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Blurring the Boundaries: How the Additional Grounds for Post-Grant Review in the America Invents Act Raise Issues with Separation of Powers and the Administrative Procedure Act

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Cover Page Footnote

Many thanks to Sherry Knowles, Bill McCracken, Julie Zink, and Rebecca Greendyke, and Blake Watson for their helpful feedback and suggestions.

**BLURRING THE BOUNDARIES: HOW THE
ADDITIONAL GROUNDS FOR POST-GRANT
REVIEW IN THE AMERICA INVENTS ACT RAISE
ISSUES WITH SEPARATION OF POWERS AND
THE ADMINISTRATIVE PROCEDURE ACT**

Benjamin J. Christoff¹

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I. INTRODUCTION

In September 2012, the post-grant review portion of the Leahy-Smith America Invents Act (“AIA”) became effective. An interesting wrinkle in these provisions is that they expressly grant the authority to address “novel or unsettled legal question[s]” to the Patent Trial and Appeal Board (“PTAB”), a non-Article III tribunal within the United States Patent and Trademark Office (“PTO”).² In creating this scheme, Congress broadened the executive agency’s jurisdiction over post-issuance patent rights to include the adjudication of legal issues as well as factual issues. The PTAB’s authority over legal questions raises at least two important questions. The first is whether such authority violates Article III of the Constitution. The second is whether it accords with the Administrative Procedure Act (“APA”), a federal statute that governs the roles of agencies.

Part II of this Comment paints the relevant legal landscape. First, it provides an overview of the separation of powers as it relates to Article III. Second, it considers the evolution of administrative law and the functions of government agencies under the APA. Finally, it explains the new post-grant review provisions. In Part III, this Comment addresses first the constitutional question, then the APA question.

This Comment argues that Section 324(b) of the AIA, under which the PTAB may address questions of law in reviewing the validity of issued patents, likely violates Article III under both types of analyses the Supreme Court has historically employed in addressing Article III questions. It further argues that the provision either violates the APA, or, if construed in accord with the APA, has no practical effect. For these reasons, it is recommended that Section 324(b) be discarded in favor of pursuing other ways to achieve the desirable ends of efficiency, cost-savings, and higher patent quality.

II. BACKGROUND

A. *Overview of Separation of Powers*

1. Introduction

James Madison, known as “the father of the Constitution,”³ once penned that “[t]he accumulation of all powers . . . in the same hands, whether of one, a few, or many, and whether hereditary, self appointed, or elective, may justly be pronounced the very definition of tyranny.”⁴ This

² See 35 U.S.C. § 324(b) (2012).

³ See generally IRVING BRANT, JAMES MADISON: FATHER OF THE CONSTITUTION, 1787–1800 (1950).

⁴ THE FEDERALIST NO. 47, at 324 (James Madison) (Robert C. Clark ed., 2010).

statement reflected the Founding Fathers' motivation for dividing power as a way to limit government,⁵ disperse government power, and thereby preserve liberty for citizens.⁶ The idea of separating powers stemmed from Enlightenment political philosophers such as Baron Montesquieu, for example, who theorized that “[w]hen legislative power is united with executive power in a single person or in a single body of the magistracy, there [is no] liberty”⁷ In more modern times the Supreme Court of the United States has reaffirmed the importance of the tripartite system of government as a means of guarding against the “encroachment or aggrandizement of one branch at the expense of the other”⁸ for the benefit of the citizens.⁹

The United States Constitution, however, does not draw perfect boundaries, but rather creates some overlaps of power in its system of checks and balances.¹⁰ For instance, it grants Congress, not the Commander in Chief, the power to declare war.¹¹ It also states that the President has the power to appoint Supreme Court justices, and only with the Senate's approval.¹² The Framers integrated the checks and balances into the Constitution, though they seem to intermingle rather than separate powers, to further safeguard the people from abuse of government power.¹³

Both Articles I and III of the Constitution shape the federal government's exercise of the judicial power. On the one hand, Article III establishes the federal judiciary¹⁴ and guards it from political influence by guaranteeing federal judges undiminishing salary and life tenure.¹⁵ It was in reference to Article III's provisions that Chief Justice John Marshall famously wrote, “It is emphatically the province and duty of the judicial

⁵ WILLIAM F. FUNK ET AL., ADMINISTRATIVE PROCEDURE AND PRACTICE 518 (4th ed. 2010) [hereinafter FUNK] (“[S]eparation of powers . . . serves as a fundamental underpinning of limited government.” (quoting RICHARD J. PIERCE ET AL., ADMINISTRATIVE LAW & PROCESS 25 (2d ed. 1992))).

⁶ *Bowsher v. Synar*, 478 U.S. 714, 721 (1986) (“The declared purpose of separating and dividing the powers of government, of course, was to ‘diffus[e] power the better to secure liberty.’” (quoting *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 635 (1952) (Jackson, J., Concurring))).

⁷ MONTESQUIEU: THE SPIRIT OF THE LAWS 157 (Anne M. Cohler, Basia C. Miller & Harold S. Stone eds., trans., 1989).

⁸ *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 57–58 (1982) (quoting *Buckley v. Valeo*, 424 U.S. 1, 122 (1976)).

⁹ *Id.*

¹⁰ FUNK, *supra* note 5, at 517.

¹¹ U.S. CONST. art. I, § 8, cl. 1, 11 (“Congress shall have [the] Power . . . To declare War . . .”).

¹² U.S. CONST. art. II, § 2, cl. 2 (“[The President] by and with the Advice and Consent of the Senate . . . shall appoint . . . Judges of the supreme Court.”).

¹³ *See N. Pipeline*, 458 U.S. at 83 (“The constitutional system of checks and balances is designed to guard against ‘encroachment or aggrandizement’ by Congress at the expense of the other branches of government.” (citing *Buckley v. Valeo*, 424 U.S. 1, 122 (1982))).

¹⁴ U.S. CONST. art. III, § 1 (“The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.”).

¹⁵ *Id.* (“The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.”).

department to say what the law is.”¹⁶ The Article also vests Congress with the power to delegate the judicial power, so long as any such delegation carries with it these enumerated protections.¹⁷ On the other hand, Article I vests in Congress “[a]ll legislative Powers,”¹⁸ including the power to establish “[t]ribunals inferior to the supreme Court.”¹⁹

The rise of administrative agencies, however, has frustrated the Framers’ intricate system.²⁰ Modern agencies commonly exercise a basket of powers that were traditionally reserved more formally to the three respective branches.²¹ Specifically, these powers include the quasi-legislative role of rulemaking, as well as the quasi-judicial function of adjudication.²² Due to these complexities, the Supreme Court, as the “ultimate interpreter” of the Constitution,²³ has struggled to formulate coherent tests in reviewing congressional delegations of the judicial power to agencies.²⁴ In some cases, the Court has reasoned that the judiciary’s independence from the political branches must be “jealously guarded,” even at great expense.²⁵ In others, however, it has decided that, under Article I, Congress must be able to utilize the full scope of its constitutional authority, which includes delegating the judicial power to non-Article III tribunals.²⁶ This tension between Article I and Article III lies at the heart of whether the PTO may constitutionally address questions of law under Section 324(b).

2. The Supreme Court’s Analytical Approaches to the Article III Question

Supreme Court precedent does not provide a well-defined framework for analyzing Congress’ authority to delegate judicial power. Instead, it consists of “arcane distinctions and confusing precedents,” even by its own standards.²⁷ The Court’s opinions have yielded two outcomes, each characterized by its own brand of analysis.²⁸ Where the Court strikes

¹⁶ *Marbury v. Madison*, 5 U.S. 137, 177 (1803).

¹⁷ U.S. CONST. art. III, § 1.

¹⁸ U.S. CONST. art. I, § 1.

¹⁹ U.S. CONST. art. I, § 8, cl. 9.

²⁰ FUNK, *supra* note 5, at 517 (“The framers of the United States Constitution envisioned a federal government with three separate and distinct branches of government . . . Yet, as we have seen, administrative agencies confound this vision.”).

²¹ *Id.*

²² *See* 5 U.S.C. §§ 553–54, 556–57 (2012).

²³ *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 62 (1982) (quoting *Baker v. Carr*, 369 U.S. 186, 211 (1962)).

