater judicial unreviewability carves out an autonomous space for the PTAB to act without judicial scrutiny today,<sup>232</sup> but it also forestalls correction by judicial powers to come.

This is significant because the early precedents in which the Federal Circuit endorsed the agency's burgeoning view of nonappealability could easily have gone the other way, providing for judicial review instead and frustrating the agency's attempts. By choosing not to do so, the Federal Circuit created a slippery slope where none existed, nor needed to.

The best indication of this counterfactual possibility is that, on a closely related statute, the precedents did go the other way. In *Versata v. SAP*, decided over a year after *St. Jude* and its companion cases and, coincidentally, only a day after its panel decision in *Cuozzo*, the Federal Circuit held that in petitions for covered business method review, judicial review can be had over the PTAB's application of the definition of "business methods" that are eligible to be challenged.<sup>233</sup> The panel majority in *Versata* distinguished the facts of that case from those of *Cuozzo*,<sup>234</sup> but it is also reasonable to infer that a different panel would reached the opposite conclusion in *Cuozzo*. For example, Judge Newman, who joined the panel majority in *Versata*, was also on the panel in *Cuozzo* and dissented there, arguing essentially the *Versata* majority opinion.<sup>235</sup>

The result, on balance, was a series of Federal Circuit appeals from the PTAB in which the deemed unavailability of judicial review suppressed important differences of opinion about the merits of Patent Office policy

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<sup>232</sup> See *supra* Part II.A.2.

<sup>233</sup> 793 F.3d 1306, 1320 (Fed. Cir. 2015).

<sup>234</sup> *Id.* at 1322.

<sup>235</sup> *Id.* at 1283 (Newman, J., dissenting).

and procedure. For example, Judge Reyna in *Shaw Industries* joined the panel’s opinion that the PTAB’s refusal to grant review on a particular ground was judicially unreviewable under then-governing precedents.<sup>236</sup> However, Judge Reyna also wrote separately to voice deep concern about the agency’s extraordinary claim to autonomy from judicial oversight.<sup>237</sup> In his view, the PTAB had been using that autonomy improperly, rejecting what it termed “redundant grounds” without any explanation for how it was exercising its screening power.<sup>238</sup> Unbound by earlier Federal Circuit precedents such as *St. Jude* or *Cuozzo*, these concerns would likely have counseled against such broad acceptance of judicial unreviewability. And, indeed, when the Federal Circuit sat *en banc* in *Wi-Fi One* to reconsider the unreviewability the one-year time bar, it was Judge Reyna who wrote for the 9–4 majority reversing *Achates* and imposing a principled limit on Patent Office autonomy.

To some extent, this sort of path-dependence is an ordinary result of *stare decisis* and the purpose of generating binding precedent. However, when the jurisprudential issue at stake is judicial review itself, the stakes are different in kind. Wherever else the Federal Circuit might bind itself in agency appeals, particular care is needed on the issue of judicial review. Policing its own power of oversight is what keeps the Federal Circuit capable of policing the potential excesses of the Patent Office.

### C. ALTERNATIVES TO JUDICIAL REVIEW

Even when confronted with this account of benefits to the agency that are of dubious public value and of the grave systemic harms that are likely to result, one may reasonably ask whether judicial review is the only cure, or even the best cure. The Patent Office, after all, sits in the Department of Commerce and answers through to the Secretary of Commerce and the President.<sup>239</sup> It also relies for its funds on the White House Office of Management and Budget<sup>240</sup> and, ultimately, on Congress itself.<sup>241</sup> These political principals exercise considerable influence over the agency. Thus, if the problem is that the agency is behaving in unduly political ways, an effective means of discipline might be to turn to these principals.

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<sup>236</sup> 817 F.3d 1293, 1297–1298 (citing both *St. Jude*, 749 F.3d 1373, 1376, and *In re Cuozzo*, 793 F.3d 1268, 1273).

<sup>237</sup> *Id.* at 1302 (Reyna, concurring).

<sup>238</sup> *Id.* at 1303.

<sup>239</sup> 35 U.S.C. §§ 1, 2(b)(8).

<sup>240</sup> 35 U.S.C. § 3(a)(2)(B).

<sup>241</sup> 35 U.S.C. § 42(e).

However, there are notable problems with these political alternatives. For one thing, they give up the game on stable property interests in patent rights<sup>242</sup> and, to the same extent, does little to resolve the due process concerns involved.<sup>243</sup> The result is not only an entrenchment of incumbent political interests who have access to the public powers that oversee the Patent Office. It is also, more perniciously, an entrenchment of incumbent economic interests in the market, incumbency that could be disrupted in socially valuable ways by new entrants armed with patents.<sup>244</sup> Judicial review, though it also often favors well-resourced litigants as an empirical matter, does not base its substantive judgments about the correctness of a position on the political or economic status of the litigant.

Another difficulty is that these alternatives for correcting undesirable Patent Office action risk the appearance of injecting politics into an apolitical process. Although panel stacking in the PTAB and the arguments for broader unreviewability of the PTAB advance priorities that are unrelated to the PTAB's adjudicatory mandate, these agency actions have nevertheless been carried out under the guise of, and through the apparatus of, adjudication. Overt political means of agency discipline such as a mandate from a higher executive power or budgetary leverage from Congress would likely be received as an escalation by the Patent Office and, although it might resolve the immediate grievance in the PTAB, would be unlikely to change the agency's long-term behavior with respect to the underlying structural problems discussed here.

Finally, perhaps the most pedestrian and formally legal reason against abjuring judicial review is also the most fundamental: it has been central to justifying the PTAB's very existence. The Supreme Court concluded recently in *Oil States Energy Services v. Greene's Energy Group* that the system of *inter partes* review that Congress established in the AIA is, indeed, constitutional.<sup>245</sup> Among the key attributes of PTAB review to which the Court pointed in emphasizing "the narrowness of [its] holding" was that "the Patent Act provides for judicial review by the Federal Circuit."<sup>246</sup> As a result, the Court expressly avoided the question "whether *inter partes* review would be constitutional without any sort of intervention

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<sup>242</sup> See supra Part II.B.2.

