Testimony of

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On

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

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Introduction

Chairman Johnson, Ranking Member Roby, and distinguished members of the Subcommittee, thank you for inviting me to appear before you today to testify concerning the Patent Trial and Appeal Board and the Appointments Clause.

At the outset, I would like to compliment the Committee for devoting time and attention to the Appointments Clause issues associated with the current legal structure of the Patent Trial and Appeal Board or "PTAB." The Federal Circuit's recent decision in *Arthrex v. Smith & Nephew*, No. 18-2140 (Fed. Cir. Oct. 31, 2019), shows that the current structure of the PTAB is of doubtful constitutionality. Moreover, even if the doubts about the constitutionality were ultimately resolved in favor of the legality of the current structure, the judicial process to reach a final conclusion on the matter is likely to extend for many months. In all likelihood, definitive word from the Supreme Court would be hard to obtain prior to 2021. In the meantime, every PTAB decision would be subject to substantial doubt. I therefore think that one major goal of today's hearing is to see whether a legislative solution is available that can remove the constitutional doubt currently clouding the present and future. I believe that legislative solutions are possible, and I will suggest several in the final portion of my testimony.

I. The General Structure of the Appointments Clause.

Because there is a high degree of uncertainty governing many of specifics points of law concerning the constitutionality of the PTAB and its judges under the Appointments Clause, I think it best to begin with the overall purpose of the Clause and then turn to three doctrinal propositions about the Clause that are, under current caselaw, uncontroversial.

The overarching purpose of the Appointments Clause is, as Supreme Court has explained, "to limit the distribution of the power of appointment" so as "ensure that those who wield[] [the power are] accountable to political force and the will of the people." *Freytag v. Commissioner*, 501 U.S. 868, 884 (1991). That overarching purpose, coupled with the text and structure of the Clause, has resulted in the following three doctrinal principles.

First, excepting elected officials whose methods of selection are expressly provided in the U.S. Constitution (e.g., the President and the members of both Houses of Congress), all persons exercising "significant authority" pursuant to the laws of the United States must have a valid appointment under the Appointments Clause of Article II, Section 2, clause 2 of the Constitution.

This first proposition is foundational, and the specific "significant authority" language traces back to the Supreme Court's decision in *Buckley v. Valeo* nearly a half century ago. *See Buckley v. Valeo*, 424 U.S. 1, 126 (1976). In that case, the United States Court of Appeals for the D.C. Circuit had taken a quite different view, rejecting as "strikingly syllogistic" the private parties' argument that the Appointments Clause was the exclusive method for choosing anyone charged with executing the laws of the United States. *Id.* at 119. The Supreme Court, however, reversed the D.C. Circuit and held that "the term 'Officers of the United States' as used in Art. II

… is a term intended to have substantive meaning." *Id.* at 125-26. In a much-quoted passage, the Court then supplied that substantive meaning:

> We think its fair import is that any appointee exercising significant authority pursuant to the laws of the United States is an "Officer of the United States," and must, therefore, be appointed in the manner prescribed by [the Appointments Clause].

Id. at 126. That holding means that every unelected official wielding any significant legal authority absolutely must have a constitutionally valid appointment.

Second, the Appointments Clause provides four, and only four, methods for appointing any officer. Those four methods are appointment by:

(i) the President with the Advice and Consent of the Senate;

(ii) the President alone;

(iii) the Courts of Law; and

(iv) the Heads of Departments.

Third, those last three appointment mechanisms can be applied only to such "inferior Officers" that Congress has, by law, identified as being subject to one of those three alternative appointment methods. This does not mean, it must be emphasized, that inferior officers cannot be appointed through the first method listed about—*i.e.*, by the President with the advice and consent of the Senate. To the contrary, appointment by the President with the advice and consent of the Senate is the default rule and, in the absence of a statute providing otherwise, that appointment method applies to every officer in the government. Congress can move officers out of that default appointment method, but only if the officers qualify as "inferior Officers."

It is this third proposition that is important to understanding the current controversy over whether the judges of the PTAB have constitutionally valid appointments. Because of the importance of this issue, I am going to be careful in describing it with precision. In particular, I am going to refrain from using the term "principal officer" in my analysis even though that phrase has been used in some of the case law as well as in some of the scholarship (including my own).

The most compelling reason to avoid using "principal officer" is the phrase does not appear in the Appointments Clause. Furthermore, the Supreme Court has not always used the term "principal officer" as the relevant counterpoint to "inferior officer." In *Myers v. United States*, for example, the Court described the Appointments Clause as governing the appointment of "all officers, whether superior or inferior." 272 U.S. 52, 126 (1926). The phrase also suggests a false dichotomy—specifically, that all officers are either "inferior" or "principal." Yet that categorization seems wrong given that the Supreme Court in *Edmond v. United States* has instructed that even a "lesser officer"—one who has lower rank or lesser responsibilities than other officers—may still fail to qualify as an "inferior Officer" for purpose of the Appointments Clause. 520 U.S. 651, 663 (1997).

Indeed, in the one place where the Constitution does use the phrase "principal officer," it is used to suggest that there is one and only one principal officer in each Department. See U.S. Const., art. II, sec. 2, cl. 1 (giving the President the power to "require the Opinion, in writing, of *the principal Officer* in each of the executive Departments") (emphasis added). If "principal officer" were given that meaning, and the phrase "inferior officers" were defined to mean all officers other than principal officers, then the Heads of Executive Departments could appoint every officer in their departments without regard to any other considerations. That conclusion is inconsistent with the analysis in Edmond v. United States, 520 U.S. 651, 661-666 (1997), and *Morrison v. Olson*, 487 U. S. 654 (1988), both of which did not require merely that an officer not be a head of department in order to reach a conclusion that the officer was "inferior."

Thus, for the remainder of this testimony, I will refer to the relevant constitutional issue in the current controversy as being whether the PTAB judges are "inferior" officers who can constitutionally have their appointments made by a department head such as the Secretary of Commerce.

II. Similar Controversies in the Recent Past.

Appreciating the current controversy over the appointment of administrative patent judges requires an understanding of two prior controversies, the first of which involved a previous constitutional flaw in the appointment process for administrative patent judges, and the second of which involved a constitutional problem with the appointment of copyright royal judges.

A. The Prior Constitutional Defect in Appointing Administrative Patent Judges.

The position of "administrative patent judge" was created initially by the Patent and Trademark Office (PTO) as a mere administrative practice in the early 1990s. *See In re Alappat*, 33 F. 3d 1526, 1584 n.2 (Fed. Cir. 1994) (Schall, J.) (noting that the PTO had recently taken administrative action to grant the title of "administrative patent judge" to certain members of the Board of Patent Appeals and Interferences, which was the predecessor of the current PTAB). At that time, all officers and employees in the PTO were appointed by the Secretary of Commerce. *See* 35 U.S.C. § 3(a) (1994).

In 1999, Congress first gave statutory recognition to the position of "administrative patent judge" or "APJ," but also, unfortunately, provided that such APJs were to be appointed by the Director of the PTO. *See* Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, §§ 4717, 113 Stat. 1501, 1501A-521, 1501A-580 to -581. Because the Director of the PTO is also known as the "Under Secretary of Commerce for Intellectual Property," it should have been quite obvious that the Director, who as an *Under* Secretary clearly could not claim to be a constitutional "Head of Department," could not appoint APJs if they were exercising any significant authority under the laws of the United States (as they surely do).

Even though vesting in the PTO Director authority to appointment APJs was obviously unconstitutional, the flaw escaped notice until I wrote a short article on the problem in 2007. *See* John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 PATENTLY-0 PAT.

L.J. 21 (July 23, 2007) (https://patentlyo.com/lawjournal/2007/07/are-administrat.html), reprinted with subsequent developments at 77 G.W. L. Rev. 904 (2009).[1] That short article led to subsequent media attention, including stories about the constitutional flaw in the *National Law Journal*, the *New York Times* and *NPR's Weekend Edition*. *See, e.g.*, Adam Liptak, *In One Flaw, Questions on Validity of 46 Judges*, N.Y. TIMES, May 6, 2008, at A18 (https://www.nytimes.com/2008/05/06/washington/06bar.html). On August 12 of 2008, just over one year after my article was first published, Congress modified the appointment process to vest (or really, to re-vest) in the Secretary of Commerce the authority to appoint administrative patent judges. *See* Pub. L. No. 110-313, § 1(a)(1), 122 Stat. 3014, 3014 (2008).