²⁴ *See* Richard H. Fallon, Jr., *Of Legislative Courts, Administrative Agencies, and Article III*, 101 HARV. L. REV. 915, 932–33 (1988) (“The doctrine, in sum, lacks definition. The Court recognizes that article III literalism is not a feasible alternative, and its aspiration to accommodate competing concerns merits approval. Yet the Court’s methodology is underdeveloped, its standards obscure.”) (footnote omitted).

²⁵ *N. Pipeline*, 458 U.S. at 60 (“[O]ur Constitution . . . commands that the independence of the Judiciary be jealously guarded, and it provides clear institutional protections for that independence.”).

²⁶ *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 851 (1986).

²⁷ *N. Pipeline*, 458 U.S. at 90 (Rehnquist, J., concurring).

²⁸ FUNK, *supra* note 5, at 519.

down a congressional delegation of judicial power under Article III, it employs a strict, formalistic approach in which it rigidly preserves the separation of powers and permits Congress to delegate the judicial authority only in a few limited circumstances.²⁹ By contrast, where it upholds such a delegation as amenable to the Constitution and promotion of government efficiency, it takes a functional approach in which it favors Congress' legislative powers and focuses on whether the "core" of Article III power has been displaced.³⁰

a. The Formalistic Approach

Northern Pipeline Construction Co. v. Marathon Pipe Line Co. illustrates the formalistic approach.³¹ In this case, the Supreme Court addressed Congress' establishment of bankruptcy courts, which were to function as "adjuncts" to the federal district courts in the area of bankruptcy.³² Under Congress' delegation, the bankruptcy courts exercised subject matter jurisdiction over "all civil proceedings arising under title 11."³³ They also wielded all powers typical of courts, including the power to conduct jury trials.³⁴ Finally, their binding judgments were subject to review by Article III courts under the deferential clearly erroneous standard.³⁵ Despite these courts' resemblance to the constitutional courts, Congress failed to protect the bankruptcy judges with undiminishing salary and life tenure.³⁶

The Supreme Court reasoned that "the independence of the Judiciary [must] be jealously guarded."³⁷ It reduced the situations in which Congress may delegate judicial power to a non-Article III forum to "three narrow" ones,³⁸ none of which applied to the bankruptcy courts,³⁹ and which

²⁹ *Id.*

³⁰ *Id.*

³¹ *See generally N. Pipeline*, 458 U.S. 50.

³² *Id.* at 52 ("The question presented is whether the assignment by Congress to bankruptcy judges of the jurisdiction granted in 28 U. S. C. § 1471 . . . by § 241(a) of the Bankruptcy Act of 1978 violates Art. III of the Constitution."); *id.* at 53 ("The Act . . . establishes 'in each judicial district, as an adjunct to the district court for such district, a bankruptcy court which shall be a court of record known as the United States Bankruptcy Court for the district.'") (citation omitted).

³³ *Id.* at 85 (quoting 28 U.S.C. § 1471(c) (1976 ed., Supp. IV)).

³⁴ *Id.* (citing 28 U.S.C. § 1480 (1976 ed., Supp. IV)).

³⁵ *Id.* (citation omitted).

³⁶ *Id.* at 60–61.

³⁷ *Id.* at 60.

³⁸ *Id.* at 62–67 ("[Supreme Court] precedents upholding the validity of 'legislative courts' . . . reduce to three narrow situations not subject to that command, each recognizing a circumstance in which the grant of power to the Legislative and Executive Branches was historically and constitutionally so exceptional that the congressional assertion of a power to create legislative courts was consistent with, rather than threatening to, the constitutional mandate of separation of powers. . . . Appellants first rely upon a series of cases in which this Court has upheld the creation by Congress of non-Art. III 'territorial courts.' . . . Appellants next advert to a second class of cases—those [involving] courts-martial. . . . Finally, appellants rely on a third group of cases [in which Congress creates] legislative courts and administrative agencies. . . . to adjudicate cases involving 'public rights.'").

³⁹ *Id.* at 71 ("We discern no such exceptional grant of power applicable in the cases before us.").

paradoxically reinforced Article III rather than defying it.⁴⁰ The Supreme Court favored rigid protection of the constitutional courts and, thus, ultimately held that Congress' creation of the bankruptcy courts in the Bankruptcy Act of 1978 violated Article III.⁴¹

With respect to patent law, the most relevant of the three narrow exceptions is the public rights exception. Commentators have debated whether patent rights are public or private in nature.⁴² Private rights are those involving liability of one to another;⁴³ public rights are those arising “between the government and others.”⁴⁴ An example of a public right is the right under an agency's complex regulatory scheme to compensation in exchange for disclosing information on a new insecticide.⁴⁵ An example of a private right is the ownership of land.⁴⁶

The Supreme Court and the Federal Circuit have appeared somewhat at odds over the nature of the patent right. In the Supreme Court's view, a granted patent that has “become the property of the patentee . . . is entitled to the same legal protection as other property.”⁴⁷ The Court thus characterized the patent right as a private property right—the right to exclude other citizens—which, if violated, created a private cause of action for the patent holder.⁴⁸ Under this characterization, a patent carried a presumption of validity that was to be litigated only before a constitutional court.⁴⁹

The Federal Circuit, however, has repeatedly indicated that the patent right is a public right by virtue of the fact that it is the government that issues the patent.⁵⁰ In 1985, the Federal Circuit upheld the PTO's ability to reclaim post-issuance jurisdiction in order to reexamine patents issued by mistake.⁵¹ In doing so, the appeals court carved out an exception to Article III that allowed the PTO to cure its mistakes made during patent prosecution.⁵² The Supreme Court has not addressed the issue since the

⁴⁰ *Id.* at 64.

⁴¹ *Id.* at 76 (stating that Article III “bars Congress from establishing legislative courts to exercise jurisdiction over all matters related to those arising under the bankruptcy laws”).

⁴² Compare Michael Rothwell, *Patent Rights and Public Rights: The Questionable Constitutionality of Patents Before Article I Tribunals After Stern v. Marshall*, 13 N.C. J. L. & TECH. 287, 317–18 (2012) [hereinafter Rothwell], with Barry S. Wilson, Comment, *Patent Invalidity and the Seventh Amendment: Is the Jury Out?*, 34 SAN DIEGO L. REV. 1787, 1811 (1997).

⁴³ *N. Pipeline*, 458 U.S. at 69–70.

⁴⁴ *Id.* at 69 (quoting *Ex parte Bakelite Corp.*, 279 U.S. 438, 451 (1929)).

⁴⁵ *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 589 (1985).

⁴⁶ *See United States v. Stone*, 69 U.S. 525, 535–38 (1865).

⁴⁷ *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898) (citation omitted).

⁴⁸ *Id.*

⁴⁹ *See* 35 U.S.C. § 271 (2012); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 89 (1993).

⁵⁰ *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985); *see also Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 229 (Fed. Cir. 1992); 35 U.S.C. § 282 (2012) (“A patent shall be presumed valid.”).

⁵¹ *Patlex*, 758 F.2d at 606–07.

⁵² Rothwell, *supra* note 42, at 318.

Federal Circuit's departure from precedent.⁵³

In sum, the Supreme Court's formalistic approach to Article III questions ardently protects the authority of federal courts and looks with skepticism on any displacement of its power.⁵⁴ It names three narrow exceptions in which Congress may delegate adjudicative jurisdiction under its Article I legislative power.⁵⁵ Like Article III jurisprudence generally, the public rights exception is unclear with respect to patent rights.⁵⁶ Under the formalistic approach, the Supreme Court is likely to strike down a congressional delegation of the judicial power to a non-Article III tribunal.⁵⁷

b. The Functional Approach

Under its functional approach, the Supreme Court asks whether Congress has merged governmental powers such that the judiciary's core function has been usurped and placed in the hands of another branch.⁵⁸ This approach is guided by the principle that "practical attention to substance rather than doctrinaire reliance on formal categories should inform application of Article III."⁵⁹ Accordingly, the Court holistically considers an array of factors to determine whether the core of Article III is being attacked.⁶⁰

One example of this approach is *Commodity Futures Trading Commission v. Schor*, in which the Supreme Court considered whether the Commodity Exchange Act ("CEA") violated Article III by empowering legislative courts to preside over state law counterclaims.⁶¹ The CEA granted the Commodity Futures Trading Commission ("CTFC")⁶² jurisdiction over consumers' claims against commodities brokers for violations of the CEA,⁶³ as well as counterclaims arising out of the same transactions or occurrences.⁶⁴ The constitutional courts reviewed the

⁵³ If patent rights are essentially private, then a strong argument can be made that jurisdiction over factual issues concerning patent validity that arise after issuance—in addition to legal issues—should be reserved to the constitutional courts rather than an agency. Conversely, if patent rights are public, then the post-issuance question of patent validity may rightly be resolved by the PTO, which administers the public right. However, the 7th Amendment issue is beyond the scope of this Comment.

