Due Process Implications of Panel Stacking at the USPTO

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I. INTRODUCTION

Due process of law is one of the basic guarantees provided by the Constitution.[1] Americans feel strongly about their due process rights and expect them to be upheld in all contexts, including administrative hearings. As discussed by Judge Friendly, one of the elements of a fair administrative hearing is an unbiased tribunal.[2]

Because of the strong tradition of due process guarantees, the revelation that the United States Patent and Trademark Office (USPTO) allows the director to control the outcome of a case through review panel selection[3] is extremely troubling. Although the Director cannot adjudicate an issue after a panel has been selected,[4] the USPTO asserts that

1. U.S. CONST. amend. V.
2. Henry J. Friendly, *"Some Kind of Hearing*,"123 U. PA. L. REV. 1267, 1279 (1975).
3. *Selection Process for Assigning Judges to Expanded PTAB Panels*, 717 MADISON PLACE (Aug. 20, 2017), http://www.717madisonplace.com/?p=9143 [hereinafter *Assigning Judges to PTAB Panels*].
4. 35 U.S.C. § 6 (2012).

the Director has the power to intentionally select judges that will decide as the Director sees fit.[5] This assertion, made in 2015, was followed up by a similar comment during oral arguments in *Nidec Motor Corp.* in 2017.[6] Judge Dyk, in a concurring opinion in *Nidec*, expressed concern with USPTO practices: "While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity."[7] However, he stated the issue need not be decided in the particular case at bar.[8]

The idea that the Director of the USPTO can dictate who is on the review panel to advance his or her opinion ("stack" the panel) creates serious due process concerns. Further, with the passage of the America Invents Act in 2011, the USPTO is deciding a large number of cases that determine property rights.[9] With so many cases being decided, the courts may need to take a more active role in dictating acceptable USPTO practices.

This Note recommends that the panel stacking scheme at the USPTO be declared unconstitutional for due process violations. It first discusses the procedures at the USPTO and how panels can be stacked. Then it discusses how patent proceedings are conducted in district courts. Next, this Note discusses where the Federal Circuit stands on this issue and the arguments that support a finding that panel stacking is a violation of procedural due process. Then this Note discusses the potential overall effects on patent law if the USPTO is allowed to continue this panel stacking regime. Finally, this Note discusses a proposed solution for the selection of judges on expanded panels.

II. BACKGROUND

A person may challenge patent validity through proceedings at the USPTO or through the federal courts. Although both systems can adjudicate the validity of the patent, the processes and the precedential effect of the decisions issued by each system are different.

A. Trial Level Adjudication of Patent Law Claims

1. Adjudication Procedures at the USPTO

The USPTO is the administrative agency tasked with granting and issuing patents.[10] Included in the duties of the USPTO are administrative proceedings which prescribe panels to decide appeals, derivation proceedings, post-grant reviews, and inter partes review proceedings.[11] These panels consist of at least three members of the Patent Trial and Appeal Board.[12]

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5. *Assigning Judges to PTAB Panels*, *supra* note 3.

6. *Id.*

7. Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co., 868 F.3d 1013, 1019 (Fed. Cir. 2017) (Dyk, J., concurring).

8. *Id.*

9. Approximately 400–500 filings per quarter. WILSON SONSINI GOODRICH & ROSATI, 2016 PTAB YEAR IN REVIEW 2 (2017), https://www.wsgr.com/publications/PDFSearch/PTAB-Year-in-Review-2016.pdf [hereinafter 2016 PTAB YEAR IN REVIEW].

10. 35 U.S.C. § 1(a) (2011).

11. *Id.* § 6(b).

12. *Id.*

Although there are several choices when it comes to proceedings at the USPTO, inter partes review dominates the field with 93% of all petitions filed at the USPTO in 2016 falling into this category.[13] Because of the prevalence of inter partes review proceedings (IPRs), this Note mostly focuses on IPRs as a mechanism to evaluate to district court proceedings.