That change solved one constitutional problem—it vested the appointment of administrative patent judges in an officer (the Secretary of Commerce) who clearly may appoint officers under the Appointment Clause. Yet appointment by the Secretary works as a constitutional fix only if APJs are inferior officers. Given that the overarching purpose of the Clause is "to preserve political accountability relative to important Government assignments," the APJs can be "inferior officers" only if their "work is *directed and supervised* at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Edmond v. United States*, 520 U.S. 651, 663 (1997).

While it is not clear whether administrative patent judges were inferior officers in 2008, two subsequent developments have undermined the notion that APJs can still qualify for that designation. First, in 2011, the Congress expanded the powers of APJs with the enactment of the America Invents Act (AIA), 125 Stat. 284. That statute made the proceedings adjudicated by APJs more like private litigation and, importantly, eliminated the PTO as a party in the many of the administrative adjudications supervised by the Board. That change removed an important level of control by the PTO Director because, prior to the AIA, the PTO administration (the PTO Solicitor, acting as the agency's counsel and subordinate to the Director) could refuse to defend Board decisions with which the Director disagreed. Under standard principles of administrative law, such a confession of error on behalf of the agency, coupled with a request to remand the case, would typically require the court to remand the matter to the agency. *See Ethyl Corp. v. Browner*, 989 F.2d 522 (D.C. Cir. 1993). Thus, prior to the enactment of the AIA, the Director typically had a *de facto* veto power over the work of the APJs.

Under the AIA, however, the Director is now often only an intervenor in appeals to the Federal Circuit(see 35 U.S.C. § 143), and so it is unclear whether the Director as a mere intervenor could force a remand where the actual party prevailing at the PTAB would likely be perfectly willing to defend the judgment. In other words, the decisions of APJs have been moved further out from the control of the PTO Director, thus weakening the case for viewing them as "inferior" to the Director.

Another change concerns the tenure of APJs. The Patent Act on its face does not explicitly grant any tenure protection to APJs. The Patent Act does, however, state that "[o]fficers and employees" of the Patent Office generally "shall be subject to the provisions of

[1] A copy of that article is attached hereto.

title 5, relating to Federal employees." That provision does not necessarily mean that judges—who inherently shape policy—have any substantial tenure protection. Many federal workers fall within the provisions of title 5 as a general matter, but still lack any substantial tenure protection because they fall within certain special categories of what is known as the "excepted service." *See*, *e.g.*, 5 U.S.C. 7111(b)(2) (excluding from tenure protections federal employees "whose position has been determined to be of a confidential, policy-determining, policy-making or policy-advocating character by— … (B)the Office of Personnel Management for a position that the Office has excepted from the competitive service").

Despite the absence of any statutory command that APJs must have tenure protections, the PTO adopted the view, in its opening brief to the Federal Circuit in the *Arthrex v. Smith & Nephew* litigation, that all APJs do have tenure protection under 5 U.S.C. § 7513. *See* Brief for the United States at 3 & 34, in *Arthrex v. Smith & Nephew*, No. 18-2140 (filed 3/12/2019). In subsequent briefing, the PTO changed that position slightly, stating that some APJs were subject to different tenure protections. *See* Supplemental Brief for the United States at 3-4 n.1, in *Arthrex v. Smith & Nephew*, No. 18-2140 (filed 10/29/2019). Despite the modification, the PTO has maintained that most APJs are subject to tenure protection because the statutory definitions in 5 U.S.C. § 7511(a)(1)(C) include individuals in the "excepted service"). The PTO has not explained why the exception in § 7511 cannot be applied to APJs. Nonetheless, as long as the PTO holds to the position that APJs have statutory tenure protections, it is understandable that a federal court would accept the agency's representation on the point.

In any event, the new constitutional issue over the constitutionality of APJ appointments arose because of the combination of (i) the increased power of APJs brought about by the America Invents Act, and (ii) the government's litigation stance that APJs do have statutory tenure protections. Those two factors in combination make it harder to maintain that APJs are "inferior" officers within the meaning of the Appointments Clause.

B. The Constitutional Problem with Copyright Royalty Judges.

The case closest to the recent Federal Circuit decision in *Arthrex* is *Intercollegiate Broadcasting System v. Copyright Royalty Board*, 684 F.3d 1332 (2012). In that case, copyright royalty judges were appointed by the Librarian of Congress, which the court deemed to be a head of a department for purposes of the Appointments Clause. Such an appointment method could be constitutional only if the judges were "inferior" officers, but the D.C. Circuit held that they were not because they could render final decisions not reviewable by any other officer in the Executive Branch and they had significant tenure protection against removal. *Id.* at 1340. That conclusion was consistent with the views of then-Judge Kavanaugh in *SoundExchange, Inc. v. Librarian of Congress*, 571 F.3d 1220, 1226-27 (D.C.Cir.2009) (Kavanaugh, J., concurring). To remedy the constitutional defect, the D.C. Circuit severed the tenure protection of the copyright royalty judges and remanded the case for re-adjudication by copyright royalty judges who would now know that they could be removed without cause by the Librarian of Congress.

The D.C. Circuit's decision in *Intercollegiate Broadcasting* is highly similar to the Federal Circuit's decision in *Arthrex*, with one difference. In *Intercollegiate Broadcasting*, the

tenure of the copyright royalty judges was plainly set forth in the statute, which provided that copyright royalty judges could be removed for "violation of the standards of conduct … , misconduct, neglect of duty, or any disqualifying physical or mental disability." With respect to the APJs at issue in *Arthrex*, Congress has not includes any tenure protection standard specifically applicable to APJs, and the application of the civil-service statutes in title 5 may not necessarily require any tenure protection. That single difference may be important in determining the issues of waiver and remedy, but it probably does not make a significant difference in deciding the basic constitutional issue whether the concept of an "inferior" officer in the Appointments Clause extends to judges who have tenure protection for their jobs and are subject to only limited supervision by any non-inferior officer.

III. Likely Outcomes in *Arthrex v. Smith & Nephew* and Similar Cases.

In the recent decision in *Arthrex v. Smith & Nephew*, a unanimous panel of the Federal Circuit: (i) held unconstitutional the current appointment structure of the PTAB judges; (ii) ruled that the removal restrictions found in title 5 of the U.S. Code "are unconstitutional as applied to APJs;" and (iii) granted as a remedy that Arthrex, the appellant in the case, was entitled to a remand to the PTAB where "a new a new panel of APJs must be designated and a new hearing granted." *Arthrex v. Smith & Nephew*, slip op. at 24, 29 (Oct. 31, 2019). Each of these three components of the Federal Circuit decision has been subject to criticism, including criticism level in a concurring opinion issued by two Federal Circuit judges a few days later in *Bedgear LLC v. Fredman Bros. Furniture Co. Inc.*, No. 2018-2082 (Fed. Cir. Nov. 7, 2019) (Dyk, J., joined by Newman, J., concurring in the judgment). Despite those criticisms, I think that the most likely ultimate outcome in *Arthrex* and similar cases is that at least some portion of the current legal structure governing the PTAB and its judges will be held unconstitutional and that parties properly raising the issue will be able to obtain to a remedy equal to, or greater than, that imposed by the Federal Circuit panel in *Arthrex.*

I will here only summarize my views as to why I think such an ultimate outcome likely. The more important points are that the chances for such an outcome have to be seen as substantial, and that any ultimate outcome from the judiciary is probably more than a year into the future. During that time, at least dozens and likely hundreds of cases will be subject to significant uncertainty and delay. Thus, I believe that this Subcommittee is likely to be less interested in educated guesses about what the courts might ultimately do, and more interested in what the Congress can do now to resolve the uncertainty. Options for congressional action will be covered in the final part of my testimony.

The most basic reason for the constitutional difficulty here is that the current statutory structure is trying to vest in inferior officers the final power to bind the entire Executive Branch. An analogy to the judiciary helps to underscore the problem. Like the Executive Branch, the Judicial Branch also contains inferior officers, such as the clerk of a particular court or a magistrate judge. For such judicial inferior officers, Congress typically vests the appointment power in the Courts of Law. *See*, e.g., 28 U.S.C. § 631(a) (authorizing the judges of each district

court to appoint magistrate judges); 28 U.S.C. § 671(a) (authorizing the Supreme Court to appoint a clerk of court). Inferior judicial officers can have statutory tenure, as magistrate judges do, or no statutory tenure, as appears to be the case for the Clerk of the Supreme Court. *See* 28 U.S.C. § 631(i) (providing that magistrate judges may be removed "only for incompetency, misconduct, neglect of duty, or physical or mental disability"); *compare* 28 U.S.C. § 671(a) (providing that the clerk of the Supreme Court "shall be subject to removal by the Court" with no restrictions on the exercise of that removal power).