⁵⁴ FUNK, *supra* note 5, at 519.

⁵⁵ See *supra* note 38.

⁵⁶ Compare *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 610 (1898), with *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

⁵⁷ FUNK, *supra* note 5, at 519.

⁵⁸ *Id.*; see also Peter L. Strauss, *The Place of Agencies in Government: Separation of Powers and the Fourth Branch*, 84 COLUM. L. REV. 573, 625–26 (1984).

⁵⁹ *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 847–48 (1986) (quoting *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 587 (1985)).

⁶⁰ *Id.* at 851.

⁶¹ *Schor*, 478 U.S. at 835–36.

⁶² *Mission & Responsibilities*, U.S. COMMODITY FUTURES AND TRADING COMM'N, <http://www.cftc.gov/About/MissionResponsibilities/index.htm> (last visited Apr. 11, 2014).

⁶³ *Schor*, 478 U.S. at 836.

⁶⁴ *Id.* at 835–36.

CFTC's decisions under the weight of the evidence standard.⁶⁵

The Supreme Court listed some factors to consider in determining whether the congressional delegation “threaten[ed] the institutional integrity of the Judicial Branch:” (1) “the extent to which the ‘essential attributes of judicial power’ are reserved to Article III courts,”⁶⁶ (2) “the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts,”⁶⁷ (3) “the origins and importance of the right to be adjudicated,”⁶⁸ and (4) “the concerns that drove Congress to depart from the requirements of Article III.”⁶⁹

The Court contrasted the case from *Northern Pipeline* in several respects. First, the CFTC's jurisdiction over common law counterclaims was a far narrower exercise of the judicial power than that by the bankruptcy courts.⁷⁰ Second, the CFTC “deal[t] only with a ‘particularized area of law,’” whereas the bankruptcy courts presided over virtually all civil bankruptcy proceedings.⁷¹ Third, Article III courts reviewed the CFTC's orders under the weight of the evidence standard, but reviewed the bankruptcy courts' decisions in *Northern Pipeline* under the more deferential clearly erroneous standard.⁷² The Court also noted that the fact that the CEA merely provided an additional, parallel avenue for adjudicating private rights weighed in favor of the delegation's constitutionality.⁷³ The Court ultimately concluded that the CEA did not violate Article III.⁷⁴

Another example of the functional approach is *Thomas v. Union Carbide Agricultural Products Company*.⁷⁵ Congress enacted the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”), which established a data-sharing mechanism that streamlined registration of new pesticides and other agricultural products with the Environmental Protection Agency (“EPA”).⁷⁶ Following a flurry of controversies among participants over compensation, Congress amended FIFRA to require binding arbitration subject to review by Article III courts only for “fraud, misrepresentation, or

⁶⁵ *Id.* at 853.

⁶⁶ *Id.* at 851.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.* at 852–53.

⁷¹ *Id.*

⁷² *Id.* at 853.

⁷³ *Id.* at 855 (“Congress gave the CFTC the authority to adjudicate such matters, but the decision to invoke this forum is left entirely to the parties and the power of the federal judiciary to take jurisdiction of these matters is unaffected.”).

⁷⁴ *Id.* at 857 (“We conclude that the limited jurisdiction that the CFTC asserts over state law claims as a necessary incident to the adjudication of federal claims willingly submitted by the parties for initial agency adjudication does not contravene separation of powers principles or Article III.”).

⁷⁵ See *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 585–90 (1985).

⁷⁶ *Id.* at 571.

other misconduct.”⁷⁷

The Court again reasoned that “[a]n absolute construction of Article III is not possible in this area of ‘frequently arcane distinctions and confusing precedents.’”⁷⁸ It again emphasized that attention to substance, not form, should characterize the Article III analysis⁷⁹ and listed several key facts weighing in favor of the dispute resolution scheme’s constitutionality.⁸⁰ First, the rights FIFRA created bore “many of the characteristics of a ‘public’ right” because it “serve[d] a public purpose as an integral part of a program safeguarding the public health.”⁸¹ Second, the FIFRA scheme did not heavily rely on the judiciary for enforcement but instead created its own mechanism for internal sanctions.⁸² Finally, although FIFRA limited judicial review of arbitration proceedings for “fraud, misconduct, or misrepresentation,” it did not preclude review.⁸³

Notably, the Court also broadened the public rights exception by stating that the nature of a right depended not so much on the parties involved but rather the substance of the claims themselves.⁸⁴ Specifically, this broader interpretation meant that the federal government need not be a party to a suit in order for public rights to be implicated and, conversely, the fact that the federal government was a party did not necessarily mean that public rights were at issue.⁸⁵ Accordingly, Article I permitted agencies charged by Congress to conduct a “complex regulatory scheme to allocate costs and benefits among voluntary participants *in the program* without providing an Article III adjudication.”⁸⁶ Previously, however, the Court stated that where private rights are disputed in a non-Article III forum, the tribunal’s role is limited to fact-finding, and any legal rulings are merely advisory.⁸⁷

The above cases show that, under the Court’s functional approach, the line between Articles I and III is fact-sensitive.⁸⁸ The Court reviews congressional delegations of the adjudicative power in a holistic fashion, considering numerous factors to determine the extent to which the delegation threatens the Article III judiciary’s core functions.⁸⁹ These

⁷⁷ *Id.* at 573–74 (citation omitted).

⁷⁸ *Id.* at 583 (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring)).

⁷⁹ *Id.* at 586 (quoting *Crowell v. Benson*, 285 U.S. 22, 53 (1932)).

⁸⁰ *See id.* at 589–93.

⁸¹ *Id.* at 589.

⁸² *Id.* at 591.

⁸³ *Id.* at 592–93 (citation omitted).

⁸⁴ *Id.* at 587.

⁸⁵ *Id.* at 586 (citation omitted).

⁸⁶ *Id.* at 589 (emphasis added).

⁸⁷ *Crowell v. Benson*, 285 U.S. 22, 45–46 (1932).

⁸⁸ FUNK, *supra* note 5, at 519 (citing RICHARD J. PIERCE ET AL., *ADMINISTRATIVE LAW & PROCESS* 98 (2d ed. 1992)).

⁸⁹ *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 851 (1986).

factors have included: whether the right at issue is public or private;⁹⁰ the standard of review by Article III courts;⁹¹ the complexity of the field the agency regulates;⁹² the extent to which the agency replaces the Article III courts as opposed to merely offering an alternative route for resolution;⁹³ the concerns that led Congress to delegate the authority;⁹⁴ the origins and importance of the rights in question;⁹⁵ and the scope of the non-Article III tribunals' jurisdiction and powers.⁹⁶

B. Overview of Administrative Law

1. Brief History of Administrative Agencies

Modern administrative agencies trace their origin back to thirteenth-century England when King Henry III appointed sewer commissioners to oversee the draining of wetlands.⁹⁷ In 1478, the British government enacted a statute formally establishing commissioners, and thereafter the role of administrative agencies in British government grew.⁹⁸ Three centuries later, the Framers provided a textual basis for governmental agencies in the Constitution, likely with the English model of administrative agencies in mind.⁹⁹ At least two agencies existed during George Washington's presidency, one of which "estimate[d] the duties payable' on imports," and the other "adjudicate[d] claims to military pensions" asserted by wounded soldiers.¹⁰⁰ By the time of the Civil War, the government had a few more agencies, including the Civil Service Commission and the Interstate Commerce Commission.¹⁰¹

American administrative agencies increased significantly in number and took on new roles under President Franklin D. Roosevelt in response to the Great Depression.¹⁰² In 1946, Congress enacted the Administrative Procedure Act, which standardized the functions of administrative agencies during the post-Depression departure from *laissez faire* government

⁹⁰ *Thomas*, 473 U.S. at 585.