<sup>243</sup> See supra Part II.B.1.

<sup>244</sup> Sean M. O'Connor, *Crowdfunding's Impact on Start-Up IP Strategy*, 21 *Geo. Mason L. Rev.* 895, 900 (2014); Stephen H. Haber, F. Scott Kieff & Troy A. Paredes, *On the Importance to Economic Success of Property Rights in Finance and Innovation*, 26 *Wash. U. J.L. & Pol'y* 215, 222 (2008).

<sup>245</sup> 138 S. Ct. 1365, 1379.

<sup>246</sup> *Id.* (citing 35 U.S.C. § 319).

by a court at any stage of the proceedings.”<sup>247</sup> In short, judicial review was a significant element of the set of sufficient conditions that underlay the constitutional legitimacy of PTAB review as currently structured. The erosion of that review by the Patent Office itself, therefore, stands to erode the very foundation on which the agency’s system of administrative patent revocation rests.

### III. SOURCES OF AGENCY AGGRANDIZEMENT

Part Two discussed the benefits that have motivated the Patent Office in the aggrandizements detailed in Part One, the resulting systemic harms, and the continuing superiority of judicial review over other means for ensuring agency discipline. This Part reveals the origin story, explaining why the Patent Office colorably thought itself empowered to act as it has. That exercising the patent validity power *ex post* was once almost exclusively the province of the courts, but is now increasingly and conspicuously the province of the Patent Office, is well documented.<sup>248</sup>

However, as Subpart A explains, the reasoning behind this reallocation has traditionally been an account of greater expertise, lower cost, and more accurate outcomes in the specialized agency setting than the courts would have offered. To that traditional account Subpart B adds a largely neglected rationale: a desire for greater political input in the patent system. Subpart C then takes that generalized desire for political input, which Congress itself shared and implemented in certain discrete domains, and delves into the actual decisional structure of the PTAB, showing that the agency has consciously commingled two separately delegated powers in a bid to obscure its remarkable claims to power that Congress did not give.

#### A. THE TRADITIONAL ACCOUNT: EXPERTISE

When Congress was considering what would become the first transfer of the patent validity power from Article III courts to the Patent Office, the typical posture for reviewing patent validity had been as a defense in

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<sup>247</sup> *Id.*

<sup>248</sup> Vishnubhakat, et al., Strategic Decision Making, *supra* note 4, at 78–81; Vishnubhakat, Youngest Patent Validity Proceeding, *supra* note 67, at 345–347; Mark D. Janis, Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law, 11 Harv. J.L. & Tech. 1 (1997).

infringement litigation<sup>249</sup> or, somewhat less commonly, as a claim for declaratory judgment that the patent was invalid.<sup>250</sup> The motivations for an administrative alternative were primarily of institutional competence. The considerable cost and delay of patent litigation, constrained access from Article III standing requirements, and the accuracy of the decisions that courts produce were all matters of concern.<sup>251</sup> Although the extent and effect of these concerns is undoubtedly greater today,<sup>252</sup> cost and delay were deeply felt even when Congress was considering enacting *ex parte* reexamination.<sup>253</sup>

So was accuracy. Contemporary empirical research suggests that the federal courts may not be particularly accurate on questions of patent validity,<sup>254</sup> such as the proper interpretation of terms within patents.<sup>255</sup> Longitudinal research also suggests that judges with experience specific to patent law are less likely to suffer reversal on appeal and that is true of recent as well as cumulative patent experience.<sup>256</sup> However, though this research may tend to vindicate historical efforts to transfer power away from a generalist court toward an expert agency, the contemporaneous desire in 1980 for more accurate patent case decisions was different in a subtle but important way that reveals much about the power transfer itself.

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<sup>249</sup> 35 U.S.C. § 282(b)(2) (providing that “[i]nvalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability” shall be a defense to infringement).

<sup>250</sup> See 28 U.S.C. § 2201(a); *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 176 (1965) (noting that “one need not await the filing of a threatened suit by the patentee; the validity of the patent may be tested under the Declaratory Judgment Act”).

<sup>251</sup> Vishnubhakat, et al., *Strategic Decision Making*, supra note 4, at 51–55 (discussing motivations for administrative rather than judicial review of patent validity).

<sup>252</sup> See Saurabh Vishnubhakat, *What Patent Attorney Fee Awards Really Look Like*, 63 *Duke L.J. Online* 15, 18 (2014) (summarizing the cost of patent infringement litigation across different tiers of disputed value based on data from the American Intellectual Property Law Association’s biennial Report of the Economic Survey).

<sup>253</sup> H.R. Rep. 96-1307(I), 1980 WL 12929 \*3–\*4 (emphasizing the potential for administrative review to resolve patent validity questions “without recourse to expensive and lengthy infringement litigation”).

<sup>254</sup> See generally Anup Malani & Jonathan S. Masur, *Raising the Stakes in Patent Cases*, 101 *Geo. L.J.* 637 (2013) (discussing proposals to improve accuracy in the resolution of patent disputes).

<sup>255</sup> E.g., David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 *Mich. L. Rev.* 223 (2008).

<sup>256</sup> Jay P. Kesan & Gwendolyn G. Ball, *Judicial Experience and the Efficiency and Accuracy of Patent Adjudication: An Empirical Analysis of the Case for a Specialized Patent Trial Court*, 24 *Harv. J.L. & Tech.* 393, 443–444 (2011).