An inter partes review proceeding is instituted by a petitioner who is not the owner of a patent.[14] Because the USPTO is not an Article III forum, and because there is no requirement in the statute, the petitioner does not have to meet the requirements of Article III standing.[15] The petitioner may request that one or more claims in a patent be cancelled as unpatentable, but only under novelty and obviousness.[16] The petition for this proceeding must be filed either nine months after the patent is granted or after the termination of any post-grant review proceedings, whichever is later.[17] However, if a prospective petitioner is served with a complaint alleging infringement, a petition for an IPR must be filed within one year of receipt of the complaint.[18]

When the USPTO receives the petition, the director determines whether to institute a proceeding, based on whether there is a reasonable likelihood that the petitioner will prevail with respect to at least one of the challenged claims.[19] This intermediate determination is final and non-appealable.[20] Additionally, if the petitioner has already filed a civil action, an IPR may not be instituted.[21]

After an IPR has been instituted, the Patent Trial and Appeal Board (PTAB) conducts the proceeding with a minimum three-member panel.[22] A final written decision is issued after the proceeding on the patentability of the challenged patent claim.[23] The petitioner must persuade the panel by a preponderance of the evidence that a claim is unpatentable.[24] After a decision has been issued in an IPR, parties to the action can appeal the decision to the United States Court of Appeals for the Federal Circuit.[25]

However, on occasion, a panel deciding the IPR at the USPTO may be expanded,[26] and a re-hearing may be granted by the PTAB.[27] According to the USPTO's Standard

13. 2016 PTAB YEAR IN REVIEW, *supra* note 9, at 2–3.

14. 35 U.S.C. § 311(a) (2011).

15. *Id.* § 311.

16. *Id.* § 311(b) (stating that the novelty and obviousness claims must be based on prior art consisting of patents or printed publications).

17. *Id.* § 311(c).

18. *Id.* § 315(b).

19. 35 U.S.C. § 314(a) (2011).

20. *Id.* § 314(d).

21. *Id.* § 315(a)(1); *but see Id.* § 315(a)(2) (stating that a civil action may be filed on or after the date which the petitioner files for an IPR, but this civil action will automatically be stayed until either the patent owner moves the court to lift the stay, the patent owner files a civil action or counterclaim alleging the petitioner has infringed, or the petitioner moves the court to dismiss the action).

22. *Id.* § 6(b)–(c).

23. *Id.* § 318(a).

24. 35 U.S.C. § 316(e) (2011).

25. *Id.* § 141(c).

26. *See* USPTO, PATENT TRIAL AND APPEAL BOARD STANDARD OPERATING PROCEDURE (REVISION 14): ASSIGNMENT OF JUDGES TO MERITS PANELS, INTERLOCUTORY PANELS, AND EXPANDED PANELS 1 (2015), https://www.uspto.gov/sites/default/files/documents/SOP1%20-%20Rev.%2014%202015-05-08.pdf (discussing situations where expanded panels are appropriate) [hereinafter USPTO, STANDARD OPERATING PROCEDURE].

27. 35 U.S.C. § 6(c) (2011).

Operating Procedure, "[a]n expanded panel is not favored and ordinarily will not be used."[28] The standard operating procedure lists four reasons for expanding a panel: (1) "[t]he proceeding . . . involves an issue of exceptional importance . . . ," (2) "[c]onsideration by an expanded panel is necessary to secure and maintain uniformity of the [PTAB]'s decisions . . . ," (3) the commissioner or the commissioner's delegate submit a written request identifying the issue before the board as "containing an issue of first impression," and (4) "[a] written request from the [c]ommissioner . . . or the [c]ommissioner's delegate identifying [the issue] before the board as one presenting an issue governed by a previous decision of the board" where "the [c]ommissioner . . . has determined that it would not be in the public interest to follow the prior decision," and "ask[s] the board to reconsider and overrule the prior decision."[29]