⁹¹ *Schor*, 478 U.S. at 853.

⁹² *Thomas*, 473 U.S. at 589.

⁹³ *Schor*, 478 U.S. at 851.

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ Scott F. Johnson, *Administrative Agencies: A Comparison of New Hampshire and Federal Agencies' History, Structure, and Rulemaking Requirements*, 4 PIERCE L. REV. 435, 436 (2006) ("The first two federal agencies were also created in 1789.")

⁹⁷ *Id.* (citing CHARLES H. KOCH, JR., 1 ADMIN. LAW & PRACTICE § 1.11 (3d. ed. 2012)).

⁹⁸ CHARLES H. KOCH, JR., 1 ADMIN. LAW & PRACTICE. § 1.11 (3d. ed. 2012).

⁹⁹ Johnson, *supra* note 96, at 437 (discussing constitutional provisions that included executive departments and the appointment of inferior officers).

¹⁰⁰ *Id.* at 436.

¹⁰¹ *Id.* at 437.

¹⁰² *Id.* (discussing the "expansion of the federal government through administrative agencies").

operations.¹⁰³ These changes gave way to an administrative government¹⁰⁴ that theoretically would better cope with the increasing complexity of the nation's economy.

Since the APA's enactment, the role of administrative agencies has continued to grow and evolve.¹⁰⁵ Agencies' main functions generally remain regulating private conduct¹⁰⁶ and administering entitlement programs.¹⁰⁷ However, in the name of efficiency, informality, and competence, Congress has delegated increasingly varying functions to them for administering their statutory mandate.¹⁰⁸ The upshot has been the gradual merging of government powers into the hands of agencies and the blurring of boundaries rather than the traditional, formal separation of them.¹⁰⁹

2. The Administrative Procedure Act

The APA governs the operations of federal administrative agencies and creates uniformity in their two fundamental roles of rulemaking and adjudication.¹¹⁰ Generally speaking, agencies promulgate rules to address broad policy issues based on legislative facts and adjudicate to resolve individual cases based on adjudicative facts.¹¹¹ Thus, rulemaking "resembles what legislatures do in enacting statutes,"¹¹² whereas "adjudication resembles what courts do in deciding cases."¹¹³

a. Agency Functions

Regarding rulemaking, the APA provides for two types: formal and

¹⁰³ *Id.* at 438; see Richard B. Stewart, *The Reformation of American Administrative Law*, 88 HARV. L. REV. 1669, 1671–72 (1975); see also FUNK, *supra* note 5, at 74.

¹⁰⁴ See FUNK, *supra* note 5, at 74.

¹⁰⁵ See Stewart, *supra* note 103, at 1669.

¹⁰⁶ FUNK, *supra* note 5, at 12.

¹⁰⁷ *Id.* at 15.

¹⁰⁸ See Daniel F. Solomon, *Summary of Administrative Law Judge Responsibilities*, 31 J. NAT'L ASS'N ADMIN. L. JUDICIARY 475, 476–77 (2011).

¹⁰⁹ See FUNK, *supra* note 5, at 519–20 (citing Gary Lawson, *The Rise and Rise of the Administrative State*, 107 HARV. L. REV. 1231, 1233 (1994)).

¹¹⁰ *Id.* at 22.

¹¹¹ *Indep. Bankers Ass'n of Ga. v. Bd. of Governors of Fed. Reserve Sys.*, 516 F.2d 1206, 1215 (D.C. Cir. 1975). "As a general matter, agencies employ rulemaking procedures to resolve broad policy questions affecting many parties and turning on issues of 'legislative fact.' Adjudicatory hearing procedures are used in individual cases where the outcome is dependent on the resolution of particular 'adjudicative facts.'" *Id.*

¹¹² *Am. Express Co. v. United States*, 472 F.2d 1050, 1055 (C.C.P.A. 1973); 5 U.S.C. § 551(4) (2011) (citations omitted) (Rulemaking is an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy.).

¹¹³ *Am. Express*, 472 F.2d at 1055 (citations omitted); see also *Paralyzed Veterans of Am. v. Sec'y of Veterans Affairs*, 308 F.3d 1262, 1264–65 (Fed. Cir. 2002) ("[R]ule making is legislative in nature, is primarily concerned with policy considerations for the future rather than evaluation of past conduct, and looks not to the evidentiary facts but to policy-making conclusions to be drawn from the facts.") (quoting *Am. Express*, 472 F.2d at 1055).

informal.¹¹⁴ Formal rulemaking, used rarely, basically features a trial-like proceeding to create a rule.¹¹⁵ Informal rulemaking, by contrast, involves a notice-and-comment period and a statement made by the agency regarding the rule's purpose.¹¹⁶

Adjudication includes virtually everything that is not rulemaking.¹¹⁷ Thus, agencies find facts¹¹⁸ and decide legal questions in the course of adjudicating cases.¹¹⁹ Interestingly, law-related decisions can create an agency precedent that guides future decisions and directs the agency in its policy goals.¹²⁰ However, the APA expressly reserves the final say on legal issues to the Article III courts on appeal, while requiring deference by the Article III courts on factual matters.¹²¹

Adjudication procedures range in complexity from approving student loan applications to full-length trials,¹²² depending on the agency's statutory mandate.¹²³ For instance, the International Trade Commission conducts trial-like proceedings to investigate allegations of unfair practices in international trade.¹²⁴ Its procedural rules resemble the Federal Rules of Civil Procedure, supplemented by ground rules supplied by the presider.¹²⁵ The presider conducts a formal evidentiary hearing and issues an initial determination,¹²⁶ which sometimes bars the entry of foreign products into the United States.¹²⁷ By contrast, the Drug Enforcement Administration's adjudication focuses more heavily on pre-hearing procedures,¹²⁸ which

¹¹⁴ FUNK, *supra* note 5, at 193.

¹¹⁵ 5 U.S.C. §§ 556–57 (2006); *see also* FUNK, *supra* note 5, at 90.

¹¹⁶ 5 U.S.C. § 553 (2006); *see also* FUNK, *supra* note 5, at 90.

¹¹⁷ 5 U.S.C. § 551(6) (2006) (“[O]rder” means the whole or a part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form, of an agency in a matter other than rule making but including licensing.”).

¹¹⁸ FUNK, *supra* note 5, at 192.

¹¹⁹ *See id.* at 193 (arguing that “adjudication includes administrative proceedings that are hardly distinguishable from judicial proceedings”).

¹²⁰ *See id.*

¹²¹ *See* 5 U.S.C. § 706 (1970) (“To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—(1) compel agency action unlawfully withheld or unreasonably delayed; and (2) hold unlawful and set aside agency action, findings, and conclusions found to be—(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law; (B) contrary to constitutional right, power, privilege, or immunity; (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right; (D) without observance of procedure required by law; (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court. In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.” (emphasis added)).

¹²² FUNK, *supra* note 5, at 193.

¹²³ *See* Solomon, *supra* note 108, at 477.

¹²⁴ *Id.* at 504; *see also* 19 U.S.C. § 1337 (2006).

¹²⁵ Solomon, *supra* note 108, at 506.

¹²⁶ *Id.*

¹²⁷ *Id.* at 507.

¹²⁸ *Id.* at 479.

include discovery, requesting subpoenas, and briefing.¹²⁹ At the hearing, the presider raises and addresses only specific issues.¹³⁰ Despite such procedural variations, the APA provides uniformity¹³¹ by enumerating the powers that administrative law judges may exercise in the course of formal adjudication.¹³²

b. Judicial Review of Agency Statutory Interpretation

Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc. is the landmark Supreme Court case concerning judicial review of an agency's interpretation of a statute in the course of rulemaking.¹³³ In that case, the EPA promulgated a rule, based on its interpretation of the Clean Air Act's language "stationary source,"¹³⁴ requiring permits for entire manufacturing facilities that contained numerous pollution-emitting devices, thus called "the bubble policy," rather than for individual pieces of pollution-emitting equipment at such facilities.¹³⁵

The Supreme Court adopted a two-step process for reviewing the EPA's interpretation of the statute: first, determine whether the statute is ambiguous; and second, if so, determine whether the agency's construction is permissible.¹³⁶ Under this analysis, the reviewing court exercises its independent constitutional authority to "say what the law is" in step one,¹³⁷ while in step two the court defers to the agency's interpretation.¹³⁸ Therefore, the two-part test guarded the integrity of Article III.¹³⁹

The Court reasoned that an agency has broad authority to interpret its statutory mandate in order to achieve a particular policy goal.¹⁴⁰ In fact, an agency could even "consider varying interpretations and the wisdom of

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.* at 476 ("In general, hearing procedures are established by 5 U.S.C. §§ 554–556, which require notice to the parties and an opportunity to be heard.")

