

Statement of
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Before

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Subcommittee on
Courts, Intellectual Property, and the Internet

On

The Patent Trial and Appeal Board and the Appointments
Clause: Implications of Recent Court Decisions

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Chairman Johnson, Ranking Member Roby, and members of the Subcommittee, I want to thank you for your efforts and those of your staffs in organizing and conducting this hearing. Recent judicial developments, albeit somewhat disturbing ones, have made it timely to address the structure of the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office¹ in light of the issues that have been raised in the courts with respect to the Appointments Clause of the U.S. Constitution.

Introduction – Implications Of Arthrex On Both The New “Inter Partes Review” Procedure And Its Companion AIA Procedure “Post Grant Review”

The proximate reason for today’s hearing is the Federal Circuit’s decision of less than three weeks ago in *Arthrex*² coupled with the pending Federal Circuit appeal in *Polaris*.³ As to the latter, the court recently ordered additional briefing.⁴ This suggests additional judicial action is likely, potentially soon after the supplemental briefs due in *Polaris* on December 6, 2019 are filed.

In *Arthrex*, the Federal Circuit found itself able to interpret the “inter partes review” (IPR) procedure under the patent statute,⁵ enacted as part of the Leahy-Smith America Invents Act (AIA),⁶ as constitutional under the Appointments Clause—but only by holding administrative patent judges, who are members of the AIA’s new PTAB and render the final written decisions in IPRs, are not subject to the protection of Title 5 civil service removal restrictions under 35 U.S.C. § 3(c).⁷

According to the *Arthrex* court, “35 U.S.C. § 3(c)’s provision that USPTO officers and employees are subject to Title 5 cannot constitutionally be applied to [PTAB administrative patent judges] with respect to that Title’s removal restrictions, and thus must be severed to that extent.” (slip op. at p. 23.)

¹ As used in this testimony, the references to the “United States Patent and Trademark Office,” “USPTO,” “Director,” and the “USPTO Director” are used for convenience and consistency, notwithstanding that the agency was formerly known as the “United States Patent Office” and the title of the agency’s head, currently the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, has been formerly known as the “Commissioner of Patents” and the “Commissioner of Patents and Trademarks.”

² *Arthrex, Inc. v. Smith & Nephew, Inc.*, App. No. 2018-2041 (Fed. Cir., October 31, 2019).

³ *Polaris Innovations Ltd. v. Kingston Technology Company, Inc.*, App. No. 2018-1768.

⁴ In *Polaris*, the Federal Circuit has ordered supplemental briefing on the following constitutional issues to be filed by December 6, 2019: “(1) what level of supervision and review distinguish a principal from an inferior officer; (2) whether severing the application of Title 5’s removal restrictions with respect to APJs under 35 U.S.C. § 3(c) sufficiently remedies the alleged unconstitutional appointment at issue in these appeals; (3) whether, and how, the remedy for an Appointments Clause violation differs when it stems from an unconstitutional removal restriction, rather than an unconstitutional appointment itself; and (4) whether severing the application of Title 5’s removal restrictions with respect to APJs under 35 U.S.C. § 3(c) obviates the need to vacate and remand for a new hearing, given the Supreme Court’s holdings on the retroactive application of constitutional rulings.”

⁵ 35 U.S.C. §§ 311-319 (2011).

⁶ Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011).

⁷ “Officers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees.”

These PTAB administrative patent judges not only render “final written decisions” in IPR proceedings, but do so in a second AIA-created statutory proceeding, “post grant review” or PGR.⁸ Both these proceedings address the validity of patent claims and result in the cancelation of patent claims that are adjudicated to be invalid. While IPR proceedings have been—thus far—the more popular of the two proceedings, the PGR proceeding permits a much broader range of patent invalidity issues to be considered by the PTAB APJs. For these reasons, the Appointments Clause issues that arise from the authority of PTAB members to issue “final written decisions” in IPRs apply in spades to the companion ability of PTAB APJs to render such final decisions in PGR proceedings.

Given the long-term potential for PGRs to become the dominant proceeding vis-à-vis IPRs—and given the more extensive jurisdiction over patent validity issues in PGR proceedings relative to IPR proceedings—the Subcommittee’s review of the PTAB-related appointment, review, supervision, and removal provisions needs to encompass consideration of both of these procedures.⁹ That said, the PGR procedure represents an *unprecedented expansion of the authority of the USPTO to cancel claims in patents that it had previously issued*, while the new IPR procedure, in effect, merely duplicated part (but not all) of the jurisdiction over issued patents that already existed through the “inter partes reexamination” statute that the AIA repealed and replaced with the IPR statute.¹⁰

For all the above reasons, the focus in the discussion below centers on the PGR procedure and the PTAB’s authority over this proceeding. However, from a policy and operational perspective in addressing Appointment Clause issues, what applies to the PTAB’s authority to decide PGRs is necessarily applicable to the PTAB authority to decide IPRs.

⁸ 35 U.S.C. § 321-§§ 321-329 (2011).

⁹ In addition to IPR and PGR, on a transitional basis, § 18 of the AIA provided for certain patents, the so-called “covered business method patents,” to be subject to a PGR-like proceeding, in which issues of patent validity could be adjudicated by the USPTO. These so-called CBM proceedings will sunset in on September 15, 2020. To date the CBM process has resulted in nearly 600 PGR-like proceedings being instituted. See *Trial Statistics: IPR, PGR, CBM – Patent Trial and Appeal Board* (September 2019) p. 3. Given the “sunset” within a matter of months, the CBM procedure does not appear to require any further consideration for Appointment Clause purposes, apart from that which both IPR and PGR would appear to merit.

¹⁰ 35 U.S.C. § 311-§ 318 (1999). The inter partes reexamination statute was enacted as part of the American Inventors Protection Act of 1999, Act of Nov. 29, 1999, Pub. L. No. 106-113, § 4001, 113 Stat. 1501, 1501A-552. The IPR procedure does not permit the USPTO to consider non-statutory invalidity issues arising from “patents and printed publications,” while the old inter partes reexamination procedure did. Thus, obviousness-type double patenting issues, unlike in an inter partes reexamination, cannot be raised in an inter partes review proceeding. The USPTO has explained: “[r]ejections on art in inter partes reexamination proceedings may only be made on the basis of prior art patents or printed publications under the first-to-invent prior art regime, or double patenting.” Manual of Patent Examining Procedures § 2658 at <https://www.uspto.gov/web/offices/pac/mpep/s2658.html>. In contrast, under the IPR statute (35 U.S.C. § 311(b)), “[a] petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”

Finally, the Subcommittee will hear today from academic scholars with deep and nationally recognized expertise in the constitutional issues arising from the appointment of administrative patent judges to the PTAB. These constitutional experts can offer the Subcommittee far greater insights than I am able to offer into the manner in which the Appointments Clause might constraint the structure and composition of the PTAB—and insights into possible future holdings of the courts applying this constitutional restriction to the work of the USPTO otherwise.

As for me, my hope through my testimony today is to offer some background on the deliberations that led to the enactment of the Leahy-Smith America Invents Act (AIA),¹¹ the law that created the PTAB; the performance to date of the PTAB; future expectations for the contested IPR and PGR proceedings that will come before the PTAB for decision; and some broader legislative context in which Congress might consider any Appointment Clause-driven reforms to the PTAB. This admittedly more practical perspective may be useful to the Subcommittee as it sorts through the Appointment Clause issues that have been raised by recent decisions of the courts, most notably the Federal Circuit's *Arthrex* decision and the pending decision in *Polaris*.

The Patent Trial And Appeal Board Was Created As Part Of The Most Significant Overhaul Of U.S. Patent Law In Nearly Two Centuries

The PTAB came into being on September 16, 2012. It was created as part of a broad collection of reforms to the U.S. patent law that were achieved through the AIA.

The significance of the AIA to our patent laws is difficult to overstate.¹² Congress had done nothing of comparable significance to the U.S. patent system since at least 1836.¹³

The AIA rewrote the core rules for patentability of inventions.¹⁴ The new law dramatically simplified aspects of the patent law. In important respects, the AIA aligned the core patentability principles of U.S. patent law more closely with those of other industrialized countries. The core objective of the AIA was to produce standards for determining patentability that were more transparent, objective, predictable and simple.

In addition, the AIA sought to make similar improvements in the manner in which patent litigation was conducted. A principal AIA objective was to limit or eliminate subjective elements in patent litigation. A hallmark of much patent litigation is its

¹¹ Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011).

¹² Robert A. Armitage, *Leahy-Smith America Invents Act: Will It Be Nation's Most Significant Patent Act Since 1790?*, Washington Legal Foundation Legal Backgrounder Vol. 26, No. 21 (September 23, 2011), available at https://www.wlf.org/wpcontent/uploads/2018/08/09-23-11Armitage_LegalBackgrounder.pdf.

¹³ Patent Act of 1836, 5 Stat. 117.

¹⁴ See Robert A. Armitage, *Understanding the America Invents Act and Its Implications for Patenting*, AIPLA Q.J. 40:1 (2012), available at https://www.uspto.gov/sites/default/files/aia_implementation/armitage_pdf.pdf.

expense, complexity, and unpredictability. Addressing subjective elements, such as the AIA attempted to do, remains an important priority for reform of the patent laws.

One of the keystone accomplishments of the AIA was to create the IPR and PGR procedures. These are both procedures in which the USPTO adjudication is limited to addressing the merits of the assertions of private litigants: the patent invalidity contentions of the patent challenger who petitions for the IPR or PGR and the responsive assertions of the patent owner in defense of its issued patent.

The new PGR procedure represented an unprecedented breakthrough in the ability to challenge the validity of an issued patent in a contested proceeding in the USPTO. The PGR proceeding permits the USPTO to adjudicate *any issue of patent validity that an accused infringer might raise as a defense to infringement of the patent in a patent infringement lawsuit*. In this sense, it can serve as a plenary review of the validity of the patent.

The PGR proceeding, like the IPR proceeding, has another unprecedented feature. Congress imposed on the USPTO a statutory, one-year time limitation on the procedure. Prior to the AIA, no other proceedings before the USPTO had limits on the time for the Office to conduct and conclude the proceeding, much less in a matter of this complexity.¹⁵

In short, nothing like this type of plenary, contested, open review of the validity of an issued U.S. patent by the USPTO had ever existed in the more than 200-year history of the U.S. patent system. Its enactment can be fairly characterized as a stunning expansion of the authority of the USPTO over issued U.S. patents.

