

Before the Subcommittee on Courts, Intellectual Property, and the Internet
House Judiciary Committee

Hearing on
The Patent Trial and Appeal Board After 10 Years, Part II:
Implications of Adjudicating in an Agency Setting

Written Statement of

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1. Introduction

Good morning Chairman Johnson, Ranking Member Issa, members of the Subcommittee on Courts, Intellectual Property, and the Internet. Thank you for offering me an opportunity to provide my views on the Patent Trial and Appeal Board (PTAB). This is a topic that has occupied my thoughts for far more than ten years, as an associate solicitor defending Board decisions and supporting Board rulemaking, as an administrative patent judge managing cases and drafting Board rules, and recently as a practitioner appearing before the Board. I am also president-elect of the Association of American Patent Judges, a nonprofit dedicated to educating the public about and preserving the history of the Board. Allow me to note that I speak only for myself and not for my employer or any other organization.

The Supreme Court's recent decision in *United States v. Arthrex, Inc.*, 141 S.Ct. 1970 (2021), has refocused attention on the balance between policy oversight by the Director of the United States Patent and Trademark Office (USPTO) and the decisional independence of each administrative patent judge (APJ). As I will explain, this question is not new, but it has become far more acute since the passage of the Leahy-Smith America Invents Act (AIA, Pub. L. 112-29).

2. History

Although some form of patent board has existed since just before the Civil War, the Board took its modern form in the 1920s, when the head of the Patent Office—then called the Commissioner—sought relief from having to review every Board decision. Congress responded with legislation permitting the Board to make final agency actions without Commissioner involvement. Still, the Commissioner retained some control as an *ex officio* member of the Board with the power to appoint panels to decide cases, but without power to overrule the Board.

Under the recent *Arthrex* holding, this 1920s-vintage Board complied with the Appointments Clause (U.S. Const., art. II, §2, cl. 2) because each APJ—then called an Examiner-in-Chief—was appointed by the President with Senate confirmation. Five decades later, as part of a broader reform effort to reduce the number of political positions in the civil service, Congress transformed Examiners-in-Chief from political appointees into competitive service employees. This change unwittingly set the stage for *Arthrex*.

Another key development occurred three decades ago, when the United States Court of Appeals for the Federal Circuit took up *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc), *sua sponte* for rehearing en banc over the question of the

Commissioner's involvement in a Board decision. Then—as now—patent subject-matter eligibility under 35 U.S.C. §101 was a controversial topic, and Commissioner Manbeck in his role as agency head had promulgated guidance on how §101 should be applied. The Commissioner learned of decisions in which the Board reversed a patent examiner's rejection of claim as being directed to ineligible abstract ideas, and was concerned that at least some members of the Board were not following that guidance. In *Alappat*, he *sua sponte* set the cases for rehearing and used his power to expand the panel to have a majority that would overrule the original decision. This practice has been pejoratively labeled “panel stacking”. The Federal Circuit decided with vigorous dissents that the Commissioner could do so—not, as *Arthrex* decided, because the Constitution required it, but because the structure that Congress created permitted the Commissioner to do so to maintain a degree of policy control.

To me, the key lesson from *Alappat* was not that the statute was flawed because it permitted panel stacking—a quaint concern after *Arthrex*—but that to exercise such control the Commissioner must act formally and publicly, providing the affected party with notice and an opportunity to respond to whatever concern triggered the Commissioner's involvement. Because the Commissioner's involvement was explicit, it could also be factored into judicial review of the resulting decision. Far from

creating a dubious, cumbersome anomaly, I see *Alappat* as a vindication of Congressional intent and as a victory for government transparency and constitutional due process. Under recent practices, this transparency and due process has been covertly undermined, which should be a source of concern.

The Patent Act obviously has a central role in Board activity, but less obvious (at least at the Board and with some Directors) is that the Administrative Procedure Act (5 U.S.C., part I) controls Board processes. Director interference not only violates Congressional directives requiring open and independent adjudications, but also improperly avoids a key Congressionally mandated vehicle for setting general policy: rulemaking. In the context of AIA patent reviews, this shift has become particularly critical because Congress chose to shield much of the Director's actions from judicial review. Rulemaking not only provides openness to permit stakeholders to plan future actions, but it is also subject to facial challenge by concerned stakeholders in district court and as-applied challenge by affected stakeholders on appeal. It is also subject to Executive and Congressional oversight through legislated review processes.