Rather than imagining the court as a unitary decision maker that could be beneficially supplanted by an agency decision maker, makers of patent policy in the late 1970s and early 1980s were quite sensitive to how the validity power was shared, within a court, between judges and juries. There was robust disagreement on whether a jury was the right audience for patent validity issues of both scientific and legal complexity, but the controversy was not about accuracy as such. Judges tended to agree that in reaching accurate decisions, the best that a jury could do was as well as a judge,<sup>257</sup> and quite often the jury was likely to make mistakes.<sup>258</sup> The source of mistake might have been that juries are suggestible to clever lawyering, that they depart from evidence or judicial instruction, or simply that they lack scientific or legal literacy.<sup>259</sup> At all events, these were utilitarian concerns.

The argument in favor of jury trials in patent cases, meanwhile, was based on constitutional principle.<sup>260</sup> Whatever the wisdom of jury trials in patent cases, the Seventh Amendment required it.<sup>261</sup> Put another way, the jury right in patent cases was not welcomed because it produced accuracy; it was tolerated because it was, higher courts had said, constitutionally necessary. The real policy debate was about power.

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<sup>257</sup> See, e.g., The Eighth Annual Judicial Conference of the United States Court of Customs and Patent Appeals [hereinafter “Eighth CCPA Conf.”], 92 F.R.D. 183, 276 (1981) (remarks of the Hon. William C. Conner suggesting with caveat that “the jury is usually right. At least they make the same mistakes as judges”).

<sup>258</sup> See, e.g., The Seventh Annual Judicial Conference of the United States Court of Customs and Patent Appeals [hereinafter “Seventh CCPA Conf.”], 88 F.R.D. 369, 387 (1980) (remarks of the Hon. Frank J. McGarr opining that “juries have complicated the patent litigation situation, and I don’t think they have contributed to the end product we all seek, which is the doing of justice and the achieving of the right result”).

<sup>259</sup> *Id.*

<sup>260</sup> Judge McGarr, just before his criticism of jury decision-making, stated the tension plainly:

I would not say . . . that I am hostile to the jury idea in patent cases. You have to be careful how you say this because the jury right is a very genuine one, and attorneys should have a right to a jury if the court says that juries are available in patent cases, and it sounds like the judge is arrogating unto himself the total power of decision . . .

*Id.* at 386.

<sup>261</sup> See generally *Tights v. Stanley*, 441 F.2d 336 (4th Cir. 1971) (issuing a writ of mandamus directing the district court to allow demands for jury trials on patent validity as well as infringement because the Seventh Amendment jury trial right applied to patent cases and was not lost by combining legal claims for damages with equitable claims for injunctive relief).

The agenda to shift power from courts, particularly juries, on patent validity issues and into the Patent Office had one particularly persuasive aspect. The problems of cost, delay, and accuracy insofar as juries were concerned was still relatively new. Only twenty years earlier had the Supreme Court set the constitutional premise requiring patent validity to be tried to juries. In *Beacon Theatres v. Westover*, the Court held that where a case presents both legal issues (such as a claim for damages) and equitable issues (such as a claim for injunction), the right to have the legal issues tried to a jury cannot be lost by deciding the equitable issues first in a bench trial.<sup>262</sup>

Before *Beacon Theatres*, that loss of jury trial would not only have been doctrinally ordinary but also empirically rare. As Figure 1 shows, among patent trials annually, fewer than a handful were tried to juries in the years preceding *Beacon Theatres*.<sup>263</sup> Where a jury trial was demanded, judges first tried equitable claims and then allowed the jury to try whatever legal claims remained.<sup>264</sup> At that point, the loser in equity was, due to collateral estoppel, unable to reargue the lost issues to the jury, including the issue of patent validity.<sup>265</sup> Once it became clear that the holding in *Beacon Theatres* applied to patent cases,<sup>266</sup> a case with a jury demand had to be put to the jury first. The share of patent cases that were tried to juries began to rise, and although many a judge tried “to make everything a legal issue he can make a legal issue to minimize submission to the jury,”<sup>267</sup> there was an appetite to roll back more systematically the larger problem of juries reviewing technical questions of patent validity.

The resulting system for *ex parte* reexamination was only the start. In the American Inventors Protection Act of 1999,<sup>268</sup> a new system for *inter partes* reexamination offered yet another alternative for litigants to leave courts and seek review in the Patent Office. The issues of court-agency power that these first- and second-generation administrative proceedings

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<sup>262</sup> 359 U.S. 500, 508 (1959).

<sup>263</sup> Figure 1 is reproduced from J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 Nw. U. L. Rev. 1, 20 (2013). I am grateful to Professors Anderson and Menell for sharing the underlying data that they compiled from separate sources.

<sup>264</sup> Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1706

<sup>265</sup> *Id.* (citing Ralph W. Launius, *Some Aspects of the Right to Trial by Jury in Patent Cases*, 49 J. Pat. Off. Soc’y 112, 112–13 (1967)).

<sup>266</sup> See *supra* note 261 and accompanying text.

<sup>267</sup> See Seventh CCPA Conf., 88 F.R.D. at 384–385.

<sup>268</sup> Pub. L. No. 106-113, 113 Stat. 1501 (1999).

raised bear a striking resemblance to the current controversies over patent validity review under the AIA. Foremost among these were two issues, the substitutability of the Patent Office for district courts in reevaluating patents and the contours of judicial review over the Patent Office. In order to appreciate these two issues more fully, however, it is first necessary to identify a less widely appreciated rationale for transferring *ex post* power over patent validity away from courts and into the agency.

## B. THE NEGLECTED RATIONALE: POLITICAL INPUT

That rationale is a desire to seek greater political input into the patent system. On first impression, the notion of imbuing a system of property rights with political salience is peculiar. Well-functioning property rights regimes tend to arise from legal structures that reflect certainty and durability<sup>269</sup>—rarely the stuff of politics. Nevertheless, persistent themes in the patent literature and across multiple domains of patent policy reveal a view that patents should be treated as a species of regulation or monopoly privilege rather than property,<sup>270</sup> that patent law should be regarded as public rather than private law,<sup>271</sup> and that the patent system should be approached essentially as a field of industrial policy.<sup>272</sup> These views are systematically political and exert considerable pressure against traditional accounts of patents as private property rights that are best mediated by market ordering. As a result of these pressures, reallocations of the *ex post* patent validity power away from courts and into the Patent Office now also have a clear political valence.