The new PGR procedure was not made immediately available to all U.S. patents. Instead, Congress limited access to a PGR proceeding to petitioners challenging the validity of so-called “first-inventor-to-file” patents. In the main, these were patents initially sought after the AIA took effect on September 16, 2012. This limitation to first-inventor-to-file patents was premised on the need for such a time-limited review to be governed by the greatly simplified rules on patentability enacted under the AIA.

Moreover, the PGR procedure is only available if promptly sought post-issuance of a patent. The petition for post-grant review must be filed within nine months following the issuance of such a first-inventor-to-file patent.

Over time, essentially all newly issued U.S. patents will become subject to this post-grant review procedure. With the passage of time, the current inventory of USPTO patent filings not subject to the AIA’s new first-inventor-to-file rules will dwindle to nil, as the last patents that can be subject to the old first-to-invent provisions of the pre-AIA patent law issue as patents.

¹⁵ Other statutory deadlines do exist, *e.g.*, 35 U.S.C. § 303(a) sets a deadline to make initial determination in an *ex parte* reexamination and, as part of the AIA, 35 U.S.C. § 257(a) imposes a three-month deadline to conduct and conclude a “supplemental examination.”

While the complete phase-in of the PGR process will theoretically take place over roughly a 20-year period from the enactment of the AIA, Congress—in any PTAB change that might be made now—should take account that the PGR process has the potential in the future to become *the predominant tool used to eliminate claims in issued U.S. patents that the USPTO should not have permitted to issue.*

This new adjudicatory function has required that the USPTO build (as it has done successfully over the past seven years) a cadre of highly skilled, technically competent, administrative trial judges. The demands under the PGR statute require the PTAB's administrative patent judges to handle pre-trial motions, claim construction, and discovery and other evidentiary issues—as well as produce a final written decision able to serve as a basis for a judicial appeal by the losing party.

It was far from assured back in 2011 that the USPTO could successfully build the new capabilities needed to conduct post-grant review proceedings, *i.e.*, acquire the capabilities to assure their routine completion within the one-year statutory time limitation—and do so for any and all patent validity issues raised by the petitioner. The concerns over the time needed to build the administrative capability of the USPTO to handle PGR proceedings arose in large measure from the uniqueness of the challenge presented, coupled with the need for utmost fairness to patent owner and patent challenger alike in achieving the one-year statutory deadline for resolution.

At the start of the legislative process that resulted in the AIA,¹⁶ PGR was designed to be the only new contested proceeding that the USPTO would be charged with conducting.¹⁷ In subsequent deliberations, Congress elected to add the new IPR procedure. As noted above, the IPR procedure was enacted as a substitute for the “inter partes reexamination,” a procedure that was originally enacted in 1999 and then repealed in 2011 with the AIA.¹⁸

The companion IPR procedure was modeled on aspects of both the new PGR procedure and the then-existing and now-repealed “inter partes reexamination” procedure. Like inter partes reexamination, IPR is opened to all issued patents (not just first-inventor-to-file patents) and, unlike PGR, is not restricted to petitions for review filed within nine months from the original issue date of the patent. However, the key restriction on the new IPR procedure is that, like the old inter partes reexamination procedure, an IPR petition can only raise the validity issues of novelty and non-obviousness and then only do so based upon “prior art” consisting of published materials,

¹⁶ See H.R. 2795, 109th Congress (June 8, 2005) at <https://www.congress.gov/bill/109th-congress/house-bill/2795>.

¹⁷ *Ibid.*, § 9.

¹⁸ Unlike the PGR proceeding, the IPR procedure was not within the scope of the “open review” recommendation of the National Research Council of the National Academies of Science, discussed *infra*. For this and other reasons, the chief proponents of the PGR process did not favor either continuation of the so-called “inter partes reexamination” or creation of the new “inter partes review” proceedings. Faced with the need for some compromise, the proponents of PGR ultimately urged that the new IPR procedure replace the “inter parte reexamination” statute.

i.e., patents and printed publication that qualify as prior art to the claimed inventions of a patent.

To a significant degree, the proof of the USPTO's success in building the cadre of capable APJs able to meet the demands of the AIA's PGR and IPR proceedings comes from the popularity of the IPR proceedings among accused infringers in patent infringement actions. While fewer than 200 PGR petitions have been filed, nearly 10,000 IPRs have been sought during the past seven years, the vast majority of which arose from petitions by accused infringers in patent infringement litigation.¹⁹

During the AIA legislative process, the Office took the lead in drafting the statutory provisions that resulted in this community of new contested proceedings being enacted into law, *i.e.*, Chapters 31 (for IPR) and Chapter 32 (for PGR) of Title 35, United States Code, as well as the new statute creating the Patent Trial and Appeal Board. As part of the legislative process, the USPTO was insistent that key features of the Board of Patent Appeals and Interferences (BPAI), the predecessor in the Office to the PTAB, be preserved with the creation of PTAB.

In effect, without significant structural change, the PTAB simply superseded the pre-AIA BPAI that was originally created under the Patent Law Amendments Act of 1984,²⁰ which in turn had superseded the separate Board of Patent Appeals and Board of Patent Interferences that trace their lineage back to the 1952 Patent Act.²¹ The PTAB, like the BPAI, remained comprised of the "Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges."

Notwithstanding significant reservations over the structure of the new PTAB, the proponents of the adoption of the PGR provisions of the AIA ultimately acquiesced to the views of the USPTO on the framework and structure for the PTAB, including the presence of the USPTO Director as a member of the PTAB and the Director's role in selecting PTAB panels to hear PGR, IPR, and CBM proceedings.²²

The Creation Of The PTAB And PGR Were Reforms Based On A 2004 National Academies Report That Garnered Broad Support For Its Recommendations

Important, even historic, legislation does not happen by accident. In the case of the AIA, the ultimate enactment of the law was more a legislative miracle than an

¹⁹ See *Trial Statistics: IPR, PGR, CBM – Patent Trial and Appeal Board* (September 2019) p. 3 at https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-09-30.pdf.

²⁰ Patent Law Amendments Act of 1984, § 201, amending 35 U.S.C. § 7, Pub. L. No. 98-622, 98 Stat. 3383, 3386

²¹ Patent Act of 1952, Pub. L. No. 593, § 103, 66 Stat. 792. See 35 U.S.C. § 7, creating a "Board of Appeals" and 35 U.S.C. § 135, creating a "board of patent interferences."

²² "Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings." 35 U.S.C. § 6(c) (2011).

accident, given the contentiousness of virtually every one of its seminal changes to U.S. patent law.

The efforts that led to the enactment of the AIA began in earnest in 2004 with the release of the report of the National Research Council of the National Academies of Science proposing a series of sweeping reforms to the U.S. patent system.²³ The enactment of the AIA in 2011 resulted in most, but not all, of the National Research Council's recommendations being enacted into law.

The NRC's "Open Review" Recommendation Was Partially Implemented Through The Post-Grant Review Statute Of The AIA

One of the most important—and most controversial—recommendations of the NRC was its proposal for an unprecedented “open review” procedure within the USPTO to reassess the validity of issued patents:

Open Review procedure. Congress should seriously consider legislation creating a procedure for third parties to challenge patents for a limited period after their issuance in an administrative proceeding before administrative patent judges of the USPTO. The speed, cost, and design details of this proceeding should make it an attractive alternative to litigation to determine patent validity and be fair to all parties.²⁴

The more detailed recommendations of the NRC urged that, in addition, to opening up issued patents to an open review during a limited period after a patent had issued (such as the PGR statute does), *the USPTO could be charged with assessing patent validity where an accused infringer raised an invalidity defense to infringement.* The NCR specifically recommended:

- Any third party requesting a review should bear the burden of persuasion, subject to a preponderance of the evidence standard, that the claims of a patent should be cancelled or amended.
- *The Federal District Courts should be able and encouraged to refer issues of patent validity raised in a lawsuit to an Open Review proceeding, confining themselves to resolving issues of infringement.* The Department of Justice or the Federal Trade Commission should be able to request the director of the USPTO to initiate a

²³ National Research Council. 2004. *A Patent System for the 21st Century*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/10976>. See also <https://www.nap.edu/read/10976/chapter/1>.

²⁴ See <https://www.nap.edu/read/10976/chapter/6#82>.

review if they suspect that an invalid patent or patents are being used to adversely affect competition.

- The requesting party would pay a fee, but the challenger and the patent holder would each pay their attorney fees and other costs.
- The challenger would, of course, have access to the history of the patent's prosecution.
- The proceeding would be conducted by an administrative patent judge (APJ) or panel of judges of the U.S. Patent and Trademark Office.
- The APJ would have discretion to allow limited discovery, live testimony of experts, and cross-examination.
- Subject to the Administrative Procedures Act, the USPTO would have broad authority to design procedures drawing on the best practices of other countries but aimed at speed, simplicity, and moderate cost. It should do so in consultation with professionals steeped in the details of the current administrative proceedings—reexamination, reissues, and interferences—and familiar with their drawbacks.
- In rare cases, circumscribed in regulation, the USPTO should have discretion to continue an Open Review even if the parties decide to settle their disagreement.²⁵

The legislative response by Congress was to implement the core recommendation of the NRC with new provisions in Chapter 32 of Title 35 that permitted the USPTO to institute PGR proceedings. In general, the PGR procedure, as now implemented through USPTO regulations, follows closely the framework recommended by the NRC. The key point of departure from the NRC's more detailed recommendations is that it does not permit the USPTO to accept referrals of patent validity issues from the Federal District Courts. In addition, as noted above, the post-grant review provisions are applicable only to the so-called "first-inventor-to-file" patents issued under the AIA.²⁶

²⁵ See <https://www.nap.edu/read/10976/chapter/6#97>. Emphasis supplied.

²⁶ Congress limited the availability of the post-grant review procedure to first-inventor-to-file patents. It did so in large measure because of the more transparent, objective, predictable, and simple determinations

PGR Was Not—But Could Be—Optimized By Congress To Fully Implement The NRC’s “Open Review” Recommendation

In part because there was no need to do so, the PGR procedure was not drafted to take account of the needs of a statute that would accept patent validity referrals from the federal district courts. As a result, certain additions to the PGR statute would be needed if Congress were to authorize accepting invalidity petitions by accused patent infringers, most of which would be filed outside the existing nine-month window after issuance when a PGR petition under the existing statute must be made.