Covert interference permits no such review outside the agency and leaves stakeholders in the dark about contemplated changes. Ironically, the currently level of Director and management interference accomplishes the opposite of what *Arthrex* says

the Constitution requires: political accountability. Covert interference permits the Director or Board manager to take credit when the outcome is praised but provides plausible deniability when the outcome is condemned. At present, it is unclear how many “Board panel” missteps should actually be attributed to the Director or Board managers rather than to APJ mistakes. You can also be sure that the recordkeeping requirements of the Federal Records Act are never met.¹

3. My experience

I joined the Board shortly after *Alappat* and served there as an APJ for two decades. Before the AIA, I rarely experienced inappropriate Commissioner or management interference. Humans being humans, it did happen that a Commissioner

¹ Although an isolated incident, when the AIA trial rules were promulgated, they were negotiated by an ad hoc group of USPTO officials and private attorneys. Although I looked for it, I was unable to identify any effort to comply with the Federal Advisory Committee Act or the statutory requirements of the Negotiated Rulemaking Act. While I believe this oversight occurred out of ignorance rather than malice, the fact remains that USPTO often acts as though administrative law does not apply to it.

or Board manager would try to take a short cut. Back then, however, the prevailing ethos prevented the sort of wholesale interference that has recently become the norm. For example, when I was in the Solicitor's office, we would not ask for a remand from judicial review without consent from the Board panel. This practice had the practical benefit of ensuring that the panel understood and recognized the problem, and was prepared to act when the case returned. If the panel refused to take the case back, we defended the decision (and often prevailed just as the panel predicted).

My most egregious experience happened in the late 1990s, when a Board manager came to my office as I was working late at night on a high-profile case. He sheepishly told me that the Commissioner was interested in having the case reach the "right" outcome. Sensing where the conversation was going, I cut him off and said, "I understand you to mean that I am to do my usual thorough job." He smiled with relief, knowing that he could tell the Commissioner that we had spoken without actually having to cross a line that we both knew to exist.

In another instance, a Director stipulated to a remand of a Federal Circuit appeal to the original Board panel for the sole *dissenting* APJ to write a new decision. No one consulted with the dissenter. Although judicial review is supposed to return a case only if an error is identified, no one actually identified an error. I helped my

colleague draft an order for additional briefing in the form of a belated rehearing request so the panel would have a record of the perceived problem. Ultimately, the additional briefing persuaded the dissenter to join the majority.

More commonly, management would interfere in cases, but usually out of sloppiness or a lack of appreciation for administrative law. Generally the interference would take the form of dismissing or reassigning a case without consulting the original panel. Whether from ignorance, carelessness, or malice, however, procedural irregularity should be avoided and must be transparent when it occurs.

While procedural irregularities have always occurred, they were formerly rare and a source of embarrassment. Unfortunately, as other testimony today shows, such irregularity is no longer remarkable at the Board.

4. Solutions

I am aware of a spectrum of potential solutions to the problems arising from Director involvement in nominally independent adjudication. The status quo is no solution because, while *Arthrex* confirmed the Director's control, it intended to **increase** the Director's accountability, not decrease it. Moreover, keeping the Director as even the nominal reviewing official revives the review burden that prompted Congress to create the current structure nearly a century ago. If the Commissioner was

overburdened in 1927, a modern Director would be far more overburdened and would be forced to delegate the actual review anyway, once again diluting any pretense of accountability.

Whether Congress chooses to make changes or not, it should keep in mind the vital, continuing need for transparency and due process for *all* stakeholders. Congress should also consider the possibility of more efficiently using the talents of APJs, who by law are “persons of competent legal knowledge and scientific ability” (35 U.S.C. §6(a)) and as a rule are dedicated and faithful public servants engaged in intellectually demanding work.

One common suggestion is to remove the Director from the process altogether by restoring Presidential appointment and Senate confirmation of APJs, perhaps using a streamlined process such as is used for some military officers. This has the advantages of historical precedent and consistency with public perception of Board adjudication as independent, but it creates more work for the President and Senate, and arguably dilutes the political accountability at the heart of *Arthrex*.