What is not seen in any of these statutes, however, is an ability on the part of the inferior officers, acting either singly or in a group, to bind the entire judicial branch in a particular case *even if the highest officers in the branch strongly disagree with the outcome*. Thus, for example, a clerk of a court does exercise some significant authority—he or she can, for example, decide in the first instance whether matters have been timely and properly filed. *See, e.g.*, S. Ct. Rules 13, 14 (delegating certain powers to the Clerk of the Supreme Court). Yet in all instances, the judgment of such an inferior officer can be set aside by a superior officer or officers if those superiors disagree with the inferior officer's judgment. That fundamental power is what is missing from the current structure of the PTAB. It would be as if a clerk of a court or a panel of magistrate judges could produce a result that could not be overturned by any of the Senate-confirmed officers in the entirety of the judiciary no matter how incorrect the superiors thought the result to be. To continue the analogy, the superior officers could fire these rogue officers, but the judgment of the purportedly inferior officers would continue to bind the entirety of the judicial branch. I am confident that the Justices of Supreme Court would hold that such a result would be unconstitutional. They would correctly think that such a binding power would be constitutionally inconsistent with what it means to be an "inferior" officer within a particular branch of government.

The analogy to inferior officers in the judiciary highlights what I think is the true constitutional flaw in the current statutory structure of the PTAB and its judges—namely, that the power to bind the whole of the Executive Branch rests in panels of purportedly inferior officers. The restrictions on removing the APJs—if those restrictions do in fact exist as a matter of administrative practice—merely exacerbate the problem; they are not alone the source of the problem.

Given that perspective, I think it possible that the Justices of Supreme Court may consider imposing an even more dramatic remedy than the one afforded by the unanimous panel in *Arthrex*. At least some of the Justices might view the constitutional defect in the PTAB structure as admitting of no remedy, so all of the judgments of the Board could be undermined.

IV. Legislative Solutions to Avoid Uncertainty.

While several potential legislative solutions could be imagined, I will focus on the three that I view as the most viable and consistent with administrative practice elsewhere in other agencies. All three share a common feature—they do not vest in inferior officers a decisional responsibility that is final and not subject to any review by Senate-confirmed officers.

A. Make APJs Appointed by the President with the Consent of the Senate.

The most obvious solution to this current problem is to raise the status of APJs by providing for their appointment by the President with the advice and consent of the Senate. This option is not unrealistic. Prior to 2004, all initial appointments in the military down to the grade of second lieutenant were made by the President with the advice and consent of the Senate. *See* 10 U.S.C. § 531(a) (2003). Thus, within living memory, Presidential appointment with Senate confirmation was required for classes of officers numbering in the many hundreds. Nevertheless, the modern trend has been to devolve the appointment of officers where possible, so this choice may not be optimal.

B. Make PTAB Decisions Reviewable by the Director of the PTO.

At the other end of the spectrum, the appointment process for all officers in the PTO could remain as it is now, *provided* that the Director were granted authority to review and revise PTAB judgments that he did not support. The necessary change could be effected by a simple provision conferring on the Director discretionary powers (i) to review PTAB judgments, and (ii) to write the procedural rules necessary to implement such a review power.

The Director would not, I must emphasize, be *required* to review every judgment personally; it would legally sufficient if the statute granted him merely the *opportunity* to review. I suspect that the Director would require parties to make a strong showing that the PTAB panel of judges made some serious mistake. The opportunity for review could be structured in a fashion similar to the reviewing power that district judges have over magistrate judges, and such review includes deferential standards of review. *See, e.g.*, 28 U.S.C. § 628(b)(1)(A) (granting district judges power to review certain actions of the magistrates under a "clearly erroneous" standard of review). Furthermore, much as Supreme Court Justices use their law clerks to winnow petitions for certiorari, the Director could also use staff to sort through petitions for Director review and to identify the cases worth the Director's attention.

To dispel uncertainty, this new method of review should be made applicable to any parties in cases currently pending on judicial review where the parties have properly raised and preserved a constitutional objection to the appointment of the APJs of the PTAB. Such a process could be swift, with perhaps a couple of weeks allowed for parties to seek Director review and a short time frame within which the Director would have to decide whether to grant further review.

C. Make PTAB Decisions Reviewable by a Special PTAB Panel Composed of Officers Appointed by the President with the Consent of the Senate.

A combination of the above two approaches would create a special PTAB panel composed of three officers—the PTO Director and two other officers whose appointment would have to made by the President with the consent of the Senate. Like the "Director Review" option detailed above, this new special panel of the PTAB would be given the *opportunity* to review all other PTAB decisions, but it would not be required to engage in such review in every case.

This option differs from the "Director Review" option because the special panel would still use multiple officers to engage in the review function. To the extent that the Congress favors

decisional panels with multiple members, this option preserves the benefits of multi-member panels in all aspects of the PTAB's functions. A downside to this option is that at least two additional officers in the PTO (and possibly another two for the Trademark Trial and Appeal Board, which likely suffers from the same constitutional problem) would have to be appointed by the President with the consent of the Senate. Such an appointment process would impose some additional burden on the President and the Senate, but not as much as the burden imposed by trying to appoint all the administrative patent judges and administrative trademark judges through that process.

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In closing, I once again commend the Subcommittee for devoting time to the important constitutional issues raised by the ongoing litigation about administrative patent judges.

Thank you all for your time and attention to these issues, and thank you again Mr. Chairman for the invitation to speak to the Subcommittee.

Essay

Are Administrative Patent Judges Unconstitutional?

John F. Duffy*

Under 35 U.S.C. § 6,[1] administrative patent judges of the Board of Patent Appeals and Interferences ("BPAI") are appointed by the Director of the Patent and Trademark Office ("PTO").[2] That method

* Professor of Law, The George Washington University Law School. This short Essay was originally published on July 23, 2007. Because the essay covered an important issue that I thought warranted immediate attention, I published it on the Patently-O website, a widely read and influential blog that could provide swift publication and general dissemination of the piece. *See* John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 PATENTLY-O PAT. L.J. 21, http://www.patentlyo.com/lawjournal/files/Duffy.BPAI.pdf. The slightly revised version of the essay was subsequently made available on ssrn.com. *See* John. F. Duffy, *Are Administrative Patent Judges Unconstitutional?* (GWU Law Sch. Pub. Law Research, Paper No. 419, 2008), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1128311#. Those early versions of the essay attracted significant attention, including stories about the essay in the *National Law Journal*, the *New York Times* and NPR's *Weekend Edition*. *See infra* note 68. During the summer of 2008, the Congress changed the law to remedy the constitutional defect identified in the essay. *See infra* notes 71–72 and accompanying text. This version is the same as the original essay except for a few minor cite checking changes and the addition of the "Ongoing Epilogue" section, which details the litigation and legislation resulting from the essay. I thank my research assistants Garth Baer, Jennifer Frey, Beverly Chang, and John Troost for their fine work in cite checking various versions of this essay.

1 35 U.S.C. § 6 (2006). As noted above, Congress changed the appointments process in 35 U.S.C. § 6 after earlier versions of this essay became available on the internet. To preserve the original tenor of the essay, the main body of the text maintains the citations to the earlier version of the statute and employs the present tense when discussing the statute. Subsequent changes are mentioned in the footnotes and the Epilogue.

2 *Id.* § 6(a).

of appointment is almost certainly unconstitutional, and the administrative patent judges serving under such appointments are likely to be viewed by the courts as having no constitutionally valid governmental authority.

The Appointments Clause of the U.S. Constitution provides:

> [The President] by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.[3]

The Supreme Court has interpreted this provision as a rather strict limitation on the constitutionally permissible methods of appointment. Under the Court's precedent, any government appointee "exercising significant authority pursuant to the laws of the United States is an 'Officer of the United States,' and must, therefore, be appointed in the manner prescribed by [the Appointments Clause]."[4] The Clause is properly interpreted as "limit[ing] the universe of eligible recipients of the power to appoint" and thereby "preventing the diffusion of the appointment power."[5] Thus, if a person in the government exercises "significant authority," the person is at least an "inferior Officer" and can be appointed only through one of the four methods listed in the Appointments Clause: (1) by the President acting with the advice and consent of the Senate; (2) by the President alone; (3) by the "Courts of Law"; or (4) by the "Heads of Departments." So-called "principal" officers—those neither "subordinate" nor "'inferior' in rank and authority" to another constitutional officer[6]—may only be appointed through the first means.[7]

In the case of administrative patent judges, this constitutional doctrine generates two questions. First, do administrative patent judges exercise "significant authority" under the laws of the United States? Second, is the Director of the PTO a "Head of Department" for purposes of the Appointments Clause? If the answer to the first question is "yes," then the judges are at least "inferior Officers" subject to the restrictions of the Appointments Clause. The second ques-

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3 U.S. CONST. art. II, § 2, cl. 2.