In addition, judicial developments since enactment of the AIA have also complicated the PGR statute and require remedial action by Congress for PGRs to operate as designed. Regrettably and wholly unexpectedly, the Supreme Court has expanded the discovery (in PGRs and other invalidity determinations) that can be needed to assess the validity of all first-inventor-to-file patents.

The Supreme Court, in a highly unfortunate ruling, now permits non-public activities, including non-public foreign activities, to be considered in determining the validity of an issued patent.²⁷ The Court’s holding appears to be in blatant disregard of the intent of Congress in enacting the AIA to simplify and internationally harmonize aspects of U.S. patent law, including through the operation of the PGR statute.

Thus, erasing the effects of this ruling, and specifically the Court’s expansion of the law that now allows secret foreign activities to be used to destroy the validity of a U.S. patent, should be made a congressional priority. Quite simply, the feasibility of conducting PGR proceedings in which extensive foreign discovery might be needed to address patent validity issues was not contemplated by Congress in enacting the AIA, much less the PGR statute.

The intent of the AIA statute had been to determine the issues of the novelty and non-obviousness of a claimed invention solely by reference to subject matter that had become *available to the public* prior to the date on which a patent was sought, and not dependent upon extensive discovery as an essential vehicle for unearthing non-public activities, particularly foreign activities, attributable to the inventor.²⁸

of what subject matter can constitute “prior art” for these patents. “Prior art” is used for the purpose of determining if a patent claim meets the requirements for novelty and non-obviousness under 35 U.S.C. § 102 and § 103. In addition, the AIA stripped out of the patent law certain “loss of right to patent” provisions, but only for first-inventor-to-file patents. That left more complicated rules for the determination of the validity of patents that were not subject to the first-inventor-to-file provisions of the AIA, *i.e.*, the so-called first-to-invent patents. These patents are subject to particularly complex rules for determining validity because validity for them can turn on the date of invention of the subject matter of a patent claim.

²⁷ *Helsinn Healthcare v. Teva Pharmaceuticals*, 139 S. Ct. 628 (2019).

²⁸ “Such provisions in the patent law can greatly compromise the efficiency and effectiveness of [a] seminal change to the U.S. patent law, the new post-grant review procedures enacted as part of the America Invents

As a result, today, if Congress wished to proceed with remedial legislation to address the Supreme Court's post-AIA precedent—as well as make the changes to the PGR statute needed to fully implement the NRC-recommendation that PGR should apply to patents challenged by accused infringers in patent infringement litigation—the following modifications to the AIA would be needed:²⁹

- Align the standard of proof, as applied to factual issues bearing on patent validity, to that applicable to invalidity defenses to infringement in the district courts, *i.e.*, the standard of clear and convincing evidence, for review petitions filed outside the existing nine-month window.³⁰
- Bar claim amendments in patents referred from a district court, including those that would otherwise be permitted in a post-grant review proceeding if brought during the first nine months following the issue date of the patent.³¹

Act. Congress provided the opportunity for any member of the public to challenge the validity of any newly issued U.S. patent on any ground that could be raised as a defense to the infringement of the patent, but in a proceeding designed with a one-year time limit for reaching a final decision—a limit premised on Congress's determination that discovery burdens in the old law would be gone in the new. Thus, not only did new [prior art provisions of the AIA seek to] restrict any bar to patenting to activities producing a public disclosure of the subject matter defined by the claim of a patent—through the overarching requirement for such subject matter to be made 'publicly known' or 'available to the public'—but did so for compelling reasons, *i.e.*, in light of the overall context in which the America Invents Act was conceived and enacted." Brief of Amicus Curiae Congressman Lamar Smith in Support of Petitioner on Writ of Certiorari in *Helsinn v. Teva*, App. No. 17-1229 (August 23, 2018), pp. 17-18, at https://www.supremecourt.gov/DocketPDF/17/17-1229/60461/20180823130453156_17-1229%20Amicus%20Brief%20of%20Congressman%20Lamar%20Smith.pdf. See also Brief of Amicus Curiae Congressman Lamar Smith in Support of Petition for Certiorari in *Helsinn v. Teva*, App. No. 17-1229 (March 27, 2018) at https://www.supremecourt.gov/DocketPDF/17/17-1229/40117/20180327102812171_USSC%2017-1229%20Amicus%20Brief%20of%20Lamar%20Smith.pdf.

²⁹ The USPTO, by rulemaking, recently eliminated the use of the "broadest reasonable interpretation" standard in construing claims, which represented an essential prerequisite to any use of the post-grant review procedure as a fair and efficient alternative to a district court's determination of validity. See *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 51340-51359 (Oct. 11, 2018) at <https://www.govinfo.gov/content/pkg/FR-2018-10-11/pdf/2018-22006.pdf>.

³⁰ *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91 (2011), interpreting 35 U.S.C. § 282. *Cf.* 35 U.S.C. § 326(e), "In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence."

³¹ See 35 U.S.C. § 326(a)(9) requiring the Director to proscribe regulations "setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent" and 35 U.S.C. § 326(d), more generally, permitting amendments during a post-grant review proceeding.

- Eliminate the threshold required for institution of the review for patents referred from a district court, such that each invalidity defense to infringement that the accused infringer had pleaded could be considered in the post-grant review.³²
- Eliminate as “prior art,” for all first-inventor-to-file patents, acts (most especially secret foreign acts) placing an invention “in public use or on sale” in a manner in which the claimed invention does not become available to the public and, instead create a new defense to patent infringement that would render a patent unenforceable based upon a new *patent filing laches* unenforceability defense. Under this new defense if, based upon activities attributable to the inventor, the inventor failed to disclaim, before patent issuance, any patent term greater than 21 years from the date any claimed invention in the patent was “ready for patenting,”³³ the patent would be permanently unenforceable. This laches unenforceability defense would apply only if the claimed invention had been placed in public use or on sale in the United States more than six years before the effective filing date of any claimed invention.³⁴

For sound policy reasons, Congress may decide at some point to complete the process of enacting into the law the “open review” reforms recommended by the NRC. In doing so, Congress could dramatically change the manner in which patent validity challenges brought in patent infringement actions are processed in the district courts, with the potential for greatly reducing the costs and uncertainties associated with patent validity trials in the district courts.

³² 35 U.S.C. § 324(a), “The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition [for review], if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

³³ *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998). The policy considerations expressed by the Supreme Court in *Pfaff* and *Helsinn* with respect to patent filings that are unreasonably delayed once an invention placed “in public use or on sale” in the United States was “ready for patenting” can be far more efficiently and fairly addressed with a patent filing laches defense to the enforceability of the patent claiming the invention. Such an enforceability defense would serve to prevent the expiration of the normal 20-year term of patent protection, calculated from the original patent filing, from being unduly postponed by requiring that an inventor who placed an invention in public use or on sale in the United States more than six years before filing for a patent would be required to disclaim any patent term that would extend beyond 21 years from the date on which the invention was “ready for patenting.” By requiring such a disclaimer to be made before the patent issued in order for the patent to be enforceable, this patent filing laches defense to infringement would assure that all policy concerns in *Pfaff* and *Helsinn* would be addressed without the need for the discovery that would otherwise be required to determine if patent claims were valid.

³⁴ The legislated change needed is two-fold to remedy the *Helsinn* holding of the Supreme Court: In 35 U.S.C. § 102(a)(1), (1) strike “or in public use, on sale,” and (2) in 35 U.S.C. § 282, insert at the end—

“(d) UNENFORCEABILITY DEFENSE.—If the inventor or a joint inventor of a claimed invention in a patent, or another who obtained the subject matter claimed directly or indirectly from the inventor or a joint inventor, had placed the claimed invention in public use or on sale in the United States more than six years prior to the effective filing date of the claimed invention, the claims of the patent shall be unenforceable unless, prior to the date on which the patent was originally issued, the patentee had disclaimed under section 154(b) the term of the patent extending beyond 21 years from the date on which the claimed invention was ready for patenting by the inventor.”

Given the four modifications/extensions of the existing PGR statute outlined above, the post-grant review procedure could afford a fair and efficient procedure in which technically trained administrative trial judges, during a one-year period from the institution of a PGR proceeding in the USPTO, would be able to issue a final written decision on an accused infringer's invalidity defenses to each challenged claim of an allegedly infringed patent.

As this Congress examines the PTAB statute with an eye to possible changes relating to the Appointments Clause, it may be prudent to premise any Appointments Clause analysis on the possibility that, at some future date, PGR might serve an expanded function as the vehicle for resolving invalidity defenses of accused infringers in patent infringement litigation brought before the district courts.

In any event, the consideration by Congress of the future role of the AIA's PGR statute, as part of any effort to modify the AIA's PTAB statute, becomes progressively more important over time. During this past decade, only a modest percentage of U.S. patents that have issued have been first-inventor-to-file patents. During the next decade, the majority of issued U.S. patents that issue will likely be first-inventor-to-file patents. In the decades that follow, essentially every issued U.S. patent would fall within the first-inventor-to-file jurisdiction of the post-grant review statute.

Just with the passage of time, PGR holds the potential for being used to a similar extent as the parallel "post-grant oppositions" procedures before the European Patent Office. Given a similar utilization of post-grant review in the United States as "oppositions" are used in the EPO, thousands³⁵ of PGR proceedings might be instituted each year to address the validity of the commercially most important patents being issued by the USPTO.³⁶

³⁵ For the PGR procedure to reach this level of utilization would require Congress to proceed with the correction of a legislative error in the enactment of the AIA. The judicial estoppel associated with the PGR proceeding extends to issues that the petitioner "reasonably could have raised." 35 U.S.C. § 325(e)(2). The Coalition for 21st Century Patent Reform has explained the need for correction of this legislative error. See *A "Reasonably Could Have Raised" Estoppel In Litigation Following Post-Grant Review Will Prevent The Envisioned Benefits Of The New Procedure From Being Achieved* at <http://www.patentsmatter.com/issue/pdfs/Why%20RCHR%20Estoppel%20Should%20Not%20Apply%20to%20PGR.pdf>. See also, Testimony of Robert A. Armitage, Hearing Before The Committee On The Judiciary House Of Representatives on Implementation of the America Invents Act, 112th Congress, First Session, May 16, 2012), p. 196 at https://archive.org/stream/gov.gpo.fdsys.CHRG-112hhr74258/CHRG-112hhr74258_djvu.txt. ("The [reasonably-could-have-raised estoppel] provision now in [the AIA] threatens to turn PGR into a dead letter, with an estoppel so draconian in character that it would be highly problematic for a patent challenger to use.")