To understand the politicization of *ex post* patent validity, it is helpful first to clarify what it does not represent. For one thing, it is not merely a

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<sup>269</sup> Duffy, Rules and Standards on the Forefront of Patentability; Nard, Certainty, Fence Building, and the Useful Arts.

<sup>270</sup> For scholarship discussing this tension and its effects, see, e.g., Mossoff, Exclusion and Exclusive Use in Patent Law; Lemley, Property, Intellectual Property, and Free Riding (esp. footnote 8); Elhauge, Defining Better Monopolization Standards; Herbert Hovenkamp, Patents, Property, and Competition Policy.

<sup>271</sup> See, e.g., La Belle, Patent Law as Public Law; La Belle, Public Enforcement of Patent Law; Sichelman, Purging Patent Law of “Private Law” Remedies; Kumar, Standing Against Bad Patents.

<sup>272</sup> Kenneth W. Dam, The Economic Underpinnings of Patent Law, 23 J. Legal Stud. 247, 248 (1994); Michael H. Davis, Patent Politics, 56 S.C. L. Rev. 337, 339–340 (collecting sources at notes 5–13 and accompanying text); Oskar Liivak, Maturing Patent Theory from Industrial Policy to Intellectual Property, 86 Tul. L. Rev. 1163, 1165 (2012); Allen Yu, Within Subject Matter Eligibility—A Disease and a Cure, 84 S. Cal. L. Rev. 387 (2011).

more specific recapitulation of post-realist attitudes about the malleability of property rights more generally.<sup>273</sup> Nor is it a systematic remaking of the Patent Office into a more formally participatory and deliberative agency—a “surrogate political process”<sup>274</sup> similar to that of the Environmental Protection Agency—as scholars including James Boyle<sup>275</sup> and Kali Murray<sup>276</sup> have advocated.

Instead, the move of *ex post* patent validity toward a political sphere has come in a more piecemeal fashion. A direct mechanism for the change has been the specific way in which the patent validity power was reallocated away from courts and to political authorities within the Patent Office. Another, more indirect, has been the emergence of technology- and industry-specific laws and policies pertaining to patentability and patent validity. Taken together, these mechanisms have produced *ex post* a trend similar to what Arti Rai has described and advocated with regard to *ex ante* decision making by political actors about patent validity.<sup>277</sup>

### 1. Empowering the Agency’s Political Leadership

From the start, administrative exercise of the patent validity power has been divided. The eventual determination of validity has been made by an administrative adjudicator. In *ex parte* and *inter partes* reexaminations, that has been the reexaminer.<sup>278</sup> In AIA reviews, it has been a panel of at least three administrative patent judges.<sup>279</sup> Prior to consideration of the merits, however, petitions for each type of administrative proceeding have always been screened to ensure that expending resources to reconsider patent validity would not be a waste.

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<sup>273</sup> See Arti K. Rai, Competing with the “Patent Court”: A Newly Robust Ecosystem, 13 Chi.-Kent J. Intell. Prop. 386, 386–387 (2014) (comparing historical accounts that liken patents to inviolable tangible property with modern views); Adam Mossoff, The Use and Abuse of IP at the Birth of the Administrative State, 157 U. Pa. L. Rev. 2001 (2009).

<sup>274</sup> Richard B. Stewart, The Reformation of American Administrative Law, 88 Harv. L. Rev. 1669, 1670 (1975).

<sup>275</sup> James Boyle, A Politics of Intellectual Property: Environmentalism for the Net?, 47 Duke L.J. 87 (1997).

<sup>276</sup> Kali N. Murray, Rules for Radicals: A Politics of Patent Law, 14 J. Intell. Prop. L. 63 (2006).

<sup>277</sup> Arti K. Rai, Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development, 61 Duke L.J. 1237 (2012).

<sup>278</sup> MPEP §§ 2253, 2656.

<sup>279</sup> 35 U.S.C. §§ 6(b)(4), (c).

In *ex parte* and *inter partes* reexamination, the legal standard for this screening was to identify a “substantial new question of patentability.”<sup>280</sup> Now in *inter partes* review, covered business method review, and post-grant review under the AIA, the standard is a sufficient likelihood that the proceeding will successfully invalidate at least one claim in the challenged patent.<sup>281</sup> Covered business method and post-grant reviews’ screening criteria can be separately satisfied if “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>282</sup> *Ex parte* reexamination, moreover, does not require a third party to seek review: the agency may open review of the validity of an issued patent on its own initiative and at any time.<sup>283</sup>

In all of these administrative proceedings, the power to carry out the screening rests with the political head of the agency.<sup>284</sup> Since 2001, that has been the Director of the Patent and Trademark Office, a position that is also styled the Under Secretary of Commerce for Intellectual Property.<sup>285</sup> Prior to 2001, the relevant political head was the Commissioner of Patents, and the *ex parte* reexamination statute referred to that position accordingly.<sup>286</sup>

This repeated investment of the screening power in the political, rather than adjudicatory, structure of the Patent Office is significant. The widely recited justification for administrative adjudication is that the agency has a comparative advantage in scientific expertise; this, in turn, is said to lower costs, expedite resolutions, and ultimately produce more accurate decisions. Placing a political filter at the threshold of the process, however, undermines the presumed procedural neutrality of technical expertise. This effect is especially stark for *ex parte* reexamination, where the political agency head, who already holds the keys to review, may open the gates on his own initiative with no need to wait (as federal courts must

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<sup>280</sup> 35 U.S.C. § 303; MPEP § 2216 (stating the screening standard for *ex parte* reexamination). 35 U.S.C. § 312 (2011); MPEP § 2616 (stating the screening standard for *inter partes* reexamination).