4 Buckley v. Valeo, 424 U.S. 1, 126 (1976) (per curiam).

5 Freytag v. Comm'r, 501 U.S. 868, 880, 878 (1991).

6 Morrison v. Olson, 487 U.S. 654, 671 (1988).

7 *Id.* at 670.

tion then tests whether appointment of the judges by the PTO Director is constitutional. Because the PTO Director is clearly not the President or a Court of Law, he cannot appoint officers unless he qualifies as a Head of Department. Neither of these questions is difficult to answer under current constitutional precedents.

On the first issue, it seems pretty plain that administrative patent judges exercise significant authority within the meaning of the Supreme Court's Appointments Clause jurisprudence. As the Supreme Court explained in *Freytag v. Commissioner*,[8] the relevant distinction is between "inferior Officers"—who perform significant functions pursuant to law and who are subject to the Appointments Clause—and mere "employees," who are "lesser functionaries" lacking substantial powers.[9] The appointees at issue in *Freytag* were special trial judges of the Tax Court, and the government argued that those judges were not officers because such a judge "acts only as an aide to the Tax Court judge responsible for deciding the case," "does no more than assist the Tax Court judge in taking the evidence and preparing the proposed findings and opinion," and in almost all cases "lack[s] authority to enter a final decision."[10] Yet despite these limitations on the authority of the special trial judges, the Court held them to be officers because their offices are "established by Law" and they "perform more than ministerial tasks," including "tak[ing] testimony, conduct[ing] trials, rul[ing] on the admissibility of evidence, and . . . enforc[ing] compliance with discovery orders."[11] These were "important functions" in which the judges exercised "significant discretion," and thus the judges could not be considered mere functionaries.[12]

Furthermore, the *Freytag* Court noted that the special trial judges could be assigned by the Chief Judge of the Tax Court to render final decisions of the court "in declaratory judgment proceedings and limited-amount tax cases."[13] Even the government conceded that in those cases, which were not before the Court in *Freytag*, "special trial judges act as inferior officers who exercise independent authority."[14] Yet the Court held that the judges could not be "inferior officers for purposes of some of their duties . . . but mere employees with respect

8 Freytag v. Comm'r, 501 U.S. 868 (1991).

9 *Id.* at 880.

10 *Id.* at 880–81.

11 *Id.* at 881–82.

12 *Id.* at 882.

13 *Id.*

14 *Id.*

to other responsibilities."[15] Thus, even though the special trial judge had not been responsible for rendering the final decision in the case before it, the Court still held that the authority to render such decisions in other cases provided another basis for concluding that the special trial judges must be considered officers.

Administrative patent judges have much more authority than the judges at issue in *Freytag*. Like the special trial judges, administrative patent judges are officers "established by Law," and they have more than ministerial duties under the statute, 35 U.S.C. § 6. Indeed, they are not mere adjuncts or advisors to another set of adjudicators, as in *Freytag*. Rather, they are full members of the BPAI. Their powers include the ability to run trials, take evidence, rule on admissibility, and compel compliance with discovery orders.[16]

A panel of three administrative patent judges may sit as the BPAI and is authorized by law to render final decisions for the PTO.[17] Indeed, in interference cases, the statute expressly states that any BPAI decision adverse to an applicant shall constitute the "final refusal" by the PTO as to the claims involved.[18] The finality of the BPAI's decisions in ex parte appeals is implicit in the statutory scheme, which provides a right of appeal from any decision of the BPAI to the Article III courts.[19] Furthermore, during judicial review of the BPAI's decisions, Article III courts are required to afford the decisions of the BPAI a substantial degree of deference under the Administrative Procedure Act.[20] The power to reach a final administrative decision—one that the courts are required to respect with deference—surely means that the members of the BPAI are exercising significant authority under the law and are thus officers for purposes of the Appointments Clause.

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15 *Id.*

16 *See* 37 C.F.R. § 41.125 (2009) (BPAI's power to rule on motions); *id.* §§ 41.150–.151 (BPAI's powers to order discovery); *id.* § 41.152 (making applicable the Federal Rules of Evidence, with the powers of district courts being lodged in the BPAI).

17 *See* 35 U.S.C. § 6(b).

18 *Id.* § 135(a).

19 *See id.* §§ 141, 145; *see also* BD. OF PATENT APPEALS & INTERFERENCES, PATENT & TRADEMARK OFFICE, STANDARD OPERATING PROCEDURE 2 (REVISION 7): PUBLICATION OF OPINIONS AND BINDING PRECEDENT (2008), http://www.uspto.gov/web/offices/dcom/bpai/sop2.pdf (noting that the Director of the PTO may review BPAI decisions to determine whether they should be made precedential but that such review "is not for the purpose of reviewing or affecting the outcome of any given appeal").

20 Administrative Procedure Act, ch. 324, 60 Stat. 237 (1946) (codified as amended in scattered sections of 5 U.S.C.); *see* Dickinson v. Zurko, 527 U.S. 150, 165 (1999).

It is true that the Director of the PTO retains a substantial supervisory role over the BPAI and can, for example, use his power to designate BPAI panels that he "hopes will render the decision he desires, even upon rehearing."[21] Nevertheless, the BPAI judges retain substantial authority. They are not mere "alter ego[s] or agent[s]" of the PTO Director because the Director's powers afford only "limited control . . . over the Board and the decisions it issues."[22] Moreover, the BPAI's adjudicatory power "does not rest on the [PTO Director's] own authority."[23] It is instead an "independent grant" of statutory adjudicatory power.[24]

The Federal Circuit's decision in *In re Alappat*[25] also states that, even after the BPAI has rendered a decision, the PTO Director has a further power to refuse to issue a patent, at least in circumstances where "he believes that [issuing the patent] would be contrary to law."[26] *Alappat* does not suggest, however, that the Director must, or indeed even could, re-adjudicate de novo all issues decided in every BPAI proceeding. Such re-adjudication would seem to have no statutory basis and would seem to be in tension with the Supreme Court's statement in *Brenner v. Manson* that the "Commissioner [now renamed PTO Director] may be appropriately considered as bound by Board determinations."[27] Re-adjudication by the PTO Director would also, at least with respect to individual factual issues, raise difficult issues of due process. The decisional function in an administrative adjudication "cannot be performed by one who has not considered evidence or argument. . . . The one who decides must hear."[28] Thus, if the Director were to re-adjudicate the basis for BPAI decisions as part of a decision whether to issue or to deny a patent, he would at a minimum have to consider the record developed in the administrative proceedings before the BPAI. There is no evidence

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21 *In re* Alappat, 33 F.3d 1526, 1535 (Fed. Cir. 1994). The PTO Director's powers to select BPAI panels and to designate certain BPAI opinions as precedential help to explain why administrative patent judges may be considered "inferior" and not principal officers, for the judges are inferior and subordinate in significant ways to the PTO Director. *See* Morrison v. Olson, 487 U.S. 654, 671–73 (1988). These limitations on the judges' authority do not detract from their power to render decisions in individual cases concerning important and valuable patent rights. That decisional power is the key to deciding that the judges are more than mere functionaries.

22 *In re* Alappat, 33 F.3d 1526, 1535–36 (Fed. Cir. 1994).

23 Animal Legal Def. Fund v. Quigg, 932 F.2d 920, 929 (Fed. Cir. 1991).

24 *Id.* at 928–29.

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

26 *Id.* at 1535.