³⁶ The counterpart of the PGR process in Europe is an "opposition" procedure imposing the identical nine-month deadline. The European Patent Office resolves about 4,000 patent oppositions each year among the approximately 125,000 patents it issues. See <https://www.epo.org/about-us/annual-reports-statistics/annual-report/2018/statistics.html> and <https://www.epo.org/about-us/annual-reports-statistics/annual-report/2018/statistics/searches.html#tab1>. In contrast, the USPTO issues over 300,000 patents each year, implying a potential PGR rate of approximately 10,000 PGRs per year. See statistics at https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

The Policy Justification For The PGR Procedure Is No Less Valid Today Than When The NRC's Recommendations Were First Made

When the National Academies' 2004 report prepared by its National Research Council on the patent system was published, it set in motion immediate efforts to support the enactment of the NRC recommendations into law, not just through organizations such as the Coalition for 21st Century Patent Reform,³⁷ but also through the active support of the major national bar associations focused on intellectual property law issues. This included, most notably, both the American Intellectual Property Law Association³⁸ and the Section on Intellectual Property Law of the American Bar Association.³⁹

One reason for the immediate and enthusiastic support for the NRC's recommendations in certain elements of the patent community was their comprehensive and reasoned nature. Collectively, these recommendations sought to remake foundational aspects of U.S. patent law that, unlike patent regimes in other industrialized countries, more reflected 19th century norms than the 21st century opportunities for an efficient and high-functioning patent system.

As noted above, one key recommendation, albeit a highly controversial one, was to establish a new "open review" procedure.

The NRC report's 2004 rationale for the "open review" procedure should resonate with this Subcommittee even today given its concerns over patent quality,⁴⁰ as well as

³⁷ During the entire six-year legislative process that led to the enactment of the AIA, the Coalition for 21st Century Patent Reform, and members of its steering committee, were active in legislative process. See <http://patentsmatter.com/issue/legislation.php/>, providing a partial chronology of the efforts of the Coalition and its steering committee members. See, for example, *Statement of Robert A. Armitage, Senior Vice President and General Counsel, Eli Lilly and Company, Before The United States House of Representatives, Committee on the Judiciary, Subcommittee on the Courts, the Internet, and Intellectual Property On "Patent System Harmonization"* (April 27, 2006) at <http://www.patentsmatter.com/issue/Statements/armitage%20patent%20reform042706.pdf> and

³⁸ "The National Academy of Sciences has completed a four-year study of the patent system. The NAS Report contains an impressive and comprehensive set of recommendations for reforming the U.S. patent system. The Report contains proposals that, if enacted into law, would change the patent statute in very significant ways. ... AIPLA endorses immediate and concrete efforts to see that the major NAS Report recommendations for statutory changes to U.S. patent laws are enacted into law. AIPLA endorses the main thrust of the NAS Report in each of the seven areas where recommendations have been made." See *American Intellectual Property Law Association Response to the National Academies Report entitled 'A Patent System for the 21st Century'* at https://www.aipla.org/docs/default-source/advocacy/documents/nas092304.pdf?sfvrsn=d8f7fdf8_3.

³⁹ "In its 2004 report on the U.S. patent system, 'A Patent System for the 21st Century,' the National Research Council of the National Academies called for major changes to U.S. patent law. The ABA IPL Section's response to this report supported the major recommendations of the National Academies for legislative changes to the patent law." *A Section White Paper: Agenda for 21st Century Reform* (July 7, 2005), Section on Intellectual Property Law, American Bar Association, at <http://www.jonesday.com/files/upload/WhitePaper.pdf>.

⁴⁰ See *Hearing on the Impact of Bad Patents on American Businesses*, Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary (July 13, 2017), at <https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=106230>

similar concerns that have been expressed before the Senate’s IP Subcommittee.⁴¹ These “open review” reforms were recommended by the NRC based in part on the concerns over the consequences of allowing “bad patents, once issued, to stand unchallenged:

Low or inconsistent patent standards matter for the following reasons:

- In contrast to incentives to genuine innovation, patents on trivial innovations may confer market power or allow firms to use legal resources aggressively as a competitive weapon without consumer benefit.
- Poor patents could encourage more charges of infringement and litigation, raising transaction costs.
- The proliferation of low-quality patents in a technology complicates and raises the cost of licensing or avoiding infringement.
- The uncertainty about the validity of previously issued patents may deter investment in innovation and/or distort its direction.⁴²

Issuing patents containing one or more invalid claims can foster development of “patent thickets” and exacerbate the policy concerns (legitimate or not) that arise when large numbers of patents may impact the ability to market a competing product. For example, much ado has recently been made over a biologic product of a biopharma company that “has been the subject of Congressional inquiry for its use of a so-called ‘patent thicket’ to protect its biologic ... from biosimilar competition,” allegedly by seeking more than 200 patents and being issued more than a hundred.⁴³

The patent quality/patent thicket issue can arise from more than just issuing a large number of individual patents, but also through issuing just a single patent with a large number of individual claims. This type of “patent thicketing” becomes pernicious in situations where such a mass of claims are lacking in validity.⁴⁴ In the absence of any

⁴¹ *Promoting the Useful Arts: How can Congress prevent the issuance of poor quality patents?*, Subcommittee on Intellectual Property, Committee on the Judiciary (October 30, 2019) at <https://www.judiciary.senate.gov/meetings/promoting-the-useful-arts-how-can-congress-prevent-the-issuance-of-poor-quality-patents>.

⁴² See <https://www.nap.edu/read/10976/chapter/6#95>.

⁴³ See *Biologics and Biosimilars: Background and Key Issues* (Updated June 6, 2019), Congressional Research Service, pp. 11-12, at <https://fas.org/sgp/crs/misc/R44620.pdf>.

⁴⁴ Eli Lilly and Company, as an example, was sued under U.S. patent 6,410,516 on June 25, 2002, the very day the patent issued. That patent had over 200 claims directed to “NF-κB induction” processes. It took eight years from the day the patent issued before the patent was finally invalidated as having only

“open review,” an accused infringer facing even a single patent with a thicket of hundreds of individual claims—each of which is presumed to be separately valid—may find the cost of invalidating each of these “bad claims” through a district court patent infringement action to be staggering.⁴⁵

The 2004 policy justification for the NRC “open review” recommendation was grounded on the challenges—the cost, time, and uncertainties—in litigating to an invalidity judgement in a district court the claims of a patent that the USPTO should never have permitted to issue. Today, no less than in 2004, the ability of an accused infringer to present invalidity arguments before the PTAB in a proceeding that reliably results in a final written decision within a one-year period from the date of institution of the proceeding has the potential to address in a compelling manner the cost/time/uncertainty challenges an accused infringer otherwise faces if left only to the courts.

The continuing prevalence of “bad claims” and “bad patents” is what makes the 2004 justification no less compelling 15 years later. Experience under the AIA appears to demonstrate that this policy justification was not merely a theoretical one—or a transient concern. The potential importance of a USPTO proceeding that can fairly and efficiently adjudicate thickets of patent claims—or even a single claim asserted in a single patent—have been borne out by the startling rate at which patent claims adjudicated by the PTAB in IPR proceedings have been invalidated during the seven years since coming into existence in 2012. Based on patent challenges brought before the PTAB that have reached the point of a *final written decision* following the one-year period from institution, the PTAB found some or all challenged patent claims to be unpatentable in 80% of the decisions it has reached.⁴⁶

In other words, the NRC-recommended “open review” procedure does not have merely a theoretical prospect of addressing issues of “bad patents,” “bad patent claims,” and “thickets” of the foregoing, but the actual operation of the NRC-recommended “open review” proceedings has invalidated thousands of such claims in thousands of such patents in just the few years since the PGR/IPR/CBM processes went live. Manifestly, these proceedings work in practice to the end sought by the NRC and, as a result, Congress might be wise to act to avoid any possibility that the PTAB—the engine of the

insufficiently disclosed claims under the “written description” requirement in 35 U.S.C. § 112(a). See *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010) (*en banc*).

⁴⁵ Lilly’s price tag for defending against the infringement allegations of Ariad, with its patenting containing a “thicket” of 200+ claims ran into eight figures, a truly staggering investment of time and money to be able to dispense with the claims of just one patent. A fuller discussing of this patent and Lilly’s 8-year odyssey to invalidate these claims can be found in the *Statement of Robert A. Armitage Before The United States House of Representatives Committee on the Judiciary On “H.R. 3309, Improving the Patent System to Promote American Innovation and Competitiveness”* (October 29, 2012) at <https://republicans-judiciary.house.gov/wp-content/uploads/2016/02/Armitage-Testimony-1.pdf>.

⁴⁶ See *Trial Statistics for IPR, PGR, CBM, Patent Trial and Appeal Board September 2019*, p. 10, at https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-09-30.pdf. Of 2,890 final written decisions, only 569—20%—found no invalid claims in the challenged patent.

“open review” process—cannot operate free from any constitutional doubt as to its authority to act.

In summary, as Congress considers making changes to the PTAB statute, it may be reasonable to assume that the contested proceedings created under the AIA, despite their manifest flaws,⁴⁷ have earned a place as a permanent feature of the U.S. patent system, with the principal question remaining open being if and when PGR might be expanded to more completely implement the NRC recommendations from 2004. The passage of time may have served to make the 2004 policy rationale of the NRC for recommending the “open review” procedures, as set out in its report, even more compelling.