¹³² See 5 U.S.C. § 556(c)(1)–(11) (2006) ("(1) administer oaths and affirmations; (2) issue subpoenas authorized by law; (3) rule on offers of proof and receive relevant evidence; (4) take depositions or have depositions taken when the ends of justice would be served; (5) regulate the course of the hearing; (6) hold conferences for the settlement or simplification of the issues by consent of the parties or by the use of alternative means of dispute resolution as provided in subchapter IV of this chapter; (7) inform the parties as to the availability of one or more alternative means of dispute resolution, and encourage use of such methods; (8) require the attendance at any conference held pursuant to paragraph (6) of at least one representative of each party who has authority to negotiate concerning resolution of issues in controversy; (9) dispose of procedural requests or similar matters; (10) make or recommend decisions in accordance with section 557 of this title; and (11) take other action authorized by agency rule consistent with this subchapter.")

¹³³ See generally *Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

¹³⁴ *Id.* at 840.

¹³⁵ *Id.*

¹³⁶ *Id.* at 842–43.

¹³⁷ *Marbury v. Madison*, 5 U.S. 137, 177 (1803); see also FUNK, *supra* note 5, at 148.

¹³⁸ FUNK, *supra* note 5, at 148.

¹³⁹ See *id.*

¹⁴⁰ *Chevron*, 467 U.S. at 843–44.

its policy on a continuing basis.”¹⁴¹ The Court held in the first analytical step that the statute was ambiguous,¹⁴² and in the second step that the EPA’s interpretation for rulemaking purposes was permissible.¹⁴³

Regarding judicial review of agency adjudication, Section 706 of the APA contains the standard of review for final agency decisions in general.¹⁴⁴ In short, it requires the constitutional courts to defer to the agencies in their findings of fact.¹⁴⁵ However, it provides that constitutional courts are to have complete independence in assessing legal determinations.¹⁴⁶

C. Section 324(b)

1. The Patent and Trademark Office

Modern patent law traces its origins to medieval Germany and Italy.¹⁴⁷ In the Venetian system, an independent expert would conduct an examination for statutory compliance and grant a patent accordingly.¹⁴⁸ England later developed a similar system¹⁴⁹ and enacted patent laws as early as 1641 that applied to the citizens of the American colonies.¹⁵⁰ The Framers later provided for patent protection in the Constitution,¹⁵¹ and Congress enacted America’s first patent legislation in 1790 pursuant to its constitutional power.¹⁵²

The PTO is an agency within the Department of Commerce.¹⁵³ Its general authorities, subject to the direction of the Secretary of Commerce, a politically appointed government officer, include the granting and issuing of patents and the public disclosure of patent-related information.¹⁵⁴ It also

¹⁴¹ *Id.* at 863–64.

¹⁴² *Id.* at 841.

¹⁴³ *Id.* at 866.

¹⁴⁴ See 5 U.S.C. § 706 (2006).

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ MARK S. LEE, ENTERTAINMENT AND INTELLECTUAL PROPERTY LAW § 4.3 (2012) (An Italian statute from 1474 stated: “BE IT ENACTED that, by the authority of this Counsel, every person who shall build any new and ingenious device in this City, not previously made in our Commonwealth, shall give notice of it to the office of our General Welfare Board when it has been reduced to perfection so that it can be used and operated. It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, without the consent and license of the author, for the term of 10 years.” (citing Giulio Mandich, *Venetian Patents*, 1450–1550, 30 J. PAT. OFF. SOC’Y 166, 177 (1948))).

¹⁴⁸ *Id.* at § 4:4 (citation omitted).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at § 4:5.

¹⁵¹ See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries”).

¹⁵² LEE, *supra* note 147, at § 4:5 (citation omitted).

¹⁵³ 35 U.S.C. § 1 (2006).

¹⁵⁴ *Id.* § 2.

promulgates regulations in accordance with law that set out procedures to “facilitate and expedite the processing of patent applications.”¹⁵⁵ Thus, the PTO’s primary purpose has been to determine whether inventions are patentable and, if so, grant patents to their respective applicants.¹⁵⁶

In *McCormick Harvesting Machine Co. v. Aultman*, the Supreme Court described in no uncertain terms the limitations on the PTO’s authority: “It has been settled by repeated decisions of this court that when a patent has [been granted] . . . it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or canceled by the president, or any other officer of the government.”¹⁵⁷ After issuance, the patent “has become the property of the patentee, and as such is entitled to the same legal protection as other property.”¹⁵⁸ The Court later reiterated this view in *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*: “After a patent is granted it passes ‘beyond the control and jurisdiction’ of the Patent Office; the proceedings are closed and the application can neither be amended nor serve as the basis for a new ‘divisional’ or ‘continuing’ application.”¹⁵⁹

In recent decades, however, the PTO has exercised the authority of adjudicating patent validity after issuance in the form of reexamination. In *Patlex Corp. v. Mossinghoff*, the Federal Circuit upheld the PTO’s post-issuance jurisdiction over patents.¹⁶⁰ The court acknowledged the long-accepted principle that “patents are property”¹⁶¹ with the same foundation and protections as rights in land ownership.¹⁶² It also noted that prior to the then-recently enacted reexamination statute, patents could not be forced back into question at the PTO without the patentee’s consent.¹⁶³ However, it reasoned that several important factors justified the statute: efficiency, cost-savings, expertise of PTO adjudicators, and promotion of investor confidence.¹⁶⁴ Moreover, the Court stated, without clear support, that the “grant of a valid patent is *primarily* a public concern,”¹⁶⁵ and thus the PTO’s recapture of jurisdiction “to correct [its] errors” in no way violated Article III.¹⁶⁶ The Supreme Court has yet to squarely address the issue.

In 2012, Congress established the PTAB as an administrative

¹⁵⁵ *Id.* § 2(b)(2)(C).

¹⁵⁶ *See id.* § 2(a).

¹⁵⁷ *McCormick Harvesting Mach. Co v. Aultman*, 169 U.S. 606, 608 (1898) (citing *United States v. Schurz*, 102 U.S. 378 (1880)); *see also* *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 363 (1888).

¹⁵⁸ *McCormick Harvesting*, 169 U.S. at 609.

¹⁵⁹ *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, 304 U.S. 159, 171 (1938) (quoting *McCormick Harvesting*, 169 U.S. at 608–09).

¹⁶⁰ *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

¹⁶¹ *Id.* at 599.

¹⁶² *Id.* (citing *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876)).

¹⁶³ *Id.* at 601.

¹⁶⁴ *Id.* at 602 (citations omitted).

¹⁶⁵ *Id.* at 604 (emphasis added).

¹⁶⁶ *Id.*

tribunal to resolve certain patent-related disputes.¹⁶⁷ Its four duties include: (1) reviewing examiners' rejections on appeal by applicants; (2) reviewing appeals of reexaminations; (3) conducting derivation proceedings; and (4) conducting adversarial third-party validity challenges, including *inter partes* review and post-grant review.¹⁶⁸ Under its statutory charge to conduct post-grant review proceedings, the PTAB is given the authority to address questions of law rather than mere questions of fact.¹⁶⁹

2. Post-Grant Review

In post-grant review, anyone who does not own a particular patent may contest the validity of the patent within nine months following issuance.¹⁷⁰ The challenger must petition for post-grant review,¹⁷¹ asserting nearly any ground of invalidity.¹⁷² The patentee may file a preliminary response brief providing reasons why the petition fails to provide an adequate basis for post-grant review.¹⁷³ The PTO Director may institute post-grant review, provided either that "the Director determines that the information presented in the petition filed . . . , if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable" or that "the petition raises a novel or unsettled legal question that is important to other patents or patent applications."¹⁷⁴ The Director's decision to institute post-grant review is not subject to judicial review.¹⁷⁵ The proceeding culminates in the PTAB's final written decision concerning patentability,¹⁷⁶ which either party may appeal only to the Federal Circuit.¹⁷⁷

As is widely known, post-grant review departs from prior post-grant opposition procedures, namely *inter partes* review, in several respects. First, it employs a lower institutional threshold by requiring only that the petition show either a novel or unsettled legal question or that unpatentability is "more likely than not."¹⁷⁸ By contrast, instituting *inter*

¹⁶⁷ See 35 U.S.C. § 134 (Supp. V 2011).