27 Brenner v. Manson, 383 U.S. 519, 523 n.6 (1966).

28 Morgan v. United States, 298 U.S. 468, 481 (1936).

that the Director is undertaking such an independent, de novo review and thus, as a legal and practical matter, substantial decisional power seems to be lodged precisely where statutory law suggests it lies—with the members of the BPAI.[29]

Lower court case law also supports the view that administrative patent judges are officers for constitutional purposes. In *Pennsylvania Department of Public Welfare v. United States Department of Health and Human Services*,[30] the Third Circuit held that members of the Appeals Board of the Department of Health and Human Services were "clearly" officers, not mere employees, because they had the broad discretion and authority to conduct hearings and to rule on matters (such as claims to federal funds from various health and welfare programs) assigned to the Appeals Board by statute or by administrative delegation.[31] Similarly, in other cases where administrative adjudicators render either final agency decisions or decisions that are entitled to deference at the next stage of administrative review, the government has consistently conceded that the adjudicators are officers subject to the Appointments Clause.[32]

In the lone lower court case holding administrative adjudicators to be mere employees, *Landry v. FDIC*,[33] the court stressed that the relevant adjudicators were incapable of rendering final decisions for the agency and instead generated only recommended decisions that were subject to de novo review within the agency.[34] The *Landry* court believed that *Freytag* had rested "exceptional stress on the [special trial judges'] final decisionmaking power," and that without such a power, "purely recommendatory powers" could not qualify adminis-

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29 Under *Freytag*, the Court considered special trial judges to be officers because, *inter alia*, the Chief Judge of the Tax Court *could* assign special trial judges the power to render final decisions on behalf of the Tax Court. Freytag v. Comm'r, 501 U.S. 868, 882 (1991). Thus, if the PTO Director has statutory power to *permit* panels of administrative patent judges to render final decisions in particular cases, the judges would still be officers for purposes of the Appointments Clause.

30 Pa. Dep't of Pub. Welfare v. U.S. Dep't of Health & Human Servs., 80 F.3d 796 (3d Cir. 1996).

31 *Id.* at 802.

32 *See, e.g.*, Ryder v. United States, 515 U.S. 177, 180, 186–88 (1995) (noting the lower court's conclusion that judges on the Coast Guard Court of Military Review were officers and holding that the inclusion of such invalidly appointed judges in a panel could not be considered harmless error); Willy v. Admin. Review Bd., 423 F.3d 483, 491 (5th Cir. 2005) (noting the government's concession that members of the Administrative Review Board, which adjudicates whistleblower claims inside the Department of Labor, are officers for purposes of the Appointments Clause).

33 *See* Landry v. FDIC, 204 F.3d 1125 (D.C. Cir. 2000).

34 *See id.* at 1133.

trative adjudicators as officers.[35] The reasoning of *Landry* also strongly suggests that administrative adjudicators with final decision-making powers, like administrative patent judges, do exercise significant authority and therefore qualify as officers under the Appointments Clause.

The conclusion that administrative patent judges are inferior officers subject to the Appointments Clause is supported also by a recent opinion by the Department of Justice's Office of Legal Counsel ("OLC"). In April of 2007, the OLC issued an opinion stressing that the concept of "Officers of the United States" in the Appointments Clause has generally been interpreted to include "many particular officers who had authority but little if any discretion in administering the laws; these included officers such as registers of the land offices, masters and mates of revenue cutters, inspectors of customs, deputy collectors of customs, deputy postmasters, and district court clerks."[36] The OLC opinion also concluded that the Appointments Clause applies where the relevant officers have "authority to act in the first instance, whether or not that act may be subject to direction or review by superior officers."[37] As an example, the OLC opinion notes that inferior revenue officers were long considered to be subject to the Appointments Clause because they had authority to make tax classification decisions, even though "those decisions could be subjected to two layers of appeal, the second being the Treasury Secretary himself."[38]

This brings us to the question of whether administrative patent judges are being validly appointed within the limitations of the Appointments Clause. Because the PTO Director is not the President or a court of law, the validity of the appointment process turns on whether the Director can be viewed as a "Head of Department." Once again, *Freytag* is the leading case on the subject, and it pretty clearly forecloses any argument that the Director could be considered a department head. Under the majority reasoning in *Freytag*, "Heads of Departments" for purposes of the Appointments Clause are confined "to executive divisions like the Cabinet-level departments,"

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35 *Id.* at 1134.

36 Officers of the United States Within the Meaning of the Appointments Clause, 2007 OLC Lexis 3, at *58–59 (Apr. 16, 2007), *available at* http://www.usdoj.gov/olc/2007/appointments clausev10.pdf.

37 *Id.* at *60.

38 *Id.* at *61 (noting also that the officer's decision "could" decide the rights of another "even though by law [it was] readily 'subject to revision and correction' on the initiative of the taxpayer").

which the Court held to be "limited in number and easily identified."[39] The PTO Director is subordinate to the Secretary of Commerce and therefore cannot qualify as a Cabinet-level department head. The official title of the PTO Director is "*Under Secretary* of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office."[40] Moreover, the PTO itself is statutorily "established as an agency of the United States, within the Department of Commerce" and is "subject to the policy direction of the Secretary of Commerce."[41] Thus, the PTO Director's primary duty—to "provid[e] policy direction and management supervision for the [PTO]"[42]—is subject to the oversight of the Secretary of Commerce. Indeed, even under the more capacious view of "Heads of Departments" articulated in Justice Scalia's concurring opinion in *Freytag*, an Under Secretary fails to qualify because heads of departments encompass only "the heads of all agencies immediately below the President in the organizational structure of the Executive Branch."[43] Thus, an Under Secretary of Commerce is not a constitutionally acceptable appointing authority for officers of the United States like administrative patent judges.

If, as seems clear, the current appointment process for administrative patent judges is unconstitutional, the next obvious question is whether the unconstitutional appointment process will lead to the invalidation of a significant number of BPAI decisions. In other words, the question is whether, as a practical matter, the problem is a serious one for the agency. The short answer is that it is serious, though precisely how serious is hard to determine. There are three relevant considerations here. One consideration, which tends to exacerbate the problem, is that the courts have articulated very broad standing rules for challenging constitutionally invalid appointments to adjudicatory bodies. Under this case law, a party challenging the composition of an administrative agency must prove only that the agency has rendered an adverse decision against the party (thus establishing "injury" for purposes of standing law) and that the party has "been 'directly subject to the authority of the agency.'"[44] Thus, any party that loses an

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39 Freytag v. Comm'r, 501 U.S. 868, 886 (1990).

40 35 U.S.C. § 3(a) (2006) (emphasis added).

41 *Id.* § 1(a); *see also* 15 U.S.C. § 1511(4) (2006) (listing the PTO as one of the bureaus "under the jurisdiction and subject to the control of the Secretary of Commerce").

42 35 U.S.C. § 3(a)(2)(A).

43 *Freytag*, 501 U.S. at 918 (Scalia, J., concurring); *see also id.* at 915 (noting that "a subdivision of the Department of the Treasury . . . would not qualify" as a Department).

44 FEC v. NRA Political Victory Fund, 6 F.3d 821, 824 (D.C. Cir. 1993) (quoting Comm.

appeal or an interference before the BPAI has standing to challenge the legality of the BPAI's composition even if the party cannot demonstrate "that he has received less favorable treatment than he would have if the agency were lawfully constituted and otherwise authorized to discharge its functions."[45] *FEC v. NRA Political Victory Fund* shows just how far the courts have extended this logic. In that case, the party was challenging the constitutionality of including certain *nonvoting* "*ex officio*" members within the Federal Election Commission ("FEC").[46] In its decision holding the FEC's appointment structure unconstitutional (and therefore vacating the agency decision in the case), the D.C. Circuit reasoned that even nonvoting members of an adjudicatory body may exert "*some* influence" during deliberations by "their mere presence."[47] The Supreme Court has also indicated that objections to the appointment of an adjudicator may be raised for the first time on appeal, so the Appointments Clause objection may be raised in cases now pending in the courts where parties are seeking judicial review of BPAI decisions.[48]

Two other considerations tend to restrict the scope of the problem created by the unconstitutional appointment of administrative patent judges. First, the unconstitutional appointment process is a relatively recent change, and many of the judges on the BPAI were appointed under prior statutory law, which had given the appointment power to the Secretary of Commerce.[49] The legislation establishing the new appointment process was enacted on November 29, 1999, and took effect on March 29, 2000.[50] Administrative patent judges appointed to the BPAI before that last date should have a constitutionally valid appointment from a Secretary of Commerce. The BPAI does not post on its website any convenient list of its judges and their dates of appointments, but it appears that a substantial number of the judges serving on the BPAI were appointed prior to March 29, 2000 (though many were appointed since then).

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for Monetary Reform v. Bd. of Governors of Fed. Reserve Sys., 766 F.2d 538, 543 (D.C. Cir. 1985)).

45 *Id.* (quoting *Comm. for Monetary Reform*, 766 F.2d at 543).

46 *See* FEC v. NRA Political Victory Fund, 6 F.3d 821, 822 (D.C. Cir. 1993).

47 *Id.* at 826.

48 *See* Freytag v. Comm'r, 501 U.S. 868, 878–79 (1991); *see also* Nguyen v. United States, 539 U.S. 69, 77–81 (2003).

49 *See* 35 U.S.C. § 3(a) (1994) (conferring power on the Secretary of Commerce to appoint all officers and employees of the PTO).

