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Management Tools for Adjudication Before the Patent Trial and Appeal Board (PTAB)

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Thank you for inviting me to testify. This testimony is intended to situate adjudication before the Patent Trial and Appeal Board (hereinafter PTAB) in the universe of federal administrative adjudication and to comment on the management review techniques outlined in the Preliminary Observations of the GAO.

Adjudication before PTAB consists of both trials and appeals.[2] PTAB's appeal function concerns challenges by a patent applicant whose application has been rejected by PTO or whose patent is subject to re-examination. The trial (or inter partes) process arises from challenges to the validity of an existing patent and often occurs in connection with infringement litigation in federal court that is is stayed pending PTAB decision as the validity of the patent. My testimony

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[2] See generally Michael Asimow, Federal Administrative Adjudication Outside the Administrative Procedure Act (ACUS 2019) 163-171.

concerns PTAB's trial process rather than its appeal process. PTAB consists of several hundred Administrative Patent Judges (APJs) who are experienced in patent law and conduct trials in panels of three.

A. PTAB as federal administrative adjudication

The first part of my testimony situates PTAB in the universe of federal administrative adjudication. In comparing PTAB trial adjudication to trial decisions made by other federal agencies, several differences stand out.

1. No oral presentation of evidence. Unlike other federal adjudicating agencies, the PTAB does not employ oral evidentiary hearings. The PTAB employs the same types of discovery that are used in federal civil litigation. Witnesses are deposed and their deposition testimony and written affidavits become the record on which the APJs make their decisions. This innovation seems desirable and is a huge time saver.

2. Type B adjudication. Federal administrative adjudication can be divided into 3 categories: Types A, B and C. Type A is governed by the federal Administrative Procedure Act. Type B litigation is based on a statute requiring evidentiary hearings but is not under the APA. PTAB is Type B adjudication because statues require it to conduct evidentiary hearings but do not meet the test for APA coverage.[3] Part C is true informal adjudication because no evidentiary hearing is required.

The primary difference between Types A and B adjudication is that the presiding officers in Type A hearings are Administrative Law Judges

[3] The Federal Circuit has held that PTAB cases are covered by the APA. Synopsis, Inc. v. Mentor Graphics Corp., 814 F.3d 1309, 1322 (Fed. Cir. 2016). The court merely stated the conclusion, without discussing the caselaw on this issue. The *Synopsis* decision is questionable. See Dominion Energy Brayton Point LLC v. Johnson, 443 F.3d 12 (1st Cir. 2006). This memorandum proceeds on the assumption that the APA is not applicable to PTAB cases.

(ALJs) who are subject to various protections of their independence (such as prohibition on performance reviews). APJs have no comparable level of statutory protection.

The APA provides a number of additional protections for the independence of ALJs and the integrity of decisions. One such provision states that an ALJ may not "consult a person or party on a fact in issue, unless on notice and opportunity for all parties to participate." [4] Another provides that "the transcript of testimony and exhibits … constitutes the exclusive record for decision."[5] Since PTAB conducts Type B adjudication, these provisions of the APA do not apply to it. Nevertheless, as discussed below, these provisions constitute basic norms of adjudication and should be implemented by procedural regulations in Type B adjudication.

3. No appellate mechanism. Nearly all type A and Type B adjudicating schemes provide for some type of internal appeal from the decisions of presiding officers to higher levels of agency authority. The PTAB has no such mechanism. In *Arthrex,* the Supreme Court ruled that such an appeal mechanism was mandatory in order that the APJs be properly appointed. The Court held that the head of USPTO must have the ability to hear internal appeals.

The new provision on Interim Director Review should satisfy the requirements of the *Arthrex* decision. However, it will not be an effective management technique. The PTAB must create a review

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[4] APA, 5 U.S.C. §554(d)(1). The APA also contains a provision for separation of functions, prohibiting an AJ from being supervised or directed by an agency staff member engaged in investigative or prosecuting functions for the agency. Id, §554(d)(2). In addition, a person engaged in investigative or prosecuting functions for the agency may not participate or advise in the decision. Id. §554(d). The latter provision is inapplicable to the agency head. In my view, these provisions would not apply to the PTAB because it is a purely adjudicating agency and is not engaged in investigative or prosecuting functions.

[5] Id. §556.

mechanism involving a substantial number of APJs or other qualified personnel to review (on a discretionary basis) any APJ decisions in which either party or PTO management seeks review. Perhaps the director of PTO could retain a discretionary review power after the regular appellate mechanism functions to deal with cases involving important issues of policy.