The power to designate panel members was originally granted to the Director of the USPTO.[30] However, this power was re-designated to the chief administrative patent judge (chief judge) by the Manual of Patent Examination Procedures.[31] Generally, when the need for an expanded panel has been decided, the judges initially assigned to the panel will remain on the expanded panel.[32] The additional judges assigned shall be chosen "based on [their] technical or legal expertise."[33] The chief judge has discretion to determine the number of judges he or she chooses to assign to the panel.[34] The Director, as head of the agency, has significant influence over these decisions. This influence is what allows the Director to stack the panel to reach a desired outcome.

The decision to designate an expanded panel can occur either before or after a decision has been made.[35] If a previous panel enters a decision, a later expanded panel decides the rehearing on the merits.[36] After an expanded panel in an IPR proceeding reaches a decision, it may be appealed to the United States Court of Appeals for the Federal Circuit.[37]

2. Empirical Outcomes of Adjudication at the USPTO

The Patent Trial and Appeal Board has acquired the nickname "Patent Death Squad"[38] because statistics show a large number of patents are declared unpatentable during the proceedings.[39] From 2012 through 2016, 71% of final written PTAB decisions have found all claims in the disputed patents to be unpatentable, with 2016 coming in at 67%.[40] In addition, 2016 saw 15% of disputed patents have a mix of some claims being upheld, and some claims held unpatentable.[41] This means that only 18% of patents were upheld with

28. USPTO, STANDARD OPERATING PROCEDURE, *supra* note 26, at 3.
29. *Id.*
30. 35 U.S.C. § 6(c) (2011).
31. USPTO, MPEP, § 1002.02(f) (9th ed. Rev. Jan. 2018).
32. USPTO, STANDARD OPERATING PROCEDURE, *supra* note 26, at 4.
33. *Id.*
34. *See id.* at 5 ("In an appropriate circumstance, the chief judge may designate an expanded panel consisting of any number of judges to decide a case.").
35. *See id.* at 4 (outlining procedures for designation both before a decision has been reached and after entry of a decision).
36. *Id.*
37. 35 U.S.C. § 141(c) (2011).
38. 2016 PTAB YEAR IN REVIEW, *supra* note 9, at 5.
39. *See id.* at 4–5 (discussing statistics with high rates of denied patents).
40. *Id.*
41. *Id.*

all claims determined to be patentable.[42]

3. Patent Proceedings in District Court

The district courts have original jurisdiction over any civil action brought relating to patents; state courts do not have jurisdiction over any claim arising under any Act of Congress relating to patents.[43] Patent proceedings in district court are similar to those in other civil cases. Like all cases filed in district court, the plaintiff must have Article III standing. A complaint is filed, followed by a response. One unique feature to the patent litigation process is the claim construction hearing before trial.[44] These hearings are often referred to as "Markman hearings,"[45] in reference to the case that determined claim construction was the responsibility of the trial judge, not the jury.[46] After the Markman hearing, the court hears summary judgement motions then pre-trial motions.[47] If these motions are denied and the parties do not settle, then the court will proceed to trial.[48] In most cases, patent trials are decided by a jury.[49] Typically, the verdict form given to the jury will ask whether each claim is infringed and whether each claim is val*id.*[50] It will ask the jury to award an amount of damages if infringement is found.[51] After the trial judge has issued a verdict, the losing party may appeal the judgement to the Court of Appeals for the Federal Circuit.[52]

B. Appellate Procedures in Federal Court

The appeals from both the district court proceedings and the PTAB proceedings are reviewed by the Court of Appeals for the Federal Circuit.

1. Appellate Review of District Court Proceedings

The United States Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals of a final decision made from a district court of the United States arising under any Act of Congress relating to patents.[53] The Court of Appeals for the Federal Circuit also has exclusive jurisdiction over appeals from the PTAB with respect to patent applications, derivation proceedings, reexaminations, post-grant reviews, and inter partes reviews.[54] A petition for a writ of certiorari can be submitted to the Supreme Court from a final decision of the Federal Circuit.