50 *See* Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, §§ 4717, 4731, 113 Stat. 1501, 1501A-521, 1501A-580 to -582.

The second mitigating factor is that the BPAI generally operates in panels *without deliberative participation by nonpanel members*. Although the standing requirements for challenging invalidly constituted adjudicatory bodies generally allow "radically attenuated" connections between the claimed injury and the invalid appointment,[51] it seems unlikely that courts would permit a party to raise an Appointments Clause challenge where none of the body's invalidly appointed members participated in the decisionmaking process. Though the matter is not free from doubt, the BPAI's internal operating procedures appear to foreclose the participation of nonpanel judges in the decisionmaking process of a particular panel.[52] One BPAI judge—the Chief Judge of the BPAI—does exercise some authority with respect to all the cases that come before the BPAI because the Chief Judge maintains an assignment power over all panels.[53] However, the current Chief Judge was appointed to the Board in 1994[54] and therefore almost certainly has a constitutionally valid appointment.

In sum, a party appearing before a panel composed solely of pre-2000 judges would not have standing to raise the constitutional objection to the post-2000 judges. A constitutional challenge is, however, almost certainly available to parties litigating before BPAI panels having at least one administrative patent judge who was appointed on or after March 29, 2000.[55] Because the BPAI does not post a list of its judges and their appointment dates on its website, it is not easy to determine what fraction of BPAI panels include at least one such member. A quick look at a few recent high profile BPAI cases, however, suggests many panels are invalidly constituted. The problem seems to be quite serious.

The solutions to this constitutional problem are really quite few. The Secretary of Commerce cannot simply appoint the existing cadre of administrative patent judges because appointment by a "Head of Department" can occur only where Congress has conferred the ap-

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51 Landry v. FDIC, 204 F.3d 1125, 1131 (D.C. Cir. 2000).

52 For the BPAI's procedures, see BD. OF PATENT APPEALS & INTERFERENCES, PATENT & TRADEMARK OFFICE, STANDARD OPERATING PROCEDURE 1 (REVISION 13): ASSIGNMENT OF JUDGES TO MERIT PANELS, MOTION PANELS, AND EXPANDED PANELS (2008), http://www.uspto.gov/web/offices/dcom/bpai/sop1.pdf.

53 *See id.*

54 *See* United States Patent and Trademark Office, Office of the General Counsel Bios, http://www.uspto.gov/web/offices/dcom/gcounsel/bios.htm#fleming (last visited Mar. 4, 2009).

55 *See* Nguyen v. United States, 539 U.S. 69, 82 (2003) (holding that the presence of only a single invalidly appointed judge is sufficient to vacate the judgment of a panel containing a quorum of validly appointed judges).

pointment power by law. Yet the Secretary's power to appoint PTO officers generally, and BPAI members in particular, was specifically removed by Congress in 1999.[56] In the short term, the BPAI's business can be handled by judges appointed prior to 2000.

Finally, it is worth asking how this constitutional problem arose. There are two answers here. First, there is the hasty and unusual method by which the 1999 statute was enacted. The statute responsible for changing the appointments process of BPAI members, the "Intellectual Property and Communications Omnibus Reform Act of 1999," was enacted as one of nine bills that were "incorporated by reference" into the District of Columbia Appropriations Act of 2000. In other words, the text of the legislation voted on by Congress includes only the following language:

> Sec. 1000.(a) The provisions of the following bills are hereby enacted into law:

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56 *Cf.* Edmond v. United States, 520 U.S. 651, 654, 666 (1997) (permitting the Secretary of Transportation to ratify the appointment of officers who previously lacked a valid appointment where the Secretary possessed a general power to appoint all officers in the Department and no statute conferred the power to appoint the relevant officials in any other person).

There is a line of precedent establishing that an appointment will be considered to be made by a "Head of Department" if, by law, the appointment was subject to approval or approbation by the Head of the relevant Department (e.g., by the Secretary of Commerce). But in *United States v. Mouat*, 124 U.S. 303 (1888), the Supreme Court held that this theory could not be extended to justify the appointment of an officer where no statute required the concurrence of the Department Head:

> If there were any statute which authorized the head of the Navy Department to appoint a paymaster's clerk, the technical argument, that the appointment in this case, although actually made by Paymaster Whitehouse and only approved by Harmony as Acting Secretary in a formal way . . . might still be considered sufficient to call this an appointment by the head of that Department. But there is no statute authorizing the Secretary of the Navy to appoint a paymaster's clerk, nor is there any act requiring his approval of such an appointment, and the regulations of the navy do not seem to require any such appointment or approval for the holding of that position.

Id. at 307–08. Nevertheless, it is possible that the Department of Commerce has recognized the constitutional problem with the statutory appointment structure and found some avenue by which, despite the apparent terms of 35 U.S.C. § 6, the Secretary of Commerce and not the PTO Director can bear responsibility for appointing administrative patent judges. Despite an extensive search, however, I have uncovered no evidence that this has occurred or indeed could occur under existing statutory law. The PTO's publicly available materials give no hint that anyone other than the PTO Director is appointing administrative patent judges. *See, e.g.*, MANUAL OF PATENT EXAMINING PROCEDURE § 1202 (8th ed. 2001, July 2008 revision) (reproducing 35 U.S.C. § 6(a) in the Manual's section on "Composition of the Board" without any suggestion that administrative patent judges are appointed by someone other than the PTO Director). If the agency believes that it has found some way to push responsibility back to the Secretary without a statutory fix, it should be candid about the true location of the appointing power and the legal basis for shifting it.

. . . .

(9) S. 1948 of the 106th Congress, as introduced on November 17, 1999.[57]

The Appropriations Act then instructs the Archivist of the United States to find the nine bills referenced by the legislation and to publish those bills as "appendixes" to the U.S. Statutes at Large.[58]

Such an incorporation-by-reference method of enacting law may very well be constitutional, but to put it mildly, the technique certainly does not foster full consideration of the legislation by the Members of Congress and the President. The normal legislative process typically includes multiple reviews of legislative language by different components of the government, including various divisions in the Department of Justice, such as the Office of Legal Counsel, that seek to identify constitutional problems in pending bills. It is thus quite possible, though difficult to know with certainty, that the incorporation-by-reference method of enacting the 1999 legislation helped the constitutionally infirm appointment structure to slip through the legislative process unnoticed.

A second difficulty with the 1999 statute goes directly to Congress's intent in restructuring the PTO. The overarching intent of the statute is to confer on the PTO head more authority and status, and yet keep the Office firmly within the Department of Commerce. That schizophrenic intent goes to the very heart of the constitutional problem. The Appointments Clause is designed to prevent the diffusion of appointment power precisely so that the individual with primary responsibility for a governmental department is both at a high level (subordinate only to the President) and readily identifiable. This wise requirement makes the lines of responsibility more visible. If something is amiss in a department of government, responsibility—and blame—cannot be deflected to a lower level of government than the department head because he, or the President himself, is directly responsible not only for managing the department but also for appointing officials who exercise any significant authority within it. Yet the precise effect of the 1999 statute is to push responsibility to someone below the department head and generally to muddle the lines of authority. Who is to blame if the BPAI is producing unwise decisions?

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57 District of Columbia Appropriations Act of 2000, Pub. L. No. 106-113, § 1000(a), 113 Stat. 1501, 1535–36 (1999).

58 *Id.* § 1000(b), 113 Stat. at 1536. The Intellectual Property and Communications Omnibus Reform Act, which was S. 1948, appears on page 1501A-521 of volume 113 of the Statutes at Large.

The Secretary of Commerce can disclaim responsibility because, after all, he does not have power to select individuals to serve on the BPAI.

The ultimate reason this constitutional problem arose is therefore an innate conflict between a traditional reluctance to change lines of governmental authority and a growing recognition by Congress of the increased importance of intellectual property to the national economy. The latter point counsels toward increasing the power, prestige, and status of the PTO head, but tradition pushes against creating a separate governmental department, like the Environmental Protection Agency, that is subordinate only to the President. And so Congress took half a step in 1999, but it is precisely such half steps that generate constitutional difficulty.

Ongoing Epilogue

On September 7, 2007, approximately six weeks after the original publication of this essay, the U.S. House of Representatives passed a bill that would have supplied a constitutional remedy to the Appointments Clause problem.[59] That amendment was part of the general patent reform legislation that, as mentioned in the original essay, was pending in Congress at the time. Similar patent reform legislation, however, failed to pass the Senate.