¹⁶⁸ *Id.* § 6 (stating that the PTAB has four duties: "(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a); (2) review appeals of reexaminations pursuant to section 134(b); (3) conduct derivation proceedings pursuant to section 135; and (4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32").

¹⁶⁹ *Id.* § 324(b).

¹⁷⁰ *Id.* § 321.

¹⁷¹ See *id.* § 322.

¹⁷² *Id.* § 321(b) ("A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).").

¹⁷³ *Id.* § 323.

¹⁷⁴ *Id.* § 324(a)-(b).

¹⁷⁵ *Id.* § 324(e).

¹⁷⁶ *Id.* § 328(a).

¹⁷⁷ See *id.* § 329.

¹⁷⁸ *Id.* § 324(a).

partes review required a more burdensome showing of a “reasonable likelihood” of unpatentability.¹⁷⁹ Second, post-grant review broadens the grounds on which a petitioner may assert invalidity: the petitioner may assert nearly any ground of invalidity,¹⁸⁰ whereas in *inter partes* review, a challenger was limited to asserting novelty and obviousness challenges that were based only on prior art patents and printed publications.¹⁸¹ Although Congress intended post-grant review to be used “sparingly,”¹⁸² these changes increase the scope of the PTAB’s review authority.¹⁸³

Unfortunately, the legislative history reveals little about Congress’ intent behind Section 324(b). Senator Kyl stated in 2008, when the provision was originally proposed, that the provision was intended to provide a “first-window proceeding” in which an interested party could raise a legal question “early in the life of . . . controversies.”¹⁸⁴ This proceeding would then “effectively certify [the issue] for Federal [C]ircuit resolution when it appears that the question is worthy of early conclusive resolution.”¹⁸⁵ However, no members of Congress illuminated the Section’s relationship to the APA or the Constitution prior to its recent enactment.

3. Judicial Review of PTO Decisions

The Federal Circuit so far has reviewed two PTAB decisions. In *C.W. Zumbiel Co., Inc. v. Kappos*, a third-party challenger initiated an *inter partes* review of a patent that disclosed a “box which holds containers such

¹⁷⁹ *See id.* § 314(a).

¹⁸⁰ *Id.* § 321(b).

¹⁸¹ *Id.* § 311(a).

¹⁸² Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,692 (Aug. 14, 2012).

¹⁸³ Compare 35 U.S.C. § 321(b) (2011) (providing for review “on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)”), with 35 U.S.C. § 311(a) (2002) (requiring that third-party requester of reexamination be “on the basis of any prior art cited under the provisions of section 301.”).

¹⁸⁴ 154 CONG. REC. S9982 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (“Subsection (b) . . . is designed to allow parties to use first-window proceedings to resolve important legal questions early in the life of such controversies. Currently, for example, if there is debate over whether a particular subject matter or thing is really patentable, parties who disagree with PTO’s conclusion that it is patentable must wait until a patent is granted and an infringement dispute arises before the question can be tested in court. In such a situation, subsection (b) would allow parties with an economic interest in the matter to raise the question early in its life. If PTO is wrong and such a thing cannot be patented, subsection (b) creates an avenue by which the question can be conclusively resolved by the Federal [C]ircuit before a large number of improper patents are granted and allowed to unjustifiably disrupt an industry. Obviously, subsection (a) alone would not be enough to test the view that PTO has reached an incorrect conclusion on an important legal question, because subsection (a) requires the petitioner to persuade PTO that a claim appears to be unpatentable, and PTO is unlikely to be so persuaded if it has already decided the underlying legal question in favor of patentability. Subsection (a) is directed only at individual instances of error that PTO itself appreciates, while subsection (b) allows PTO to reconsider an important legal question and to effectively certify it for Federal [C]ircuit resolution when it appears that the question is worthy of early conclusive resolution.”).

¹⁸⁵ *Id.*

as cans and bottles.”¹⁸⁶ The court reviewed the PTAB’s factual findings as well as its conclusion that certain claims were obvious.¹⁸⁷ The Federal Circuit applied the substantial evidence standard to the PTAB’s factual findings and the de novo standard to its ultimate conclusions on obviousness.¹⁸⁸

In *Flo Healthcare Solutions, LLC v. Kappos*, the court likewise reviewed the PTAB’s conclusions made during *inter partes* review on a patent claiming a mobile computer workstation.¹⁸⁹ The court struggled to articulate which standard to apply to claim construction because two diverging precedents existed as to what standard of review to apply to the PTAB’s claim construction when no factual issues existed.¹⁹⁰ One line of precedent stated that the proper standard inquired whether the PTAB’s decision was reasonable, while the other line stated that claim interpretation was reviewed de novo.¹⁹¹ The court noted also that the APA did not resolve the issue because it did not acknowledge the existence of mixed questions of law and fact, but rather only appeared to have contemplated pure questions of law and required that such questions must be reviewed de novo.¹⁹² It explained the benefits of a “blended approach,” in which the court reviews the PTAB’s decision de novo while adopting the broadest reasonable interpretation in accordance with PTO practice,¹⁹³ and expressed the need for a future *en banc* resolution of the standard of review issue.¹⁹⁴

With respect to factual findings, the Federal Circuit defers to the PTO for two understandable reasons.¹⁹⁵ To begin with, the PTO has significant expertise in scientific fields.¹⁹⁶ In addition, factual matters are usually resolved by more than one PTO tribunal.¹⁹⁷ With respect to legal issues, the Federal Circuit has always reviewed pure legal issues de novo.¹⁹⁸ However, as the Federal Circuit explained in *Flo Healthcare*, judicial review is inherently complicated by the reality that the PTO’s legal conclusions are closely intertwined with its supporting factual findings.¹⁹⁹ Thus, the PTO’s interpretations of law may be easily camouflaged as factual

¹⁸⁶ C.W. Zumbiel Co., v. Kappos, 702 F.3d 1371, 1373 (Fed. Cir. 2012).

¹⁸⁷ *Id.* at 1379.

¹⁸⁸ Michael J. Pender, *Judicial Review of PTO Patentability: Determinations Under the Substantial Evidence Standard of Review*, 82 J. PAT. & TRADEMARK OFF. SOC’Y 431, 432 (2000); see also *Kappos*, 702 F.3d at 1379.

¹⁸⁹ *Flo Healthcare Solutions, LLC v. Kappos*, 679 F.3d 1367, 1369–70 (Fed. Cir. 2012).

¹⁹⁰ *Id.* at 1376 (Plager, J., additional views).

¹⁹¹ *Id.* at 1377–78.

¹⁹² *Id.* at 1379.

¹⁹³ *Id.* at 1379–80.

¹⁹⁴ *Id.* at 1380.

¹⁹⁵ Pender, *supra* note 188, at 435.

¹⁹⁶ *Dickinson v. Zurko*, 527 U.S. 150, 160 (1999) (stating that “the PTO is an expert body” that deals with “technically complex subject matter”).

¹⁹⁷ *Id.*

¹⁹⁸ Pender, *supra* note 188, at 442 (citing *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000)).

¹⁹⁹ *Id.*

disputes or “mixed question[s] that turn[] on the underlying facts.”²⁰⁰ This reality affords the Federal Circuit flexibility in characterizing issues as legal or factual,²⁰¹ thereby at least opening the door for undue deference to the PTO on legal matters. It remains to be seen what effect this complexity will have on review of the PTAB’s post-grant review determinations.