The Director Has Historically Had Control Over Patentability Issues In Ex Parte Appeals From Patent Examiners

Historically, the vast preponderance of the proceedings falling under the responsibility of the Director of the USPTO were *ex parte* in nature, *i.e.*, decisions on whether or not to issue a patent on a pending application for patent. The Director of the USPTO has had the ability—again historically—to control the outcome of all such proceedings. In patent appeals taken from patent examiner rejections of claims in pending patent applications, the USPTO Director has long had the ability to, in effect, *personally* decide whether or not an individual application for patent should be permitted to be issued as a U.S. patent.⁴⁸

⁴⁷ For the PGR procedure, see the “estoppel” flaw, discussed *infra*. For the “inter partes review” procedure, its flaws are sufficiently severe that Congress ought to fix them or repeal the IPR statute entirely. “Congress needs to make statutory changes to the IPR process to assure that this procedure treats the patent owner fairly and to assure that this procedure has the appearance of fairness. In my view this can best be accomplished if Congress makes changes now to the IPR law to provide a presumption that patents in IPR proceedings are not only valid, but assure that evidence of invalidity is clear and convincing. I would urge the Committee to place the issue of IPR remediation at the top of the list of things to be accomplished ... through the legislative process.” *Testimony of Robert A. Armitage, Hearing Before The Committee On The Judiciary House Of Representatives 114th Congress, First Session, On H.R. 9 (April 14, 2015) No. 114-20, p. 82 at https://republicans-judiciary.house.gov/wp-content/uploads/2016/02/114-20_94184.pdf.*

⁴⁸ This authority of the Director of the USPTO goes back as far as the statutes under which examiners-in-chief have heard appeals from the patent examiner initially assigned to review an application for patent. As noted in the leading nineteenth century treatise on the patent law: “The allowance of an application by the examiner, or by the examiners-in-chief upon appeal, does not oblige the Commissioner [now USPTO Director] to grant the patent for which it prays. The law empowers him to withhold a patent whenever in his judgment the invention is not patentable, or the issue of the patent is forbidden by the statutes, or the patent if granted would probably be held invalid by the courts.” See W. Robinson, *The Law of Patents* § 583 (1890).” While the Robinson commentary was with respect to the law creating the position of examiners-in-chief in 1861 (Act of March 12, 1861, ch. 88, § 2, 12 Stat. 246.), as well as permitting a further appeal to the Director of the USPTO (then Commissioner) in person, this type of USPTO Director control may have been the case until at least the enactment of the AIA. The Director has since 1927 been given statutory authority to choose the examiners-in-chief (now administrative patent judges) that will hear an *ex parte* appeal. See S. Rep. No. 69-1313 (1927) and Act of March 2, 1927, ch. 273, § 3, 44 Stat. 1335, eliminating the opportunity of direct review of an *ex parte* appeal by the USPTO Director, but providing that the Director and “Assistant Commissioners” would become part of the Board of Patent Appeals and the USPTO Director would have authority to designate members of the Board to hear appeals. “One lawyer

The Director's historic control of all ex parte patentability decisions, specifically those arising from an appeal from the decision of a patent examiner, has been long recognized in USPTO rule and practice. This Director control has derived in part from the Director's unquestioned authority to set out patent examining procedures.⁴⁹ Such procedures now direct the work of the corps of (now over 8000⁵⁰) patent examiners. The Director has a similar effective control of the ex parte appeal process from an examiner's decision not to issue a patent, one endorsed by the Federal Circuit.

The Federal Circuit addressed the issue of whether the Director could exercise control over this appeal process within the Office in an explicit and unrestrained manner in a decision rendered over 25 years ago.⁵¹ In the *Alappat* appeal the court addressed this question *en banc*—

When a three-member panel of the Board [of Patent Appeals and Interferences] has rendered its decision [on patentability of the claims of a patent application], does the [USPTO Director, then titled the PTO Commissioner] have the authority to constitute a new panel for purposes of reconsideration?"

In this appeal, the "new panel" selected by the Director to hear an appeal of examiner-rejected claims, which a three-member panel of examiners-in-chief had previously determined were patentable, consisted of five additional members. Those five additional members were: "PTO Commissioner Manbeck, PTO Deputy Commissioner Comer, PTO Assistant Commissioner Samuels, Board Chairman Serota, [and] Board Vice-Chairman Calvert."

In effect, with the sanction of the Federal Circuit, the Director "packed" the original panel of three examiners-in-chief in order to secure a reversal of the original decision of this three-person panel deciding that the *Alappat* claims were patentable: "the five new members of the expanded panel issued the majority decision now on appeal, authored by Chairman Serota, in which they affirmed the Examiner's ... rejection, thus ruling contrary to the decision of the original three-member panel. The three members of

has expressed the fear that in providing ... that the board of appeals shall have the sole power to grant 'rehearings,' the bill may lessen the present supervisory power of the commissioner, but it was agreed by the other lawyers at the hearing, and the Committee on Patents concurs in this view, that the supervisory power of the commissioner, as it has existed for a number of decades, remains unchanged by the bill." [Emphasis added.] Nothing in the 1952 Patent Act or the AIA made any change to that patent statute that would appear to diminish the effective control by the USPTO Director over the ultimate decision to grant or not to grant a U.S. patent to an inventor.

⁴⁹ See the *Manual of Patent Examining Procedures*, Chapter 7, Examination of Applications, at <https://www.uspto.gov/web/offices/pac/mpep/mpep-0700.pdf>.

⁵⁰ See USPTO FY 2018 Performance and Accountability Report, p. 12 at <https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf>.

⁵¹ *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994).

the original panel dissented on the merits for the reasons set forth in their original opinion, which they augmented in a dissenting opinion.”⁵²

This effective authority of the Director of the USPTO over patent examination policy, patent examination procedures, and patent examination outcomes, rather than being some evil, serves an important public interest. This is evidenced in the *Alappat* appeal itself.

The *ex parte* patentability decisions of the USPTO, whether the Director personally intervenes or not, are subject to judicial review—the final agency action is not a final disposition of an inventor’s right to patent. The claims in the *Alappat* application, upon review by the Federal Circuit, were found to be directed to patentable subject matter, notwithstanding the final agency determination at the USPTO. Ultimately, a patent was ultimately issued to the inventor.

The patent issued based on the *Alappat* appeal was explicitly determined by the Federal Circuit to be directed to subject matter that was eligible for patenting under 35 U.S.C. § 101. The appeal to the Federal Circuit removed what would have been a substantial cloud over the subject matter eligibility of the claims issued to the inventor, rendering the patent more securing enforceable in any future efforts to enforce the patent. *Alappat* benefited from the Director’s initial refusal to issue a patent in the sense that the patent ultimately issued was a more assuredly valid patent.

Moreover, the *Alappat* decision afforded the USPTO a precedent to be followed that might permit future patent filings to be more accurately examined for patent eligibility. This included future patents filings that *Alappat* himself might have made of a similar ilk.

Finally, the decision that the *Alappat* claims met the § 101 requirements for eligible subject matter was not free from doubt. The dissenting opinion of two of the judges of the Federal Circuit is evidence of how close the *Alappat* claimed invention came to being found ineligible for patenting:

As the player piano playing new music is not the stuff of patent law, neither is the mathematics that is *Alappat*'s ‘rasterizer.’ And the Supreme Court has in its decisions required it so. *Alappat*'s claimed discovery is outside 35 U.S.C. § 101, and for this reason I would affirm the board’s rejection. I dissent from the majority's decision on the merits to the contrary.”⁵³

With some irony, the arguments raised by the *dissenters* at the Federal Circuit now appear to be ensconced in Supreme Court precedents that appear to reject the majority

⁵² 33 F.3d at 1531.

⁵³ Judge Archer, joined by Judge Nies, dissenting at 33 F.3d 1568.

view of the Federal Circuit that Alappat claims were “not a disembodied mathematical concept which may be characterized as an ‘abstract idea,’ but rather [were directed to] a specific machine to produce a *useful, concrete, and tangible result*.”⁵⁴ But for the Director’s personal actions that led to the initial refusal to grant the Alappat patent, the Supreme Court would not have had the dissenter’s views at the Federal Circuit on which to build the current jurisprudence highly restricting patents with claims directed to “abstract ideas.”

None of these beneficial consequences *arising from further defining and judicially clarifying the reach of the patent laws on exceedingly close questions of patentability* would have taken place had the USPTO Director not personally stepped into the appeal process to reverse the original decision that the Office otherwise would have made to allow the patent application claims to be issued as a patent. In the context of the *ex parte* patent appeal process before the USPTO, Congress could readily conclude that this *personal* intervention of the USPTO Director should not be seen as some abuse of the office, but a fundamental responsibility entrusted to the head of the agency—an agency head appointed by the President and confirmed by the Senate precisely to discharge this responsibility.

Historically, The Proceedings In The USPTO Were Largely Confined To Ex Parte Matters, With Scant Authority Over Validity Of Patents

When the 1952 Patent Act was enacted, the USPTO had no authority permitting the Office to cancel claims of an *issued patent*, save for the ability of the Office to “reissue” a patent at the request of the patent owner.⁵⁵ The only “contested” proceedings under the 1952 Patent Act where an *issued patent claim* could be canceled by the Office was the “patent interference” procedure that was conducted before the “board of patent interferences” by “patent interference examiners.”⁵⁶

However, this “interference” authority of the Director could only be exercised over an issued U.S. patent if another patent application was still pending, naming a

⁵⁴ 33 F.3d at 1544. The Federal Circuit itself ultimately recanted on the “useful, concrete, and tangible” result cited in *Alappat* as being dispositive of patent eligibility. See *In re Bilski*, 545 F.3d 943, 959-960 (Fed. Cir. 2008), “Therefore, we also conclude that the ‘useful, concrete and tangible result’ inquiry is inadequate and reaffirm that the machine-or-transformation test outlined by the Supreme Court is the proper [subject matter eligibility] test to apply.”

⁵⁵ Inventors have long had the opportunity to voluntarily surrender patent rights for the purpose of having a defective patent reissued. 35 U.S.C. § 251.

⁵⁶ See 35 U.S.C. § 135 (1952), first paragraph, “Whenever an application is made for a patent which, in the opinion or the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved from the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent Office.”

different inventor, that contained one or more claims to the *same patentable invention*, such that an issue of “priority of invention” was present that required a “patent interference” proceeding to be declared to decide which inventor was first to invent. In general, prior to 1984, the validity of the patent claims in these patent interferences was not at issue, other than the issue of whether patent claims might be invalid based upon the patent applicant proving itself to be the “prior inventor.”⁵⁷

As part of the efforts of the USPTO during 1982-1984 to reform the manner in which patent interferences were conducted, Congress expanded the jurisdiction of patent interference proceedings to consider issues of patentability generally, no longer constraining the interferences to consider patentability issues only if “ancillary to priority.”⁵⁸ The result was a change in patent interference practice that permitted patentability and priority to both be fair game whenever an issued patent was involved in a patent interference—before a new “Board of Patent Appeals and Interferences”⁵⁹ created by the Patent Law Amendments Act of 1984.⁶⁰

However, the availability of such a procedure to attack the claims of an issued patent remained dependent upon a finding of an “interference in fact” between claims of a patent and a pending patent application claiming the “same patentable invention.” Only a handful of patent interferences were conducted each year and most of the interferences, once declared, were settled without any decision by the USPTO, much less a decision canceling patent claims as unpatentable.⁶¹

⁵⁷ In these interference proceedings under the 1952 Patent Act if the patent applicant were determined by a *patent interference examiner* to be the “first to invent” the commonly claimed subject matter, and not the patentee, the USPTO was authorized to cancel the claims of the issued patent. Under the 1952 Patent Act, as originally enacted, these patent interference examiners were part of a “board of patent interferences” authorized by statute to handle patent interferences and render the final agency determination on the priority issue—including the final agency decision canceling claims of issued patents where the award of priority by the patent interferences examiners was adverse to the patentee.