<sup>281</sup> The standard for IPR is a “reasonable likelihood of success.” 35 U.S.C. § 314(a). Meanwhile, the standard for CBM and PGR is that success is “more likely than not.” 35 U.S.C. § 324(a); Pub. L. No. 112-29 § 18(a)(1).

<sup>282</sup> 35 U.S.C. § 324(b); Pub. L. No. 112-29 § 18(a)(1).

<sup>283</sup> 35 U.S.C. § 303(a); 37 C.F.R. § 1.520; MPEP § 2239.

<sup>284</sup> 35 U.S.C. §§ 303(a), 314(a), 324(a) (referring to whether the “Director” may authorize review or determine that a substantial new question of patentability exists).

<sup>285</sup> Patent and Trademark Office Efficiency Act, Pub. L. 106-113 (1999) (effective Jan. 17, 2001).

<sup>286</sup> 35 U.S.C. § 303(a) (1980).

wait) for private parties to initiate a case.<sup>287</sup> It is questionable whether apolitical impartiality should be sacrificed in exchange for technical expertise in this way.

Even if the benefits of such a tradeoff outweighed the costs, however, it seems clear that judicial review of the agency's screening would be needed to ensure that a political head's exercise of threshold power were not unduly distorting the substantive agency adjudications that follow. But this is not the case, either. The Director's screening decision has been "final and nonappealable" in every iteration of administrative validity review, starting with *ex parte* reexamination,<sup>288</sup> continuing with *inter partes* reexamination,<sup>289</sup> and now in the AIA proceedings.<sup>290</sup> The details of this nonreviewability have changed in important ways, moreover, from reexamination to the AIA proceedings.<sup>291</sup>

## 2. Making Technology- and Industry-Specific Policy

Although conferring judicially unreviewable power upon Patent Office leadership to screen requests for patent reevaluation is the most direct injection of politics into how the validity power is exercised, it is not the only one. The agency has also become receptive to *ex post* political input into patent validity through indirect interventions in patent law and policy. The common thread in these laws and policies is that they are specific to certain technologies and industries.

To be clear, the particular trend of tailoring patent law and policy by technology and industry, like the politicization of patent validity more generally, is a broad and complex phenomenon with a variety of structural implications for the patent system. The enacted law of patents is a set of broad, unitary standards that are theoretically context-neutral,<sup>292</sup> but these standards can operate quite differently in practice and application across technologies and industries.<sup>293</sup> This much is straightforward, even self-

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<sup>287</sup> Supra note 283 and accompanying text.

<sup>288</sup> 35 U.S.C. § 303(c) (1980); 35 U.S.C. § 303(c) (2000); 35 U.S.C. § 303(c) (2002); 35 U.S.C. § 303(c) (2012).

<sup>289</sup> 35 U.S.C. § 312(c) (1999); 35 U.S.C. § 312(c) (2002); 35 U.S.C. § 312(c) (2011).

<sup>290</sup> 35 U.S.C. §§ 314(d), 324(e).

<sup>291</sup> See infra notes 332–338 and accompanying text.

<sup>292</sup> Saurabh Vishnubhakat, Expired Patents, 64 Cath. U. L. Rev. 419, 420–426 (2015); Nat'l Research Council of the Nat'l Acads., A Patent System for the 21st Century 42 (Stephen A. Merrill et al. eds., 2004).

<sup>293</sup> Mark D. Janis, Comment: Equilibrium In A Technology-Specific Patent System, 54 Case W. Res. L. Rev. 743, 743 (2004); Dan L. Burk & Mark A. Lemley, Is Patent Law Technology-Specific, 17 Berkeley Tech. L.J. 1155 (2002)

evident.<sup>294</sup> More politically salient, however, is the argument that law- and policy-makers, primarily courts, should take conscious account of these disparities and should try to tailor patent protection to perceived economic goals and exigencies.<sup>295</sup>

This argument is even more politically salient when the institution involved is not the judiciary but the Patent Office. The reason to meet technology and industry needs through judicial tailoring rather than, say, legislative tailoring is that the legislative process invites rent seeking and fails to adapt quickly enough to innovation.<sup>296</sup> Legislative tailoring also produces balkanized legal regimes and requires costly litigation to resolve boundary line-drawing issues between adjacent regimes.<sup>297</sup> Tailoring by courts, for all its flaws,<sup>298</sup> is likely to be more responsive and less prone to capture than sector-specific legislation.<sup>299</sup>

Thus, reallocating technology- and industry-specific *ex post* patent validity judgments out of the courts and into the Patent Office represents not one but two political moves. One is the very act of actively tailoring patent protection in service of economic policy goals rather than merely recognizing that such effects may come about naturally in different fact contexts. The other is the placement of this tailoring with an agency that is itself a target for efforts at rent seeking and capture.<sup>300</sup>

The most direct example of this sector-specific politicization in *ex post* exercises of the patent validity power is covered business method review under the AIA.<sup>301</sup> Structurally, CBM proceedings follow the standards and procedures of post-grant review.<sup>302</sup> In application, meanwhile, CBM reviews allow the invalidation even of patents that issued prior to the AIA,

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<sup>294</sup> See Janis, *supra* note 293, at 743n.2.

<sup>295</sup> Dan L. Burk & Mark A. Lemley, Policy Levers in Patent Law 89 Va. L. Rev. 1575 (2003).

<sup>296</sup> *Id.* at 1578.

<sup>297</sup> Janis, *supra* note 293, at 745.

<sup>298</sup> Rai, *supra* note 277, at 1242–1243.

<sup>299</sup> Burk & Lemley, Policy Levers, *supra* note 295, at 1578–1579.