III. ANALYSIS: SECTION 324(B) AND ITS RELATION TO THE CONSTITUTION AND THE APA

This Part analyzes whether Section 324(b) accords with the Constitution and the APA. As for the constitutional issue, Section 324(b) likely fails to pass constitutional muster under both of the Supreme Court’s approaches to Article III questions. With respect to the APA, one possible construction of Section 324(b) would render the provision a practical nullity while creating an additional hurdle between the patentee and the constitutional courts. An alternative construction would require deference by Article III courts to the PTO on legal determinations and thereby contravene the APA. Both constructions take a significant step toward focusing judicial power in the hands of the PTO. For these reasons, Section 324(b) ought to be stricken in order to preserve Article III courts’ jurisdiction over the legal determination of patent validity.

A. Section 324(b) and Article III

1. The Formalistic Approach

The Supreme Court would likely strike down Section 324(b) under its formalistic approach. By enacting Section 324(b), Congress delegated to the PTAB, an executive, non-Article III tribunal, the authority to address questions of law.²⁰² In doing so, Congress has established the PTO as an agency that governs nearly every aspect of patent law. The agency now resembles a government in its own right: it enacts rules, finds facts, and is empowered by virtue of its scientific expertise to resolve questions of law, which are inherently intertwined with questions of fact.

Supreme Court precedent weighs heavily in favor of striking down the provision in favor of a smaller PTO role that better preserves the role of Article III courts. Section 324(b) plainly diverts the judicial power away from Article III courts and into the hands of the executive branch.²⁰³ However, the Supreme Court established early in America’s history that it is

²⁰⁰ *Id.*; see also Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415, 1423–24 (1995).

²⁰¹ Nard, *supra* note 200, at 1423–24.

²⁰² See 35 U.S.C. § 324(b) (Supp. V 2011).

²⁰³ *Id.*

the role of the constitutional courts to “say what the law is.”²⁰⁴ Thus, the PTO’s exercise of such power offends the literal interpretation of Article III, which effectively places a boundary around Article III courts’ powers.

Moreover, Section 324(b) ignores the Framers’ political philosophy reflected in Article III. The Framers included the Article in part to guarantee citizens the right to have an apolitical entity adjudicate their rights, regardless of whether those rights were granted by the government.²⁰⁵ However, Section 324(b) now gives the PTO—a political government agency within the executive branch—the authority to either uphold or revoke patent owners’ rights by deciding legal questions.²⁰⁶ This new scheme subjects patentees’ rights to the political winds in a very real way,²⁰⁷ which Article III precludes.

This raises the question of whether the delegation falls into one of the three exceptions to Article III enumerated by the Supreme Court. These exceptions permit Congress to delegate the judicial power to (1) territorial courts; (2) martial tribunals; and (3) tribunals adjudicating public rights.²⁰⁸ At the outset, the first two exceptions may be dispensed with because the PTAB does not adjudicate extra-territorial or martial disputes, but rather patent-related disputes.

Commentators have debated whether patent rights are public or private,²⁰⁹ however, Supreme Court precedent weighs heavily in favor of the conclusion that patent rights are private in nature. The Court has repeatedly and unequivocally stated throughout our history that patent rights are essentially identical to land patent rights and deserving of all the same protections.²¹⁰ Thus, the patent system as contemplated under the Constitution involves the PTO exercising the narrow role of determining patentability and issuing patents combined with the parties’ right to have their patent rights altered only by the apolitical constitutional courts and with the benefit of a presumption of patent validity.²¹¹ This original vision of the patent system casts serious doubt on the Federal Circuit’s determination that patent rights are predominantly public in nature. Therefore, because Section 324(b) displaces the judicial power into the executive branch and is likely not saved by any Article III exception, the Court would likely strike down the provision under its formalistic approach.

²⁰⁴ *Marbury v. Madison*, 5 U.S. 137, 177 (1803).

²⁰⁵ See generally U.S. CONST. art. III.

²⁰⁶ See 35 U.S.C. §§ 321, 324(b).

²⁰⁷ See generally Stephen Hilgartner, *Intellectual Property and the Politics of Emerging Technology: Inventors, Citizens, and Powers to Shape the Future*, 84 CHI.-KENT L. REV. 197 (2009).

²⁰⁸ *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 63–67 (1982).

²⁰⁹ See *supra* note 53.

²¹⁰ See, e.g., *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898).

²¹¹ See 35 U.S.C. § 282 (2006).

2. The Functional Approach

Section 324(b) fares better under the functional approach; however, it would still likely fail to pass constitutional muster. This approach involves considering a number of factors to determine whether the core function of the constitutional courts has been delegated to a non–Article III tribunal.²¹²

First, the interpretation of law in adjudication is an essential function of the federal courts.²¹³ Along with that power, the PTAB conducts discovery,²¹⁴ holds oral hearings,²¹⁵ alters the scope of patents,²¹⁶ and renders final decisions on both fact and law.²¹⁷ Since Congress has empowered the PTAB to vaporize patent rights after issuance, the PTAB lacks virtually no Article III power with respect to patents. Therefore, this factor weighs in favor of striking down Section 324(b).

Second, as discussed above, patent rights are essentially private rights, and thus ought to be reserved for the constitutional courts.²¹⁸ The Article III courts have exclusive jurisdiction over cases involving private rights founded in the common law.²¹⁹ In light of the fact that patent rights date back to medieval Europe and have strong roots in English law,²²⁰ the fact that the government grants patent rights should not be enough to remove patent cases from the exclusive purview of the constitutional courts. Thus, the private nature of patent rights increases the threat by Section 324(b) to Article III.

Third, the standard of review for pure legal questions is *de novo*; however, the legal determination of validity is perplexingly intertwined with the PTAB's supporting factual findings, which demand deference by the constitutional courts. Article III courts are required to defer substantially to the PTO as to its factual findings,²²¹ and so a significant possibility remains that the constitutional courts will at least implicitly defer to the PTAB's factual findings. On balance, it is unclear whether this factor weighs for or against Section 324(b)'s constitutionality.

Fourth, whereas pre-AIA law permitted the parties to appeal *inter partes* review to the district court in order to introduce new facts to the record, the AIA restricts appeal of post-grant review to the Federal

²¹² See *supra* Part II.A.2.b.

²¹³ *Marbury v. Madison*, 5 U.S. 137, 177 (1803).

²¹⁴ 35 U.S.C. § 326(a)(5) (Supp V. 2011).

²¹⁵ *Id.* § 326(a)(10).

²¹⁶ *Id.* § 326(d).

²¹⁷ *Id.* § 324.

²¹⁸ See *supra* Part II.A.2.a.

²¹⁹ *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898) (citations omitted).

²²⁰ See *supra* Part II.C.1.

²²¹ See 5 U.S.C. § 706 (1970).

Circuit,²²² where the record may be altered little or not at all. Thus, it further empowers the PTAB, vis-à-vis the constitutional courts, by limiting factual findings to those made by the PTAB.

Fifth, Congress' motivations behind Section 324(b) do not save it from unconstitutionality. In establishing post-grant review as an "early-window opportunity" to challenge the validity of a patent before the PTAB, Congress was motivated principally by cost-savings, efficiency, and reducing the likelihood of erroneously granted patents.²²³ These goals can be achieved through means less threatening to Article III, such as improving patent searching and patent prosecution. In addition, funding added layers of bureaucracy to resolve post-issuance disputes could only increase cost to government and, thus, society as a whole. Moreover, even if the bureaucracy did significantly increase efficiency and cost-savings, such benefits must be weighed against the possible consequences of overlooking important boundaries between government branches, namely the opportunity for the abuse of power, which would undermine the patent system to the extent that it occurs.

Admittedly, the Supreme Court has flatly rejected the slippery slope argument in Article III analysis.²²⁴ However, Section 324(b) is a new step into largely uncharted territory in which agencies are virtually indistinguishable from the constitutional courts. Plainly stated, the line must be drawn somewhere. If the PTO continues in the direction of increased authority for the sake of efficiency, the agency will become a roadblock—not a highway—to the fair resolution by judges protected from the political winds. For these reasons, the policy goals behind Section 324(b) do not justify the provision's threat to Article III.

This raises the final consideration: problems could result from an overly politicized patent office. The over-politicization of the patent office introduces the opportunity for corruption and favoritism among parties and more sensitivity to special interest groups advocating for certain patent policies.²²⁵ In conclusion, the factors that the Supreme Court considers in Article III jurisprudence weigh against the constitutionality of Section 324(b). Therefore, it is likely that Section 324(b) does not pass constitutional muster under either the formalistic or the functional Article III test.