⁵⁸ “Under prior interference practice certain issues of patentability, including the application of 35 U.S.C. §§ 102 and 103, were not deemed to be ‘ancillary to priority’ and would not be considered during the interference proceeding. . . . There had evolved an elaborate body of judge-made law as to what was and what was not ancillary to priority, contributing to the complexity of past interference practice. . . . It is no longer necessary to determine whether an issue is ancillary to priority. *See* 130 Cong. Rec. 28,065, 28,072 (1984), *reprinted in* 1984 U.S. Code Cong. & Admin. News 5827, 5837.” *Perkins v. Kwon*, 886 F.2d 325, 328 (Fed. Cir. 1989).

⁵⁹ “The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title.” 35 U.S.C. § 7(b), as amended by Pub. L. 98-622, 98 Stat. 3386, § 201(a).

⁶⁰ Pub. L. 98-622, 98 Stat. 3383 (Nov. 8, 1984), Title II, Patent and Trademark Office Procedures at <https://www.govinfo.gov/link/statute/98/3392>.

⁶¹ *See*, Ian A. Calvert and Michael Sofocleous, “Three Years of Interference Statistics”, 64 J. Pat. Off. Soc. 699 (December 1982); “Interference Statistics for Fiscal Years 1982 to 1985”, 68 J. Pat. Off. Soc. 385 (August 1986); “Interference Statistics for Fiscal Years 1986 to 1988”, 71 J. Pat. Off. Soc. 399 (May 1989); “Interference Statistics for Fiscal Years 1989 to 1991”, 74 J. Pat. Off. Soc. 822 (November 1992); and “Interference Statistics for Fiscal Years 1992 to 1994”, 77 J. Pat. Off. Soc. 417 (May 1995).

Indeed, within a few years from the creation of the combined board in 1984, only a relatively few patent interferences were decided based on the issue of which party to the interference was the first to invent—and only rarely did someone other than the first inventor to file for a patent ever succeed in a patent interference in establishing priority.⁶² In effect, even after 1984, the contested, “patent interference jurisdiction” of the BPIA was largely inconsequential, and not a generally available vehicle for seeking cancellation by the Director of invalid patent claims.

In 1980, the 1952 Patent Act was amended⁶³ to permit the USPTO to review validity of issued patent claims where a “substantial new question of patentability”⁶⁴ had been raised. The new procedure, then termed “reexamination” and now known as “ex parte reexamination” effectively resulted in a resumed (but limited) examination process for the claims of an issued patent.⁶⁵

While “any person” can request a patent be subjected to ex parte reexamination (including the patent owner), the procedure was not a contested one—the person requesting the reexamination, if not the patent owner, does not become a party to the proceeding. In addition, the reexamination statute was limited to consideration of patentability based only upon “prior art” arising solely from “patents and printed publications.” Other patentability issues could not be raised in reexamination. Moreover, a third-party requester was not able to participate in the reexamination, once commenced. Between 1981 and 2018, fewer than 10,000 total requests for ex parte reexamination were filed by third parties.⁶⁶

With only the limited reissue, patent interference, and ex parte reexamination options available, prior to 1999, the USPTO had not been in the business of snatching issued patent rights back from inventors, particularly in contested proceedings before the Office. This situation changed only modestly (and transiently) with the enactment of an “inter partes reexamination” statute as part of the American Inventors Protection Act of 1999.

⁶² See Ian A. Calvert, et al., “*Interference Statistics for Fiscal Years 1989-1991*”, Journal of the Patent and Trademark Office Society, November 1992, pp. 822-826, noting that by the early 1990’s the USPTO was only resolving 200 interference contests each year. In only 27.7% of all interferences, 55 interferences per year, someone other than the first to file was determined to be entitled to a patent. Only one in five interferences was contested to the extent that it required a decision by the Board of Patent Appeals and Interferences at a final hearing, *i.e.*, about 40 interferences per year. In only 27 of these 40 interferences did one or more of the parties attempt to establish priority, *i.e.*, attempt to prove through testimony, which party was the ‘first inventor.’ Among these 27 interferences per year where invention date proofs were offered, fewer than a dozen second-to-file inventors per year were awarded priority.

⁶³ Public Law 96-517, 94 Stat. 3015 (Dec. 12, 1980), enacting a new Chapter 30 to Title 35, United States Code, 35 U.S.C. §§ 301-307.

⁶⁴ 35 U.S.C. § 303.

⁶⁵ Since 1980, have had the opportunity to seek an ex parte reexamination of a patent in which the Director, if reexamination is granted, can issue a certificate of unpatentability canceling claims of the issued patent. See 35 U.S.C. § 307.

⁶⁶ See Ex Parte Reexamination Filing Data (September 30, 2018) at https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf.

This inter partes reexamination procedure modestly expanded the ability of a member of the public to participate in the reexamination process, as well as appeal a determination favorable to the patent owner to the Federal Circuit. However, like its ex parte counterpart, inter partes reexamination was limited to patentability issues arising from patents and printed publications—and not to patent validity issues more broadly.

Not only was jurisdiction limited and discovery unavailable, but there was no *trial*, just an examination that might be followed by an appeal—and no PGR/IPR-like time limitation for the examination to come to an end. Before being repealed through the AIA, fewer than 2000 requests for inter partes reexamination were made over the dozen years of the existence of the inter partes reexamination statute.⁶⁷

Thus, when the AIA was enacted in 2011, the experience of the USPTO in handling “contested” validity issues involving issued patent claims was negligible. There were no trial proceedings of the type authorized under the AIA, save for the negligible experience of the USPTO with patent interferences.

In sum, in 2011, at the time the AIA was enacted, the Office had essentially no existing capability for conducting the type of validity trial that the NRC “open review” would require—and require in potentially in hundreds to thousands of such proceedings commenced each year.

Proponents Of PGR And The PTAB Expressed Concerns Over Director-Control Of The New And Unprecedented “Contested Matters” Canceling Patent Claims

The supporters of the NRC’s recommendations for providing USPTO with near-plenary “open review” authority over newly issued patents had a justifiable sense of concern over the ability of the Office to build, essentially from the ground up, a new capability to decide the validity of issued patent claims in contested trial proceedings. Such was understandable given, as noted above, the nearly complete absence of experience of the USPTO with the handling of contested matters involving the validity of the claims of issued patents.

The Coalition for 21st Century Patent Reform, the leading proponent for enactment of the 2004 recommendations of the NRC into law and one of the prime advocates for the NRC’s “open review” recommendations, raised such concerns over the ability of the USPTO to build the capabilities needed for this work. A second Coalition concern related to Director control over the “open review” process.

The Coalition saw the inter partes nature of the “open review” trial procedure as raising profoundly different policy and governance issues compared to the USPTO’s bread-and-butter jurisdiction deciding ex parte requests for the issuance of a patent. The

⁶⁷ See Inter Partes Reexamination Filing Data (September 30, 2017), at https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf.

“open review” process is more akin to private litigation conducted between private litigants, where the adjudicator’s principal role is to referee—play the role of the umpire and “to call balls and strikes”.⁶⁸

In the eyes of the Coalition, the public interest role of the USPTO in these proceedings must play a secondary role to the responsibility to the private litigants that these proceedings offer a full and fair opportunity for patent challenger to contest validity of issued patents and to afford a *similar full and fair opportunity to patent owners to sustain the validity of patents that might become involved in this new procedure*.⁶⁹

As part of these concerns, not surprisingly, the Coalition had a particular focus on the composition of the PTAB itself. During the legislative process, the Coalition had (quite unsuccessfully) urged that the composition of the PTAB not simply be a carbon copy of the composition of its BPAI predecessor that had almost exclusively focused on *ex parte* patent appeals. Among the Coalition’s communications to Congress was the following, addressing the PTAB provision from H.R. 1908 (110th Congress),⁷⁰ and urging that the PTAB consist exclusively of *administrative patent judges*:

The Patent Trial and Appeal Board [under H.R. 1908] consists of the Director, the Deputy Director, the Commissioner of Patents, the Commissioner of Trademarks, and administrative patent judges. In *ex parte* matters, the Director has assigned, in part, the adjudication to himself and his deputy. See *Ex parte Alappat*, 23 USPQ2d 1340 (BPAI 1992). H.R. 1908 would allow the Director to bypass the administrative patent judges in adjudicating these cancellation proceedings. The Coalition proposal removes this possibility, assuring the process will be free from any political influence on the outcome.

⁶⁸ Opening Statement of Chief Justice Roberts before the Committee on the Judiciary of the U.S. Senate (Sept. 29, 2005) at <https://www.uscourts.gov/educational-resources/educational-activities/chief-justice-roberts-statement-nomination-process>.

⁶⁹ “Among the most important policy choices that the USPTO will be called upon to make will be in the new post-issuance proceedings authorized under the AIA. The rulemaking for the new post-grant review and inter partes review proceedings must walk along a fine line in dealing with a host of implementation issues. They must, first and foremost, afford patent owners a full and fair opportunity to defend the validity of their issued patents. Of no less importance, however, is the objective of providing patent challengers a full and fair opportunity to present evidence and arguments contesting the validity of issued patents. ... Fairness and balance are not the only constraining factors in this rulemaking. These procedures must be concluded within a statutory timeframe of one year. Additionally, these procedures need to be economical for their participants. Rules must be cost-conscious of both the USPTO resources devoted to these proceedings and the cost of participation by those who are parties thereto.” *Testimony of Robert A. Armitage, Hearing Before The Committee On The Judiciary House Of Representatives On Implementation of the America Invents Act, 112th Congress, First Session, (May 16, 2012), p. 32 at https://archive.org/stream/gov.gpo.fdsys.CHRG-112hhrg74258/CHRG-112hhrg74258_djvu.txt.*

⁷⁰ Patent Act of 2004, H.R. 1908, 110th Congress. See H. Rpt. 110-314, p. 5 at <https://www.congress.gov/110/crpt/hrpt314/CRPT-110hrpt314.pdf>.