<sup>300</sup> Dan L. Burk & Mark A. Lemley, The Patent Crisis and How the Courts Can Solve It 168 (2009); Carl Shapiro, Patent System Reform: Economic Analysis and Critique, 19 Berkeley Tech. L.J. 1017, 1022–1023 (2004); John R. Thomas, The Responsibility of the Rulemaker: Comparative Approaches to Patent Administration Reform, 17 Berkeley Tech. L.J. 727, 731 (2002); Robert P. Merges, As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform, 14 Berkeley Tech. L.J. 577, 592 (1999).

<sup>301</sup> Pub. L. No. 112-29 § 18.

<sup>302</sup> *Id.* at § 18(a)(1).

just as *inter partes* reviews allow.<sup>303</sup> What distinguishes covered business method review from other AIA proceedings, however, is its emphasis on a particular industry sector:

the term “covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the *practice, administration, or management of a financial product or service*, except that the term does not include patents for technological inventions.<sup>304</sup>

The statute also calls for this definition to be elaborated through agency regulation.<sup>305</sup> The result is still greater political, rather than adjudicatory, valence to the Patent Office’s *ex post* power over patent validity.

### C. COMMINGLED POWERS IN THE PATENT OFFICE

The agency’s power over patent validity is divided into two tasks—screening PTAB petitions for apparent merit and adjudicating selected petitions—and these tasks rest with the agency’s political leadership and adjudicatory apparatus, respectively.<sup>306</sup> This alone might be cause for concern, as it interposes a political filter at the threshold of an adjudicatory process traditionally justified in terms of agency expertise.<sup>307</sup> For better or worse, however, this has been the pattern of *ex post* patent validity review in the Patent Office from the start.<sup>308</sup>

What is cause for greater concern is that the screening and adjudicating functions in modern AIA review are currently commingled in the same entity within the agency: the PTAB. That commingling is likely unauthorized under the law. It has also produced undesirable incentives for the Patent Office to evade judicial review, incentives that the agency has pursued in progressively broader, more far-reaching arguments.<sup>309</sup>

Although the AIA delegates to the Director the power to screen petitions for *inter partes* review, covered business method review, and post-grant review,<sup>310</sup> the Director does not personally exercise this power.

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<sup>303</sup> Id. at § 18(a)(2).

<sup>304</sup> Id. at § 18(d)(1) (emphasis added).

<sup>305</sup> Id. at § 18(d)(2).

<sup>306</sup> See supra notes 280–286 and accompanying text.

<sup>307</sup> Vishnubhakat, et al., Strategic Decision Making, supra note 4, at 55–56.

<sup>308</sup> Both *ex parte* and *inter partes* reexamination, for example, placed initial screening of petitions seeking administrative review within the power of the Director and, prior to that, the Commissioner for Patents. 35 U.S.C. § 303 (1980); 35 U.S.C. § 312 (1999).

<sup>309</sup> See supra Parts I.B–I.D.

<sup>310</sup> 35 U.S.C. §§ 314(a), 324(a).



Instead, the Director has subdelegated this power to the Patent Trial and Appeal Board.<sup>311</sup> The AIA also delegates to the PTAB the power to adjudicate, and this delegation is direct.<sup>312</sup> In current practice, the panel of three administrative patent judges who screen a petition for sufficiency are the same panel who adjudicate the petition if it is accepted for review.<sup>313</sup>

However, it is doubtful that the Director has authority to subdelegate the screening function to the PTAB in this way.<sup>314</sup> The ability of the Director to subdelegate his powers extends to subordinates whom the Director has himself appointed.<sup>315</sup> The Director may “appoint . . . officers, employees (including attorneys), and agents”<sup>316</sup> and may “define the . . . authority . . . of *such officers and employees* and delegate to *them* such of the powers vested in the Office.”<sup>317</sup> These constraints matter because the Director may not act outside any “specific limitation on his delegation authority.”<sup>318</sup>

The administrative patent judges of the PTAB are not within the reach of this delegation authority because the Director does not appoint judges to the PTAB. That power rests with the Secretary of Commerce.<sup>319</sup> In fact, the power to appoint PTAB judges must rest with the Secretary of Commerce for their authority to be constitutionally legitimate under the Appointments Clause.<sup>320</sup> Starting in 2000, the Director did have authority to appoint judges to the Board<sup>321</sup> in an effort to enhance his oversight of agency affairs and to give the agency more autonomy and operational freedom.<sup>322</sup> However, it became clear by 2008 that this authorization was

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<sup>311</sup> 37 C.F.R. § 42.4(a).

<sup>312</sup> 35 U.S.C. § 318(a) (delegating to “the Patent Trial and Appeal Board” the authority and obligation to issue final written decisions in *inter partes* reviews). 35 U.S.C. § 318(a) (same as to post-grant reviews and, by extension, covered business method reviews).

<sup>313</sup> *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1028 (Fed. Cir. 2016) (explaining that the Patent office “has determined that, in the interest of efficiency, the decision to institute and the final decision should be made by the same Board panel”).

<sup>314</sup> This argument was advanced by the appellant in *Ethicon v. Covidien*, and the discussion here tracks substantially that argument. See Brief of Appellant, *Ethicon Endo-Surgery, Inc. v. Covidien LP*, No. 2014-1771 \*29–\*30 (Fed. Cir., Nov. 26, 2014).

<sup>315</sup> 35 U.S.C. § 3(b)(3).

<sup>316</sup> 35 U.S.C. § 3(b)(3)(A).

<sup>317</sup> 35 U.S.C. § 3(b)(3)(B) (emphasis added).

<sup>318</sup> See *Touby v. United States*, 500 U.S. 160, 169 (1991).

<sup>319</sup> 35 U.S.C. § 6(a).

<sup>320</sup> See generally John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 77 *Geo. Wash. L. Rev.* 904 (2009).

<sup>321</sup> Pub. L. No. 106-113 § 1000(a)(9) (1999).