Another suggestion is to create an independent commission, like the Federal Energy Regulatory Commission (inside a department) or the International Trade Commission (standalone), with APJs serving in the role administrative law judges

serve. Spreading the Director’s review function—and none of the Director’s other functions—over several commissioners appointed by the President and confirmed by the Senate would resolve the issue of overburdening the Director. It would come, however, at the cost of decoupling the Director’s policy and review roles, and would degrade the Director’s ability to create and enforce patent policy within the Executive branch. A partial solution would be to leave at least the Board’s appellate structure in its current form to keep at least the pre-grant appeals coordinated with the patent examining corps.

Yet another suggestion would recognize that adjudication is the core (ideally sole) function of APJs and transfer them from being Article I judges in the Executive branch to being Article I judges in the Judicial branch, much like bankruptcy judges. This model would provide greater geographic coverage and enhance the possibilities for live hearings. It might also effectively create a body to which district court judges could refer patentability questions for decision, something like dedicated patent magistrates.

Finally, Congress could keep the current structure, but require all interaction with an assigned APJ panel be on the record, even if it is from the Director or Board management. Moreover, the legislation should require the parties to have a reasonable

opportunity to address such supervisory input. This is simply a matter of due process. Parties before the Board generally have a property interest in the case—a patent owner has a constructive property interest in its patent, a patent applicant has an inchoate property interest in a patent, and a patent challenger has a property interest in the proceeding by virtue of having paid the entire considerable user fee for the right to challenge. Like any property owners, the parties have a right to notice and an opportunity to respond, whether that right is found in the Administrative Procedure Act or in the 5th Amendment.

Whatever solution Congress pursues, it should not forget the enormous talent of APJs. Many of the concerns about the Board (e.g., whether APJs have sufficient resources) and many proposals for improvement (e.g., live testimony) would be vastly simplified if APJs could provisionally decide a case as a single judge, like administrative law judges at FERC and ITC, and like magistrates and bankruptcy judges. The Federal Circuit in its first *Arthrex* decision rejected severing this provision because the court felt Congress wanted the quality check of three judges. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir. 2019). However, under a reviewed-APJ model, the quality check should come from the reviewer, whether the reviewer is the Director, a commission, or a district court judge. In fact, the three-

judge model is simply a vestige from when the Board was exclusively an appellate body. At least for its trial function, the Board would be far more efficient and far more flexible with single judges, which is a norm for trials in other venues.

5. Derivation

While Congress is considering the AIA after ten years, it should ask what happened to patent derivations. Patent derivations are a trial proceeding in which an inventor may show that a patentee took the inventor's invention and passed it off to the USPTO as its own. 35 U.S.C. §135. I think of derivations as the divorce practice of patent law because they invariably involve broken relationships and betrayed trust between co-inventors or joint research partnerships or former employers and employees. Derivations used to be quite common, making up perhaps 10% of all patent interferences and 100% of all design and plant patent interferences. Under the AIA, derivations are the only proceeding that supports the "Inventor" in First-Inventor-to-File because it is the only Board proceeding in which a first-filer can be compelled to give its patent to the actual inventor.

Since the AIA has been in effect very few derivations have been requested, and none have been successful. While it is possible that human nature has vastly improved

over this time, a far likelier explanation is that Congress, the Federal Circuit, and the USPTO have created so many procedural impediments that success is impossible.

Given the impossibility of a successful derivation challenge, Congress should consider either eliminating them—which would make the United States exclusively a first-to-file system—or it should reform derivation proceedings so they actually work, particularly for design and plant inventors, who are often small entities or individuals.

From what I can tell from the few attempted derivations, the one-year time bar (§135(b)) is so strict and so stringently applied that almost any amendment in the inventor's patent application dooms the inventor's challenge. Congress could either relax the time bar or it could allow the inventor to challenge the patent directly rather than file its own application and prosecute it to completion first. Other impediments might exist, but I cannot tell because tracking derivation requests is difficult from outside the USPTO. Whatever the cause, the U.S. is a first-*inventor*-to-file system in name only. Either Congress should either fix derivations or drop the pretense.

6. Conclusion

Thank you again for this opportunity to discuss the history and future of an important part of the patent system. The public, the parties, and the administrative

patent judges deserve a system that works better, with greater transparency and fairness. Congress is in a position to make this happen.