*Allowing such contested adjudicatory matters to be decided by a politically appointed head of the USPTO would set an undesirable precedent internationally.*⁷¹

While the concerns of the Coalition with respect to the possible politicization of decisions of the PTAB in contested cases was—and remains—hypothetical, as there have been no actions in fact by the Board that suggest anything other than fairness and impartiality in deciding contested cases, the Coalition’s concern over the undesirability of the precedent set in the AIA internationally remains a valid one. The PTAB process should be one that is, insofar as possible, entirely free from the appearance of even the possibility of political influence on the outcome of a contested case as between the two private litigants involved, *i.e.*, the patent owner and the patent challenger.

As Congress thinks through any changes in structure of the PTAB in response to Appointment Clause issues, it may be worthwhile to once again give consideration to the position of the Coalition from 2007. As discussed below, it may be possible to accommodate the entirely justifiable USPTO position that *ex parte* patent appeals should reflect the historic oversight responsibilities of the USPTO Director, while at the same time providing that the new authority of the Office over issued patents in contested cases need not and—for sound policy reasons—should not be under the same degree of Director control.

Administrative Judges Deciding Ex Parte and Inter Partes Matters Have Been Subject Varies To Presidential Or Commerce Secretary Or USPTO Director Appointment

Prior to the 1952 Patent Act,⁷² the “Board of Appeals” was the entity that housed the “examiners-in-chief” appointed by the President who had jurisdiction to hear both “patent interferences” and *ex parte* patent appeals.⁷³ For example, the Patent Act of 1870⁷⁴ provided, in part, that “the officers and employees of [the Patent Office] shall continue to be: one commissioner of patents, one assistant commissioner, and three *examiners-in-chief, to be appointed by the President, by and with the advice and consent of the Senate [and] one examiner in charge of interferences [who] shall be appointed by the Secretary of the Interior, upon nomination of the commissioner of patents,*” with the further requirement that “the examiners-in-chief shall be persons of competent legal knowledge and scientific ability, whose duty it shall be, on the written petition of the appellant, to revise and determine upon the validity of the adverse decisions of examiners upon applications for patents, and for reissues of patents, *and in interference cases.*”

⁷¹ Excerpt from a submission from Coalition for 21st Century Patent Reform to Congress prior to the preparation of the report to accompany H.R. 1908. Emphasis added.

⁷² Patent Act of 1952, Pub. L. 82-593, 66 Stat. 792 (July 19, 1952) at https://www.ipmall.info/sites/default/files/hosted_resources/lipa/patents/patentact/file7.pdf.

⁷³ See Reviser’s Notes to the Patent Act of 1952, discussing changes to 35 U.S.C. § 7 relative to the pre-1952 statutes, “Some changes in language have been made and the reference to interferences, which are no longer considered by the Board of Appeals, has been deleted” House Report 89-1923 (accompanying H.R. 7794) (May 12, 1952), p. 13, at https://www.ipmall.info/sites/default/files/hosted_resources/lipa/patents/patentact/file10.pdf.

⁷⁴ Patent Act of 1870, Ch. 230, 16 Stat. 198-217 (July 8, 1870), Sections 2 and 10.

Under the 1952 Patent Act, as noted above, a significant departure was made from the pre-1952 handling of patent interferences. A “board of patent interferences” was constituted as a separate entity from the Board of Appeals. Patent interference examiners rendered final decisions in interference matters that were no longer appealable to the “Board of Appeals.”

The examiners-in-chief of the 1952 “Board of Appeals” were constituted, by statute, as a nine-member board appointed by the President and subject to Senate confirmation.⁷⁵ However, the separate “board of patent interferences,” consisting of panels of three examiners of interferences charged with deciding interference issues, did not have its decisions subject to review by the Board of Patent Appeals⁷⁶ and its members did not have the status of Presidential appointees.

By 1984, as noted above, the Board of Patent Appeals and Interferences had been created with “[t]he examiners-in-chief [being] persons of competent legal knowledge and scientific ability, who shall be appointed to the competitive service.”⁷⁷ Not until 2008 was the BPAI statute changed to require that the BPAI be appointed by the Secretary of Commerce in consultation with the USPTO Director.⁷⁸

Historically, therefore, the USPTO has been subject to various statutory configurations as between its *ex parte* (patent application examination) and *inter partes* (patent interference and inter partes reexamination) matters, as well as differing appointment regimes for the individuals charged with decision-making on *ex parte* and *inter parte* matters. The current commingling of *ex parte* and *inter partes* matters through a single USPTO board, appointed by the Secretary of Commerce, has only a recent vintage, with the 1984 creation of the BPAI and the 2008 modification to provide for Commerce Secretary appointments, a structure simply ported over into the AIA’s PTAB without substantive change.

With the new PGR and IPR proceedings representing an unprecedented expansion of the traditional, authority of the USPTO over issued patents—allowing the Office to invalidate any patent that it had earlier granted in fully contested adversarial proceedings—there was in 2011 no *a priori* reason that this new adjudicatory function needed to be placed within the same administrative structure that would have responsibility for the traditional jurisdiction of the Office over *ex parte* patent appeals. This is clearly so given that today one arm of the current PTAB operates strictly as a trial function and the other operates strictly as an appellate one.

⁷⁵ 35 U.S.C. § 3 (1952), “A Commissioner of Patents, one first assistant commissioner, two assistant commissioners, and nine examiners-in-chief, shall be appointed by the President, by and with the advice and consent of the Senate.”

⁷⁶ 35 U.S.C. § 135 (1952), “The question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences)”

⁷⁷ 35 U.S.C. § 7(a) (1984), § 201, Pub. L. 98-622 (Nov. 8, 1984), 98 Stat. 3386.

⁷⁸ Public Law 110-313, sec. 1(a)(1), 122 Stat. 3014 (Aug. 12, 2008),

Any response by Congress to USPTO-related Appointment Clause issues might consider how best to optimize the manner in which contested cases between private litigants might be handled going forward by the USPTO—and how that handling might justifiably differ from the manner in which *ex parte* appeals from decisions of patent examiners denying claims in pending patent applications should be addressed in the Office.

Possibilities For Restructuring The PTAB In Light Of Appointment Clause Issues

In light of all the above considerations, the following is offered for consideration by the Subcommittee as a way in which to refine, based on experience with the PTAB, the handling of the processes within the USPTO dealing with both traditional patent *ex parte* appeals and the AIA's new contested trials. The suggestions below are intended to be mindful (to the extent someone not an expert in constitutional law can be) of Appointment Clause issues, as well as to be driven by both the past seven years of experience with the PTAB and the policy considerations and concerns expressed by the Coalition for 21st Century Patent Reform during the AIA legislative process.

Divide And Conquer – Separate PTAB into a “PAB” and a “PTB”

Congress might wish to consider whether the quite different policy objectives for deciding *ex parte* patent appeals and conducting contested patent validity trials could most expeditiously, fairly, and efficiently be accomplished if the PTAB were divided into a *Patent Appeal Board* staffed with *administrative appeal judges* and a *Patent Trial Board* staffed by *administrative trial judges*. If Congress were to take this route, the *Patent Appeal Board* would hear *ex parte appeals* from decisions of patent examiners made during *ex parte* prosecution of pending patent application, *ex parte* reexamination of issued patents, and *ex parte* examination of reissue applications.⁷⁹

The *Patent Trial Board*, on the other hand, would handle all contested cases. The PTB would adjudicate issues of patent validity and patent ownership under the provisions of the AIA relating to inter partes derivation proceedings,⁸⁰ inter partes review, and post-grant review.⁸¹

The respective proceedings that would come before the PAB and PTB are, as exhaustively outlined above, quite different in nature. All of the work of the PAB would involve *ex parte* issues where the patentability of claims is being assessed—and the claims are being given their broadest reasonable interpretation in order to make that assessment.

⁷⁹ 35 U.S.C. § 251(a) provides that “[w]hensoever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent”

⁸⁰ 35 U.S.C. § 135 (2011).

⁸¹ The provisions of the AIA relating to the transitional program for covered business methods reaches its statutory eight-year sunset in 2020 and, thus, would not be of relevance. See AIA § 18, 125 Stat. 329.

In contrast, all the work of the PTB would involve contested matters in which the validity of issued patent was being assessed based upon specific invalidity contentions of the patent challenger and the response of the patent owner—with the claims being construed as a matter of law.

In effect, the work of the PAB is akin to appellate work of the type appellate judges undertake, but with the ability of the PAB to raise new grounds of unpatentability to deny a patent. The work of the PTB is fundamentally trial work, ruling on discovery and evidentiary matters, and requiring fact-finding in order to reach conclusions of law on the invalidity contentions raised by the challenger.

Except for derivation proceedings,⁸² the remaining work of the PTB (more than 99.9% of the anticipated workload) would be subject to a one-year time statutory time limitation from institution to final written decision on the validity issues asserted by the patent challenger. The *ex parte* patent appeals of the PAB are, under current law at least, subject to no similar constraint on timing.

The only conceivable administrative reason for keeping two such disparate boards under one administrative roof would be the opportunity for individuals serving on one of the two boards to gain experience, skills, and insights from temporary assignments to the other board. However, precedents exist in the USPTO for this type of cross-fertilization that do not require as a requisite that the PAB and PTB be combined as a single unit.⁸³ Congress could provide, as the USPTO thought appropriate, that members of one board could undertake temporary service on the other.

How might this bifurcation be constituted?

Constitute A Patent Appeal Board Of Administrative Appeal Judges That Is Structured To Assure Its Judges Are “Inferior Officers”

Historically, the examiners-in-chief of the “Board of Appeals” under the 1952 Patent Act were Presidential appointees, confirmed by the Senate,⁸⁴ notwithstanding that the Appointments Clause may not have demanded such status *given the control over the decision to grant a patent that ultimately could be exercised by the USPTO Director*. If

⁸² The derivation statute under 35 U.S.C. § 135 is essentially a dead letter. The very first derivation proceeding instituted was in 2018, more than six years after enactment of the AIA, *Andersen Corp. v. GED Integrated Solutions Inc.*, DER2017-00007, Paper 32 (P.T.A.B. March 21, 2018).