<sup>322</sup> 154 *Cong. Rec.* H7234 (2008) (statement of Rep. Steve King).

impermissible.<sup>323</sup> Accordingly, Congress revised the statute to its current form, authorizing “the Secretary of Commerce, in consultation with the Director,” to appoint Board judges<sup>324</sup> and fix the constitutional defect.<sup>325</sup> Thus, the problem of subdelegating the Director’s screening function to the PTAB may be intractable. The Director cannot define the powers of PTAB judges unless he appoints them, and he cannot constitutionally appoint them.

This is not to say, of course, that the Director cannot assign to anyone else the screening of petitions for post-issuance review under the AIA. The sheer volume of petitions runs into over a thousand per year,<sup>326</sup> and it would be infeasible and absurd to forbid subdelegation altogether. The question is, among those whom the Director can properly appoint, who can properly carry out the screening function in the Director’s place?

One sensible solution is to differentiate those who can screen from those who can adjudicate based on the Appointments Clause jurisprudence itself. What makes it necessary for the Secretary to Commerce to appoint PTAB judges is that they are “inferior Officers—who perform significant functions pursuant to law and who are subject to the Appointments Clause” rather than “mere employees, who are lesser functionaries lacking substantial powers.”<sup>327</sup> The offices of PTAB judges are “established by Law and they perform more than ministerial tasks”—tasks in which they exercise “significant discretion.”<sup>328</sup>

By contrast, the category of employees who would screen petitions need not exercise the same high level of discretion as PTAB judges. Their

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<sup>323</sup> Id. at H7233–7235 (statements of Reps. Steve Cohen and Steve King).

<sup>324</sup> Pub. L. No. 110-313, § 1(a) (2008).

<sup>325</sup> The revision certainly solved the matter prospectively: future cases decided by the Board would not be vulnerable to challenges based on their issuance by improperly appointed judges. Duffy, *supra* note 320, at 919. However, the statute also purported to make the change retroactive in two ways. One was to authorize the Secretary of Commerce to deem the appointment of a Director-appointed judge to “take effect on the date” of the initial appointment. Pub. L. No. 110-313, § 1(b) (2008). The other was to establish the “de facto officer” doctrine as a defense to any challenge against a Director-appointed judge. Id. § 1(c). Neither of these is necessarily a “constitutionally rigorous solution” to the problem of retroactivity. Duffy, *supra* note 320, at 920. Interest in the subject appears to have died down since the Supreme Court denied certiorari in the leading active challenge to the Patent Office’s prior practice. *Translogic Tech., Inc. v. Dudas*, 129 S. Ct. 43 (2008).

<sup>326</sup> USPTO, Patent Trial and Appeal Board Statistics (Mar. 2017), available at [www.uspto.gov/sites/default/files/documents/AIA%20Statistics\\_March2017.pdf](http://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf).

<sup>327</sup> Duffy, *supra* note 320, at 906 (discussing *Freytag v. Comm’r*, 501 U.S. 868 (1991)) (internal quotations omitted).

<sup>328</sup> Id. (citing *Freytag*, 501 U.S. at 881–882) (internal quotations omitted).

offices are not “established by law” nor their duties “delineated in a statute.”<sup>329</sup> Instead, they could be constituted merely by internal agency action in the way that § 3(b)(3) envisions for the Director. They would not “take testimony, conduct trials, rule on the admissibility of evidence, and have the power to enforce compliance with discovery orders,” as PTAB judges can do—indeed, must do.<sup>330</sup>

Instead, screening petitions for further review, though not trivial, would be well within the competency of an agency employee who has ordinary, examiner-level technical expertise and ordinary, attorney-level legal training. Notably, the authority of the Director to appoint employees and define their duties, including by subdelegation, expressly includes employees who are attorneys.<sup>331</sup> Thus, although the commingling in the PTAB of the screening and adjudicating functions is unlawful, it is readily remediable under existing agency authority.

In addition to being improper as a formal matter, commingling these functions is also improper for functional reasons. Empowering the PTAB, especially the same three-judge panel of PTAB judges, to screen petitions and then to adjudicate them obscures whether, and to what extent, judicial review is available of the PTAB’s actions. The outcome of the screening process is “final and nonappealable,” as has been the case in every mechanism for administrative validity review that Congress has ever established.<sup>332</sup> By contrast, the subsequent adjudication both is subject to judicial review by statute<sup>333</sup> and would be subject to judicial oversight under the Administrative Procedure Act even in the absence of a statute expressly authorizing review.<sup>334</sup> The presumption is in favor of review.<sup>335</sup>

In fact, the scope of nonappealability is even broader for screening in AIA proceedings. Decisions to deny petitions are immune from judicial oversight, and so are decisions to accept petitions.<sup>336</sup> In reexamination,

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<sup>329</sup> Freytag, 501 U.S. at 881.

<sup>330</sup> Id. at 881–882.

<sup>331</sup> 35 U.S.C. § 3(b)(3)(A) (“The Director shall appoint such officers, employees (*including attorneys*), and agents of the Office as the Director considers necessary . . .”) (emphasis added).

<sup>332</sup> See *supra* notes 288–290 and accompanying text.

<sup>333</sup> 35 U.S.C. § 329.

<sup>334</sup> 5 U.S.C. § 702.

<sup>335</sup> *Cuozzo* at 2140.

<sup>336</sup> 35 U.S.C. § 314(d) (immunizing the “determination by the Director *whether to institute*”) (emphasis added); 35 U.S.C. § 324(e) (immunizing the “determination by the Director *whether to institute*”) (emphasis added).

only decisions to deny were immune,<sup>337</sup> leaving decisions to proceed subject to ordinary judicial review.<sup>338</sup>

As a result, commingling the screening and adjudicating functions is a greater concern in the context of *inter partes* review, covered business method review, and post-grant review than it was for the reexamination mechanisms. Faulty decisions to accept petitions cannot be corrected at all by the courts. Classifying issues as screening-related or adjudication-related is necessary for determining the availability of judicial review. There is an incentive, therefore, for the Patent Office to conflate screening with merits adjudication both to enlarge the domain of its influence and action and to insulate itself from judicial review.