On October 26, 2007, a party named Translogic Technology, Inc., which was seeking judicial review of an adverse BPAI decision, raised the Appointments Clause issue in papers before the United States Court of Appeals for the Federal Circuit.[60] That filing relied heavily on the legal analysis in a prior version of this article.[61]

On December 27, 2007, the PTO and the U.S. Department of Justice responded to Translogic's filing.[62] The government raised various procedural objections to adjudicating the merits of the constitutional issue but declined to mount any defense of the constitutionality of the process by which administrative patent judges are appointed. Rather, the government's filing concluded with a footnote stating that the

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59 *See* H.R. 1908, 110th Cong. § 7 (2007) (amending 35 U.S.C. § 6 to provide that "administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary of Commerce").

60 *See* Combined Petition for Panel Rehearing and Rehearing *En Banc* at 8–15, *In re* Translogic Tech., Inc., 504 F.3d 1249 (Fed. Cir. 2007) (No. 2006-1192), 2007 WL 3388523.

61 *See id.* at 8–9 (noting that the party "became aware of the [constitutional] error underlying the Board's proceedings in . . . reviewing a July 2007 article" and citing this Essay); *see also id.* at 8–15 (briefing the Appointments Clause issue with several references to this Essay).

62 *See* Response to Appellant's Petition for Panel Rehearing and Rehearing En Banc, *In re* Translogic Tech., Inc., 504 F.3d 1249 (Fed. Cir. 2007) (No. 2006-1192), 2007 WL 4739046.

"Patent and Trademark Office and the Department of Commerce, in consultation with the Department of Justice, are presently considering a legislative proposal that would address any Appointments Clause issue."[63]

The issue then moved to the Supreme Court, with a petition for certiorari filed by Translogic on April 16, 2008. That petition begins with the statement:

> This case involves a constitutional issue of great importance. Since early 2000, all new members of the United States Patent and Trademark Office's Board of Patent Appeals and Interferences have been appointed by the Director of the PTO, who is not the Head of a Department as required by the Appointments Clause.[64]

An earlier version of this Essay was cited for authority.[65] The petition included an extensive discussion of the importance of the issue and the need for judicial attention to the constitutional defect.

The full extent of the constitutional defect was revealed in an article published on April 28, 2008.[66] That article quoted a PTO spokeswoman who disclosed that approximately forty of the BPAI's sixty-one administrative patent judges—nearly two-thirds of the BPAI—were appointed after March 29, 2000.[67] If administrative patent judges are being randomly assigned to three-judge panels, then a simple probability calculation shows that less than five percent of panels would be composed of judges who have valid appointments. Thus, by the spring of 2008, more than ninety-five percent of BPAI panels were likely to have the constitutional defect. The magnitude of the constitutional defect attracted significant additional coverage in the press.[68]

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63 *Id.* at 15 n.6.

64 Petition for Writ of Certiorari at 2, Translogic Tech., Inc. v. Dudas, 129 S. Ct. 43 (2008) (No. 07-1303), 2008 WL 1757257.

65 *See id.* at 2 n.1.

66 *See* Marcia Coyle, *Patent Board's Rulings in Doubt*, NAT'L L.J., Apr. 28, 2008, at 1, *available at* http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=900005509641.

67 *Id.* at 7.

68 *See, e.g.*, Adam Liptak, *In One Flaw, Questions on Validity of 46 Judges*, N.Y. TIMES, May 6, 2008, at A18, *available at* http://www.nytimes.com/2008/05/06/washington/06bar.html; *Patent Judgments Questioned in Appointment Flap*, NPR Weekend Edition Saturday, May 10, 2008, *available at* http://www.npr.org/templates/story/story.php?storyId=90344019. The *New York Times* article quoted a spokeswoman for the PTO as confirming that 46 of 74 judges on the BPAI had been appointed under the unconstitutional 1999 statute. The *National Law Journal* had previously quoted the same spokeswoman as representing that "nearly 40" of the BPAI's 61 judges were appointed under the 1999 statute. *See* Coyle, *supra* note 66. While the reason for the disparity is unclear, the two figures were consistent in confirming that approximately 65% of the BPAI judges were appointed under the flawed statute. Random selection from such a pool

During the late spring and summer of 2008, the government sought and obtained multiple extensions to file its brief in opposition to Translogic's petition. The response was ultimately filed in July 2008 and, once again, the government did not defend the constitutionality of the judges' appointments.[69] As in its prior filings, the government cited Translogic's failure to raise the constitutional issue in a timely fashion as a reason to deny certiorari. But by July of 2008, the government was able to offer the Court a new "independent reason why certiorari should be denied. Legislation that would remove the grounds for petitioner's constitutional objection is currently pending in Congress and may well be enacted soon."[70]

In fact, the legislation had been put on a very fast track—with the Senate bill passed by the full Senate one day after its introduction.[71] The government's prediction of imminent enactment was accurate. Corrective legislation changing the appointment process for judges became law on August 12, 2008.[72]

The new legislation restored the pre-2000 method of appointing the members of the BPAI—they were to be appointed once again by the Secretary of Commerce. The change was significant. As the Supreme Court reasoned in *Freytag*, the Framers of the Constitution were determined "to limit the distribution of the power of appointment" so that "they could ensure that those who wielded it were accountable to political force and the will of the people."[73] The Framers' concerns generated the Appointments Clause, which pre-

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of judges would produce constitutionally appointed judges for less than 5% of three-judge panels.

69 *See* Brief for the Federal Respondent in Opposition, Translogic Tech., Inc. v. Dudas, 129 S. Ct. 43 (2008) (No. 07-1303), *available at* http://www.usdoj.gov/osg/briefs/2008/0responses/2007-1303.resp.pdf.

70 *Id.* at 13.

71 The government's brief detailed the speed of the change:

> On July 21, 2008, the chairman of the Senate Judiciary Committee introduced S. 3295, which was co-sponsored by the ranking minority member of the Judiciary Committee. See 154 Cong. Rec. S6976 (daily ed.). The next day, the bill was discharged from committee, and it passed the Senate by unanimous consent. See 154 Cong. Rec. S7079 (daily ed. July 22, 2008). An identical bill, H.R. 6362, has been pending in the House of Representatives, where it is co-sponsored by the bipartisan leadership of the Judiciary Committee and its Subcommittee on Courts, the Internet, and Intellectual Property. See 154 Cong. Rec. H6088 (daily ed. June 25, 2008).

Id. at 13–14.

72 Pub. L. No. 110-313, § 1(a)(1), 122 Stat. 3014, 3014 (2008) (to be codified at 35 U.S.C. § 6).

73 Freytag v. Comm'r, 501 U.S. 868, 884 (1990).

serves the "Constitution's structural integrity by preventing the diffusion of the appointment power."[74]

The new appointment scheme may well raise the status of administrative patent judges, for they now will have been scrutinized, and appointed, by a member of the President's Cabinet. But the more significant point is that the power to appoint these important adjudicators has now been restored to an officer who reports directly to the President. The 2008 statutory change thus reconciles the appointment process of administrative patent judges with the Framers' original vision, as appointment responsibility is once again concentrated at the highest levels of government, where political accountability is greatest.[75]

Because the appointment structure mandated by the 2008 statute is plainly constitutional, the need for Supreme Court review in the *Translogic* case was significantly reduced, for the constitutional problem had now been remedied prospectively by Congress. Given the procedural problems in the *Translogic* case (the Appointments Clause issue had not been raised until the petition for rehearing in the Court of Appeals), it was not surprising that the Supreme Court denied certiorari when the Justices reconvened for the beginning of their 2008 Term on the first Monday in October.[76]

Yet while the new legislation solved the constitutional problem on a prospective basis, it could not provide a clean "retroactive" solution to address the numerous decisions previously rendered by unconstitutionally appointed judges during the prior eight years. Rather, the new statute offered two alternative mechanisms that attempted to address the problem of prior decisions (and the mere fact that Congress included two solutions gives some indication that neither was viewed as certain to succeed).

First, the statute authorized the Secretary of Commerce to make the new appointments of the existing judges "take effect" at the time when the PTO Director had previously purported to make the appointments.[77] In other words, the statute purported to authorize the

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74 *Id.* at 878. As Justice Souter explained, "no branch [of the government] may abdicate its Appointments Clause duties," by, for example, "adopt[ing] a more diffuse and less accountable mode of appointment than the Constitution requires." Weiss v. United States, 510 U.S. 163, 188 & n.3 (1994) (Souter, J., concurring).

75 *See Freytag*, 501 U.S. at 878.