⁸³ Exemplary of this type of service outside of the regular membership of the Board of Appeals was found in 35 U.S.C. § 7 (second paragraph) (1952), “Whenever the Commissioner considers it necessary to maintain the work of the Board of Appeals current, he may designate any patent examiner of the primary examiner grade or higher, having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Appeals. Not more than one such primary examiner shall be a member of the Board of Appeals hearing an appeal.”

⁸⁴ “A Commissioner of Patents, one first assistant commissioner, two assistant commissioners, and nine examiners-in-chief, shall be appointed by the President, by and with the advice and consent of the Senate.” 35 U.S.C. § 6 (1952).

Congress were to create a PAB focused on reviewing the decisions by patent examiners to reject claims, with the authority of its administrative appeal judges to offer new grounds of rejection and affirm (or reverse) any existing grounds for rejecting claims, *then it might also afford the USPTO Director express authority to review and reverse any decision of the PAB that would allow application claims to issue.* Congress could by statute afford the USPTO Director sufficient supervision and review functions to eliminate any reasonable possibility these administrative appeal judges would take on the status of principal officers requiring Senate confirmation.

To this end, Congress might consider a new PAB statute that would have the following attributes:

- The members of the PAB would be limited to administrative appeal judges who were individuals “of competent legal knowledge and scientific ability.”
- Each of the members of the PAB would be “inferior officers” who—consistent with the Appointment Clause—could be properly appointed by the Secretary of Commerce (in consultation with the USPTO Director), and, therefore, not subject to Senate confirmation.
- Unlike the PTAB today, the USPTO Director, the USPTO Deputy Director, the Commissioner for Patents and the Commissioner for Trademarks would no longer serve on the PAB.
- The members of the PAB could take the title of “administrative appeal judges,” but would resume the historic role of the examiners-in-chief, as that role existed prior to 1984, before the merger of the Board of Patent Appeals and Board of Patent Interferences.
- The members of the PAB would be subject to such guidance documents and other policies as the USPTO Director might issue for the guidance of the process of examining applications for patent.
- The final decision by the PAB on each appeal that comes before it would be subject to a new system of statutory deadlines to render final decisions on appeal, modeled on the successful efforts to impose timing deadlines on post-grant review proceedings.⁸⁵

⁸⁵ Preferably the guidelines would be on the order of six months from the date the briefing of the appeal was completed or six months from the date of oral argument, if requested. Similarly, oral arguments could be subject to a three-month statutory deadline from the date of completion of the briefing. If an examiner’s answer were not submitted within two months from the date of the appellant’s opening brief, a further timing provisions could provide that no further briefing would be permitted.

- To facilitate achieving the new timing deadlines for disposition of PAB appeals, the USPTO would be authorized to use “primary examiners”⁸⁶ to participate as members of the PAB in deciding appeals, as needed to provide the capacity needed to expeditiously resolve appeals. The USPTO could follow the historic practices that used primary examiners for this purpose.
- Once a decision has been issued by a three-member PAB panel of administrative appeal judges that would permit the patenting of appealed claims, the Director would have a one-month statutory period in which the Director would be given explicit statutory authority to review any favorable decision on the patentability of such claims and (1) accept the determination on patentability, (2) make modifications to it, (3) reject and reverse the decision, or (4) order rehearing of the appeal by the same, different, or expanded panel of administrative patent judges.

In effect, this new procedure for administrative appeal judges would reflect the historic role of examiners-in-chief, namely that all PAB decisions would be subservient to the long-held authority of the Director to supervise the actions of examiners-in-chief and address patentability in individual patent filings where the Director believed that claims presented for examination should not be allowed to issue as a patent.

Under the above criteria, no member of the PAB would have final authority, to act on behalf of the Director, to permit a patent to issue. In every case, a favorable decision by the PAB would be subject to the review by the Director before a patent could issue.

Given the right of patent applicants to judicial review of any final agency denying patentability of a claim, no inventor with meritorious claims could be ultimately denied the right to a patent based on the action of the USPTO Director negating a favorable decision on patentability by a PAB panel of administrative appeal judges.

In effect, the plenary authority to review and the ability otherwise to supervise the work of the members of the PAB would relegate these administrative judges to the status of “inferior officers,” but without compromising the ultimate ability of inventors to secure patents on meritorious inventions.

**Constitute A Patent Trial Board With Administrative Trial Judges
Who Are “Inferior Officers” Whose Actions Are Reviewed And
Supervised By A Senate-Confirmed “Chief Trial Judge”**

As detailed above, the present role of the USPTO, in adjudicating validity of issued patents in contested proceedings, is without any significant historical precedent.

⁸⁶ Within the USPTO, a “primary examiner” is a patent examiner with “signatory authority” who can make a decision to permit a patent to issue on an application for patent without the need to have a more senior examiner review and approve the decision to grant a patent. Achieving this status requires several years of training and experience. See https://www.uspto.gov/sites/default/files/documents/20190808_PPAC_Operations-Update.pdf.

Before 1980, there was no scant precedent whatsoever for the USPTO Director to cancel claims of an issued patent in a contested proceeding within the Office.

If post-grant review is extended to fully implement the “open review” recommendations of the NRC, the usage of this procedure would expand significantly. Even without expansion of PGR to litigated patents, PGR may someday be used to contest the validity of U.S. patents to the same extent that opposition procedures in Europe contest the validity of patent claims. Either way, this could be thousands of PGRs instituted each year.

All of these factors should help to inform Congress in any effort to determine how a new “Patent Trial Board” should be led, its administrative trial judges be supervised, and the actions taken by the PTB reviewed. If the above prognostications on the potential future of PGR are correct, then (among other reforms) the recommendations of the Coalition for 21st Century Patent Reform outlined above on the composition of the PTAB may merit reconsideration by Congress.

The current executive leadership of the PTAB consists of a Chief Judge, a Deputy Chief Judge, and a group of six Vice Chief Judges,⁸⁷ each of whom manages a “Division” of the PTAB. Some of the Vice Chief Judges deal with ex parte patent appeals and others of which deal with trials based upon the PGR, IPR, and CBM provisions of the AIA. Each Vice Chief Judge, in turn, supervises the Section Lead Judges within the Division.

A *Patent Trial Board* could retain all aspects of the current organizational structure of the PTAB, at least in a formal sense, but have a new appointment and accountability elements—consistent with the Coalition’s urgings concerning its composition during the AIA process—that could assure fidelity with the Appointments Clause. Congress might consider creating a new Patent Trial Board with the following characteristics:

- The work of the PTB would be assigned to *administrative trial judges* who were individuals “of competent legal knowledge and scientific ability.”
- Among the administrative trial judges of the PTB would continue to be an Executive Leadership Board consisting of a Chief Administrative Trial Judge, a Deputy Chief Administrative Trial Judge, and a group of Vice Chief Administrative Trial Judges, one for each Division of the PTB.
- Among the members of the Executive Leadership Board, the Chief Administrative Trial Judge would be appointed by the President and confirmed by the Senate. This Chief Judge would, thus, have the role of a Presidential-appointed, Senate-confirmed “principal officer.”

⁸⁷ See-*Organizational Structure and Administration of the Patent Trial and Appeal Board-at* <https://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%2012%202015.pdf>.

- The remaining judges of the PTB would be limited to administrative trial judges appointed by the Secretary of Commerce, and not subject to Senate confirmation.
- Unlike the PTAB today, the USPTO Director, the USPTO Deputy Director, the Commissioner for Patents and the Commissioner for Trademarks would not serve on the PTB.
- The final written decisions rendered by members of the PTB in each IPR/PGR/CBM proceeding that would continue to be subject to the existing statutory time limitation that typically imposes a one-year deadline from the date of institution.
- As might be needed to meet the workload demands or for training and/or development purposes, administrative patents judges from the PAB could be assigned for limited periods to serve on the PTB.
- Once a final written decision has been issued by the panel of three administrative trial judges, that decision would only become final if ratified by the Chief Administrative Trial Judge, which could be done in consultation with one or more other members of the Executive Leadership Board.
- The work of the non-executive administrative trial judges would be subject a degree of supervision and review to assure that each PTB judge, other than the Chief Judge, was a properly appointed “inferior officer.”

The structure proposed for the PAB and PTB above would revert to something akin to the pre-1984 structure in which the *Board of Patent Appeals* was devoted to *ex parte* appeals, while the *Board of Patent Interferences* handled only *contested* interference matters consisted solely of a set of *patent interference examiners*, without any direct participation or direct oversight on the part of the USPTO Director. For sound policy reasons, it may be desirable for aspects of this history to repeat itself.

Conclusions

The very concerning issues arising from the Appointments Clause holding of the Federal Circuit in *Arthrex* may contain a small, silver lining. The *Arthrex* holding presents Congress the opportunity to take a step back and assess any potential changes in the PTAB statute based on the past seven years of experience with the operation of the PTAB.

Most significantly, it affords Congress the opportunity to again consider the potential future impact of the 2004 recommendations of the National Research Council of the National Academies of Science as they relate to “open review.” In the foreseeable future, the PGR process could explode from single-digit numbers of PGRs being sought each year to *thousands* of such PGR proceedings being sought.

If the NCR recommendation allowing access to PGR by accused infringers is enacted into law, the validity of the most valuable patents issued by the USPTO could be adjudicated for validity back in the USPTO. Whatever might be done now by Congress with regard to the PTAB should be mindful of this future potential for PGR.

With the post-issuance review process being of potentially monumental importance to the entire patent system's operation, Congress should consider creating a separate board entirely dedicated to the trial of these contested cases. Given the size and importance of the board that would be needed, it makes common policy sense for its leadership to be a Presidential appointee who is Senate confirmed.

The remaining administrative trial judges on such a board could be given a supervision and review relationship to the executive leadership of the new board that would permit their appointment by the Secretary of Commerce—again, for sound policy reasons. Such a structure would also be consistent with any applicable Appointment Clause constraints.

This would permit a second board dedicated to ex parte patent appeals to be constituted—and operate under the historic strictures on patent-granting decisions within the USPTO. This would permit the Director to exercise such complete control—supervisory and review authority—over the work of the appeals board that would allow all ex parte appeals before the board to be decided by “inferior officers” appointed by the Secretary of Commerce. Such supervisory and review authority for these ex parte decisions to allow a patent to issue would be consistent with both the historical authority of the Director and the demands of good patent policy.

Finally, the proposal above should be minimally disruptive to the management of the USPTO. In large measure, the internal changes required within the Office could be accomplished by issuing new organizational charts. The day-to-day work of the current corps of administrative patent judges would be fundamentally unchanged.