#### D. FOCAL POINTS FOR REFORM

As Parts One and Two showed, panel-stacking and the push for increasingly unreviewable discretion are symptoms of the recent tendency of the Patent Office toward aggrandizing its own power. As Part Three thus far has explained, the etiology has been the agency's commingling of separately delegated powers—one reviewable, the other nonreviewable—against a backdrop of greater political input into the patent system. From this emerge three simple focal points for reform.

First, the Federal Circuit should take an appropriate opportunity to interrogate the practice of panel-stacking. The court's scrutiny should include briefing on the due process issues that were left unresolved in *Alappat* and have remained open ever since.<sup>339</sup> For its part, the Patent Office has continued to rely on the outcome of that case as the basis for its use of panel-stacking,<sup>340</sup> and even this justification has been overborne by intervening changes in the structure of administrative patent review.<sup>341</sup>

It should also include briefing on the ability of the Director of the Patent Office to take his screening power to determine whether PTAB

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<sup>337</sup> 35 U.S.C. § 303(c) (1980) (immunizing the “determination by the Director . . . that no substantial new question of patentability has been raised”) (emphasis added); 35 U.S.C. § 303(c) (2000) (same); 35 U.S.C. § 303(c) (2002) (same); 35 U.S.C. § 303(c) (2012) (same); 35 U.S.C. § 312(c) (1999) (same); 35 U.S.C. § 312(c) (2002) (same); 35 U.S.C. § 312(c) (2011) (same).

<sup>338</sup> See, e.g., *In re Swanson* (Fed. Cir. 2008) (finding appellate jurisdiction to opine on the contours of the “substantial new question of patentability” requirement).

<sup>339</sup> See *supra* notes 166–172 and accompanying text.

<sup>340</sup> See *supra* note 14 and accompanying text.

<sup>341</sup> See *supra* note 173–179 and accompanying text.

petitions are likely enough to prevail that review is warranted<sup>342</sup> and subdelegate that power to administrative patent judges whom he is not constitutionally empowered to appoint or whose duties he is not statutorily empowered to define.<sup>343</sup>

Second, the Federal Circuit should continue to view with skepticism the expansive interpretation of important but relatively narrow provisions for nonappealability in PTAB review. Despite an early victory before the Federal Circuit in *St. Jude* and *Achates*<sup>344</sup> and before the Supreme Court in *Cuozzo*,<sup>345</sup> the Patent Office seems to have reached a retrenchment in its autonomy from judicial supervision. The *en banc* Federal Circuit in *Wi-Fi One*<sup>346</sup> and the Supreme Court in *SAS Institute*<sup>347</sup> rejected the most recent and most far-reaching claims of unreviewable agency discretion. It is the application of these latter precedents as refinements of the initial cases that hold the greatest promise for vindicating the robust presumption in favor of judicial review over agency action, and for preserving the ability of the Federal Circuit to police not only current Patent Office excesses but future excesses as well.<sup>348</sup>

Third, the Federal Circuit, in a case that properly presents the issue, should revisit the current Patent Office structure that commingles the Director's screening powers with the PTAB's adjudication powers. These powers are separately delegated in the organic statute that establishes administrative patent revocation, and the differences between them are significant. One entrusts discretion to a political agency head in order to enable initial judgments about allocating scarce agency resources without immediate judicial intrusion. The other requires adjudication that is both based on neutral, generally applicable legal principles and legitimized by meaningful judicial review. To commingle these powers in the same entity within the Patent Office obscures their distinct purposes and enables the very pattern of aggrandizement that the agency has undertaken. The Federal Circuit in *Ethicon* declined an opportunity to address the merits of these issues both in its panel decision and in its denial of *en banc* rehearing,<sup>349</sup> though Judge Newman's dissents in both instances offer a

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<sup>342</sup> 35 U.S.C. §§ 314, 324.

<sup>343</sup> See *supra* notes 314–325 and accompanying text.

<sup>344</sup> See *supra* Part II.A.2.

<sup>345</sup> See *supra* Part I.B.

<sup>346</sup> See *supra* Part I.C.

<sup>347</sup> See *supra* Part I.D.

<sup>348</sup> See *supra* Part II.B.4.

<sup>349</sup> 812 F.3d 1023; 826 F.3d 1366.

valuable roadmap for redoubling the effort to seek *en banc* review in the future.<sup>350</sup>

### CONCLUSION

Much of the Patent Office's recent political aggrandizement is a result of conflating large portions of its ordinarily reviewable adjudicatory process with the initial unreviewable screening process that it also happens to administer. The sustained campaign of the agency to conduct patent validity reviews outside the reach of judicial review is at the heart of the leading systemic controversies in patent law today. The conflation of the agency's power to screen petitions with its power to adjudicate them has also brought with it a new opacity in how the agency reaches its decisions. Of particular concern are the stacking of adjudicatory panels until a majority emerges that can deliver politically palatable judgments and the push to expand ordinary nonappealability provisions to cover a wide range of adjudicatory activities over which the Federal Circuit would routinely exercise review.

Only six years have passed since the AIA's post-grant trial proceedings went into effect. The relatively early stage at which these decisions have come, therefore, make this an important moment in the evolution of patent law's power. Ignoring these problematic agency practices and allowing their underlying cause to persist would reinforce an already troubling status quo. Rejecting these practices and correcting the source of their proliferation would do much to bring into focus the neglected but powerful influence of political decision making on the modern exercise of agency power over patent validity.

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<sup>350</sup> 812 F.3d 1023, 1035 (Newman, J., dissenting); 826 F.3d 1366, 1366 (Newman, J., dissenting).

## APPENDIX: FIGURES

Figure 1. U.S. Patent Trials, 1945–2011