B. Section 324(b) and the APA

Several APA provisions appear to grant to the PTAB the power to

²²² See 35 U.S.C. § 329 (Supp. V 2011).

²²³ See *supra* Part II.C.3.

²²⁴ See *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 852 (1986).

²²⁵ Hilgartner, *supra* note 207, at 211.

make legal determinations. For instance, Section 554(b), concerning adjudication, provides: “Persons entitled to notice of an agency hearing shall be timely informed of . . . the *matters of fact and law* asserted.”²²⁶ The Section later states that non-moving parties “shall give prompt notice of issues controverted *in fact or law*.”²²⁷ Further, Section 551(7) defines adjudication as “agency process for the formulation of an order.”²²⁸ In formulating orders, administrative law judges often apply the law to the facts.²²⁹ Therefore, at least to some degree, and for some purpose, the APA warrants agencies’ consideration of legal questions.

The trouble arises in Section 706, which states that it is the role of the constitutional courts to “decide all relevant questions of law [and] interpret . . . statutory provisions.”²³⁰ This provision does not preclude the PTAB from making legal determinations; rather, it mandates that Article III courts have the final say over questions of law.²³¹ Based on this provision, the Federal Circuit reviews the PTO’s legal determinations *de novo* but its factual findings under the weight of evidence standard.²³²

Section 324(b) could be interpreted in one of two ways. On the one hand, it could grant the PTAB the fictional authority merely to take an initial look at the legal question and issue an advisory opinion to the reviewing court. Under this interpretation, the provision would wield no real power because it would not empower the PTAB to do anything new, nor would it change the constitutional courts’ authority in any way. An interesting note, though, is that this interpretation would likely frustrate the policy goal of government efficiency because it would create another basis for dispute and thus potentially create additional litigation.

On the other hand, it could be construed to have some effect, namely that suggested by its originator, Senator Kyl: to empower the PTAB to “certify” the question of law in some authoritative way for the reviewing court. Certify means “[t]o make (a thing) certain; to guarantee as certain, attest *in an authoritative manner*”²³³ If Congress meant to delegate the PTAB the power to resolve legal issues in an authoritative way or attest to the appropriate resolution to the Federal Circuit in an authoritative manner, then the delegation flatly contravenes the APA. This latter interpretation of Section 324(b) contravenes the APA to the extent that the reviewing courts

²²⁶ 5 U.S.C. § 554(b) (2012) (emphasis added).

²²⁷ *Id.* (emphasis added).

²²⁸ 5 U.S.C. § 551(7) (2012).

²²⁹ See FUNK, *supra* note 5, at 201–02.

²³⁰ 5 U.S.C. § 706 (2012).

²³¹ *Id.*

²³² David L. McCombs, et al., *Federal Circuit Appeals from the PTAB: A new game or just the same old Practice?*, HAYNES AND BOONE, LLP, 10 (Mar. 22, 2013), [https://www.haynesboone.com/files/Uploads/Documents/Fed%20Cir%20Appeals%20from%20PTAB%20Paper%20122466_16%20\(2\).pdf](https://www.haynesboone.com/files/Uploads/Documents/Fed%20Cir%20Appeals%20from%20PTAB%20Paper%20122466_16%20(2).pdf).

²³³ 2 OXFORD ENGLISH DICTIONARY 1054 (2d. ed. 1989) (emphasis added).

defer to those “certifications” because, as mentioned, the APA requires the constitutional courts to review agency decisions entirely de novo.²³⁴

Regardless of the interpretation adopted, the operation of the provision is complicated by the intertwining of law and fact in patent law. In patent law, it is not that pure questions of law exist apart from pure questions of fact; instead, questions may be characterized as either or both.²³⁵ Therefore, Congress likely intended that the PTAB opine on the resolution of patent cases in a complete, holistic fashion. However, the APA is clear: the constitutional courts must make legal determinations independently. Thus, the prudent course would be to construe Section 324(b) such that the PTAB has no real authority to make legal determinations.

Furthermore, it should be noted that the *Chevron* doctrine does not squarely apply to Section 324(b). The doctrine permits agencies in the course of rulemaking to interpret their statutory mandates, provided that the statute is ambiguous and its interpretation is reasonable.²³⁶ However, rulemaking is based on legislative fact and dictates agencies’ broad policy directions.²³⁷ Section 324(b) empowers the PTAB to address legal questions in adjudication, which is based on the adjudicative facts of individual cases.²³⁸

In sum, Section 324(b) appears to be either violative of the APA or an essential nullity. It either gives the PTAB authority in answering legal questions, in which case it violates Section 706 of the APA, or merely reaffirms that the PTAB may issue advisory opinions to the reviewing court, in which case it does nothing.

C. Recommendations

In recent years, Congress and the PTO have streamlined post-grant opposition procedures. Section 324(b) is their newest effort to do so by relocating questions of law to the PTAB. However, these efforts threaten the integrity of Article III as well as the APA’s system of administrative government.

Congress and the PTO could take several courses of action in order to achieve their goals while avoiding the threat to the Constitution and the APA. First, they should refocus on improving the patent prosecution process to make it more reliable. In other words, they should seek ways to reduce the errors that need correction after issuance. Some ways to do this

²³⁴ 5 U.S.C. § 706 (2012).

²³⁵ Nard, *supra* note 200, at 1423–24.

²³⁶ See generally *Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

²³⁷ *Id.*

²³⁸ 35 U.S.C. § 324(b) (2012).

could include revamping, searching algorithms, improving examiner training methods, adopting a more user-friendly classification system, or restructuring the agency to provide for examination overlap to reduce the likelihood of overlooking prior art. After all, scrutinizing inventions for patentability has always been the PTO's entire purpose as an agency.²³⁹ In conjunction with focusing on improvement of the prosecution process, the PTO should abandon its post-grant opposition jurisdiction and instead leave the question of patent validity to the Article III courts.

This two-fold approach would increase both patent quality and government efficiency. More importantly, it would avoid any threat to Article III of the Constitution. By reserving litigation over the patent right (traditionally a private property right) to the federal courts, the courts would fully retain their constitutional role. Further, the solution would protect litigants from political influences and biases that could be present in adjudication within the executive branch.

The solution would also accord with the APA. As Section 706 prescribes, constitutional courts would defer to the PTO's factual findings, but exercise completely independent judgment on legal issues.²⁴⁰ This would avoid any undue deference to the PTO based on the intermingling of law and fact inherent in the patentability determination. It would also remove any possibility of the PTO "certifying" in an authoritative manner the legal issue to the Federal Circuit. In sum, the PTO refocusing on improving its patent-examining methods instead of fixing its mistakes post-issuance would enhance the integrity of the Article III courts, improve patent quality, increase efficiency, and inhibit the further empowerment of the PTO, which is quickly becoming a government in its own right over patent matters.

An additional way to resolve constitutional issues is to pursue a constitutional amendment that expressly grants administrative agencies the power to authoritatively address questions of law. After all, if bureaucratic efficiency is the goal, then this approach would further that end in a responsible way—by addressing the constitutional conflict rather than ignoring it.

IV. CONCLUSION

For most of America's history, the PTO performed a more limited function restricted to scrutinizing inventions for patentability and issuing patents. In more recent history, the PTO has exercised various forms of post-grant jurisdiction, such as reexamination, in the name of efficiency and correcting mistakes. Section 324(b) marks a new step in that direction as it

²³⁹ See *supra* Part II.C.1.

²⁴⁰ See 5 U.S.C. § 706 (2012).

grants the PTAB the power to address new and unsettled questions of law to authoritatively certify them for Federal Circuit review.

Section 324(b) threatens the integrity of the Article III judiciary by displacing one of its central functions of saying what the law is to an executive agency. It also appears to conflict with the APA by impliedly demanding deference by the Federal Circuit where none is due. For these reasons, Section 324(b) ought to be stricken in favor of a more traditional patent prosecution scheme. The PTO should focus on streamlining and improving its methodology for discerning whether inventions are patentable; it should abandon its efforts to more efficiently review patents post-grant and, in fact, abandon post-grant jurisdiction altogether.