B. Management of the adjudicating process.

As the GAO testimony makes clear, PTAB has employed a variety of techniques to manage the consistency and correctness of APJ decisions. The lack of an appellate review mechanism obviously made it imperative for the PTO to do so. I think most of the techniques PTO employs are appropriate, but I do question the appropriateness of the management review technique.

a. Precedent and informative decisions. I believe that the PTO's use of precedent and informative decisions is an acceptable management tool. Precedent decisions have been widely employed across federal and state administrative adjudication to improve the consistency and correctness of adjudicatory systems. Because they arise out of the adjudicatory process, an agency's decision to declare a prior decision as precedential is not considered rulemaking and thus does not trigger APA notice and comment rulemaking requirements.

ACUS has recommended the use of precedent decisions in Type B adjudication.[6] Informative decisions are a less familiar tool, since presumably the judges are not obligated to follow them. As a practical matter, informative decisions should be nearly as effective as precedent decisions in improving the consistency and correctness of trial-level decisions. I believe it is appropriate for PTO to impose employment sanctions against APJs who refuse to adhere to precedent decisions.

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[6] ACUS Rec, 2016-4, Rec. 27.

b. Guidance documents. I believe the use of guidance documents is an acceptable management tool. Under the federal APA, guidance documents (interpretive rules and policy statements) can be adopted without going through costly notice and comment techniques.[7] They must be non-binding, leaving APJs discretion not to follow them. As a practical matter, however, APJs can be expected to follow guidance documents in most non-exceptional situations.

c. Peer review. I believe a system of peer review in which judges critique the work of other judges is an acceptable management technique. If the decision is already final, there can be no objection to a peer review system whose purpose is to educate judges to improve their decisionmaking technique and opinion writing. Similarly, even if the decision is not final, I think peer review that offers non-binding suggestions to judges as to how a pending decision could be improved is a good idea. Because the reviewing judges are not part of management and cannot impose any employment sanction, peer review is distinguishable from management review which is discussed next,

d. Management review

I am troubled by the system of management review that the PTAB has employed. This system enables PTO management to compel APJs to alter their decisions. Hopefully, the PTAB will phase out management review as it implements an adequate system of internal appellate review.

I believe that management review violates a number of relevant administrative law norms. The GAO investigation makes clear that APJs believe their decisions were affected by management interference and that many of them resented this incursion on their independence.

i. The management review system is not transparent. Even though its use has now been acknowledged, it is impossible for litigants

[7] APA §553(d)(2).

to tell what changes, if any, were made to APJ decisions because of management intervention. This is not fair to litigants before the PTAB who cannot ascertain how the APJs would have decided the case in the absence of management interference. Litigants who are on the losing side cannot rebut the management changes because they cannot find out what changes management recommended. In addition, the lack of transparency difficult for the losing party to decide whether to appeal the decision to the Federal Circuit.

ii. Management interference is an ex parte communication. It appears to violate PTAB's regulations that provide: "Ex parte communications. Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. §6(a) is not permitted unless both parties have an opportunity to be involved in the communication."[8]

The purpose of this regulation probably was to prohibit communications to APJs by the outside contending parties in the litigation. However, its terms appear to cover ex parte communication to APJs from management as well. These communications will favor one party to the inter partes proceeding over the other. All such communications to APJs should be on the record, whether they concerns factual testimony or questions of law, policy, or discretion, rather than being made ex parte. This is a basic norm of adjudication that ACUS has recommended should apply to all Type B adjudicating agencies.[9]

iii. The exclusive record principle means that APJs should make their decisions based entirely on the record made at the hearing or on facts established by judicial notice, not on other inputs regardless of their source. Management interference with the decisionmaking process may violate the exclusive record principle. Again, exclusive record is a

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[8] 37 CFR §42.5(d). The term "Board member" includes APJs. 35 U.S.C. §6(a).

[9] ACUS Recommendation 2016-4, Recs. 2, 3, 4. These recommendations do not precisely describe PTAB management ex parte communications, but the spirit of the recommendations would preclude them.

basic norm of adjudication that ACUS recommends should apply to all Type B adjudication.[10]

iv. APJs, like all administrative judges, should be independent decisionmakers, not the puppets of their employer. Their employment security should not be threatened by ad hoc management techniques that are intended to influence their decisions and to compel them to decide a case in a way different from their own analysis. This is also a basic norm of fair adjudication.

Thanks for the opportunity to express my views.

[10] ACUS Recommendation. 2016-4, Rec. 1.