76 Translogic Tech., Inc. v. Dudas, 129 S. Ct. 43 (2008).

77 Pub. L. No. 110-313, § 1(a)(1)(C)(c), 122 Stat. 3014, 3014 (to be codified at 35 U.S.C. § 6(c)) ("The Secretary of Commerce may, in his or her discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office

Secretary to make appointments in August of 2008 that take effect years earlier, some as far back as the year 2000—long before then-Secretary of Commerce Gutierrez held the position, and indeed, before George W. Bush's administration. Such retroactive appointments appear to be unprecedented in constitutional history. Indeed, the very concept of retroactive appointments seems in tension with, among other authorities, *Marbury v. Madison*, which fixed the time of appointment to be "when a commission has been signed."[78] True, that statement is merely dicta, and worse still, dicta by a Court that ultimately decided it lacked jurisdiction. But it is nonetheless dicta in one of the most important Supreme Court cases ever. It would be surprising now to find after more than two centuries that appointments can actually take effect when the commission is signed *or any time months or years in the past.*

Perhaps sensing the theoretical weakness of retroactive appointments, Congress included another retroactive fix: The statute states that the "de facto officer" doctrine "shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director."[79] Yet this congressional instruction seems more like a plea for judicial leniency than a constitutionally rigorous solution. The de facto officer doctrine is part of constitutional law, and thus the scope of the doctrine probably cannot be changed by the enactment of a statute. In all likelihood, the courts will independently determine, without reliance on any statutory law, whether the government may properly invoke the de facto officer doctrine to sustain the actions of the unconstitutionally appointed judges. In similar circumstances thirteen years ago, the Supreme Court unanimously rejected the government's argument that the de facto officer doctrine could be invoked to protect judges who were unconstitutionally appointed.[80]

The weakness of these two retroactive fixes leaves open the possibility that the past decisions of the BPAI could still be vacated if the BPAI panel rendering the decision included at least one unconstitutionally appointed member.

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pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge.").

78 Marbury v. Madison, 5 U.S. (1 Cranch) 137, 162 (1803).

79 Pub. L. No. 110-313, § 1(a)(1)(C)(d), 122 Stat. 3014, 3014 (to be codified at 35 U.S.C. § 6(d)).

80 *See* Ryder v. United States, 515 U.S. 177, 180–88 (1995).

The BPAI's past decisions can be divided into two large categories: cases denying patentability and cases confirming patentability. With respect to the former category, the Federal Circuit in *In re DBC* has now held that parties will be procedurally defaulted on the issue *unless they have exhausted their administrative remedies by presenting the Appointments Clause issue to the BPAI itself.*[81] If *DBC* is not reviewed by the Supreme Court,[82] disappointed patent applicants will be effectively barred from raising the Appointments Clause issue because no applicants raised the issue before the Board between the time of the issue's discovery in July 2007, and the congressional correction in August 2008.[83]

The *DBC* decision seems to go against a sizeable body of case law holding that, at the administrative level, parties are *not* required to raise constitutional challenges to the very structure of the agency itself. A good example of that line of cases is found in the D.C. Circuit decision *Robertson v. FEC*, where the government argued (just as in *DBC*) that the "petitioner's constitutional challenge is not properly raised because it was not brought before the Commission."[84] The D.C. Circuit brusquely responded that the government's procedural default argument "need not detain us" because "[i]t was hardly open to the Commission, an administrative agency, to entertain a claim that the statute which created it was in some respect unconstitutional."[85] True, this area of administrative law has some doctrinal complexities and tensions,[86] and there may be a modern trend to allow agencies to

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81 *See In re* DBC, 545 F.3d 1373, 1377 (Fed. Cir. 2008).

82 As this essay was going to the printer, a petition for certiorari filed by DBC was pending at the Supreme Court. *See* Petition for Writ of Certiorari, DBC v. Patent & Trademark Office, No. 08-1284 (U.S. Apr. 15, 2009), 2009 WL 1061247. The Court has extended the time for the Solicitor General to file a response to June 17, 2009, *available at* http://origin.www.supremecourt us.gov/docket/08-1284.htm.

83 During the oral argument before the Federal Circuit in *DBC*, the government confirmed that no applicants had raised the constitutional issue before the Board. *See* Petition for a Writ of Certiorari, *supra* note 82, at 8. The certiorari petition in *DBC* reveals an important practical hurdle to raising the constitutional issue before the Board: the parties before the Board "are not made aware of the composition of the Board until either the day of oral argument or the day the Board's decision is rendered." *Id.* at 9. Thus, during the briefing of the case, parties could not know whether their case will be assigned to a panel with an invalidly appointed judge.

84 Robertson v. FEC, 45 F.3d 486, 489 (D.C. Cir. 1995).

85 *Id.*

86 *See, e.g.*, Able v. United States, 88 F.3d 1280, 1288 (2d Cir. 1996) (noting that the "Supreme Court has been inconsistent in its jurisprudence concerning the 'constitutionality' exception to the exhaustion requirement"). For criticism of the rule that agencies may not adjudicate constitutional claims, see Note, *The Authority of Administrative Agencies to Consider the Constitutionality of Statutes*, 90 Harv. L. Rev. 1682 (1977).

consider constitutional issues at least in those circumstances where they can provide effective relief from the constitutional problem.[87] Yet the *DBC* opinion seems especially aggressive in requiring the exhaustion of administrative remedies where the issue involves the constitutional structure of the administrative body and the panel of adjudicators at the administrative level has no ability to remedy the constitutional defect.

Despite that weakness of the *DBC* opinion, the court's result is understandable in pragmatic terms: a contrary ruling might have led to a large number of cases that would have to be remanded back to the agency for re-adjudication before the newly appointed Board. *DBC*'s procedural default holding is perhaps the "least bad" way for the court to avoid having to remand many cases. The holding requires some distortion of existing law on exhaustion of administrative remedies and on the ability of agencies to entertain constitutional objections to their own composition, but it saves the court from having to address the constitutional validity of the two retroactive fixes included in the corrective legislation.

Where, however, the BPAI has previously ruled in favor of a patent applicant and that ruling has led to the issuance of a patent, *DBC*'s administrative exhaustion theory will obviously not work because parties likely to raise the Appointments Clause issue—e.g., accused infringers—will not have been involved at the administrative level. That group has not yet had their day in court to raise the issue (and therefore could not be defaulted for failing to exhaust administrative remedies). Still, one strongly suspects that, if any accused infringers do raise the Appointments Clause problem, the Federal Circuit will find another "least bad" way to avoid the problem.[88]

Conclusion

The ongoing story of this constitutional problem provides an interesting test of the importance that our legal culture assigns to the

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87 *See, e.g.*, Thunder Basin Coal Co. v. Reich, 510 U.S. 200, 215 (1994) (describing as "not mandatory" the rule that "'[a]djudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies'" (quoting Johnson v. Robison, 415 U.S. 361, 368 (1974))).

88 If an accused infringer raises the issue, the Federal Circuit might very well be driven to rely on the de facto officer doctrine to avoid the constitutional issue. A pragmatic reason for taking such an approach is once again clear: there is a strong desire not to destabilize years of decisions by the BPAI. While existing case law places strong constraints on the scope of the de facto officer, the doctrine itself contains a fundamental degree of flexibility that could make it attractive in these unusual circumstances.

structural protections of the Appointments Clause. Both the Supreme Court and the U.S. Department of Justice have taken the position that the Appointments Clause "reflects more than a 'frivolous' concern for 'etiquette or protocol.'"[89] An overarching issue presented by the experience of the administrative patent judges is whether all of the Appointment Clause rules are entitled to the same degree of respect or, alternatively, whether our legal institutions will allow violations of at least some of the formalistic rules to be overlooked, forgiven, or ignored. While definitive answers to those important questions cannot confidently be given until the ultimate conclusion of this unfolding story, the experience so far presents a mixed picture: the courts have avoided the constitutional problem, even though they plainly had the ability to decide the issue. By contrast, the importance of the Appointments Clause was ultimately respected by the Department of Justice, which to its credit never defended the constitutionality of the judges' appointments, and by the Congress, which enacted corrective legislation within a year of the problem being identified—lightning speed by congressional standards. Those divergent responses might be good, for they maintain respect for the constitutional rule while reflecting a thorough-going pragmatism that limits the repercussions of a constitutional mistake.

89 Officers of the United States Within the Meaning of the Appointments Clause, 2007 OLC Lexis 3, at *2 (Apr. 16, 2007), *available at* http://www.usdoj.gov/olc/2007/appointments clausev10.pdf (quoting Buckley v. Valeo, 424 U.S. 1, 125 (1976) (per curiam)). Consistent with its text, the Supreme Court has interpreted the Appointments Clause to demand observance of fairly specific rules in the appointments process.