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42. *Id.*
43. 28 U.S.C. § 1338(a) (2011).
44. FISH & RICHARDSON, A GUIDE TO PATENT LITIGATION IN FEDERAL COURT 12 (Larry Kolodney, ed., 2014), https://www.fr.com/wp-content/uploads/2016/04/A-Guide-to-Patent-Litigation-in-Fed-Court-2016.pdf (last visited Sep. 13, 2018).
45. *Id.*
46. Markman v. Westview Instruments, Inc., 517 U.S. 370, 391 (1996).
47. *See* FISH & RICHARDSON, *supra* note 44, at 13 (stating most summary judgements occur after claim construction).
48. *Id.* at 15.
49. *Id.* at 16.
50. *Id.* at 17.
51. *Id.*
52. 28 U.S.C. § 1295(a)(1) (2011).
53. *Id.* § 1295 (a)(1) (2011).
54. *Id.* § 1295 (a)(4)(A) (2011).

There are several standards of review the Court of Appeals for the Federal Circuit will apply when reviewing cases from the district courts. When cases concern patent law, the Federal Circuit applies its own standards of review. Questions of law, such as statutory interpretations,[55] patent claim constructions,[56] and grants or denials of judgement as a matter of law[57] will be reviewed de novo.[58] The court will also review the legal aspects of patent validity, such as indefiniteness,[59] enablement,[60] and obviousness,[61] de novo. When the legal conclusion rests on factual underpinnings, the Federal Circuit will review the facts under the clearly erroneous standard if the facts were determined by a judge[62] and a substantial evidence standard if the facts were decided by a jury.[63] Additionally, utility,[64] written description requirement,[65] and anticipation[66] are questions of fact reviewed under the clearly erroneous standard.

The decisions of the Federal Circuit on appeal from district courts are binding on all district courts. However, because the burden in district court is clear and convincing evidence, rather than the preponderance of the evidence, these decisions do not bind the PTAB.[67]

2. Appellate Review of PTAB Proceedings

With the passing of the America Invents Act in 2011, the number of trials at the USPTO that could be appealed to the Federal Circuit increased, thereby increasing appeals six-fold between 2012 and 2016.[68] In 2015, the Federal Circuit was seen as highly deferential to the PTAB.[69] However, the declining number of affirmances suggest the Federal Circuit is starting to refine its reviewing procedures.[70]

In appeals to the Federal Circuit in 2016, 75% of the PTAB decisions were affirmed, which is down from 86% in 2015.[71] In 2016, 21% of the PTAB decisions were reversed or partially reversed.[72] Of the IPR cases that were remanded, the PTAB decided only 36% of the claims to have a different result, while 64% had the same result.[73]

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55. Volkswagon of Am., Inc. v. United States, 532 F.3d 1365, 1369 (Fed. Cir. 2008).

56. Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp., 744 F.3d 1272, 1284 (Fed. Cir. 2014), *vacated*, 135 S. Ct. 173 (2015), *remanded to* 790 F.3d 1329 (Fed. Cir. 2015) *cert. denied*, 136 S. Ct. 1226 (2016).

57. Mycogen Plant Sci., Inc. v. Monsanto Co., 243 F.3d 1316, 1325 (Fed. Cir. 2001).

58. Sciele Pharma Inc., v. Lupin Ltd., 684 F.3d 1253, 1259 (Fed. Cir. 2012).

59. Biosig Instruments, Inc. v. Nautilus, Inc., 715 F.3d 891, 897 (Fed. Cir. 2013), *vacated*, 571 U.S. 1118 (2014).

60. *In re* Cortright, 165 F.3d 1353, 1356 (Fed. Cir. 1999).

61. Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561, 1566–68 (Fed. Cir. 1987).

62. Daiichi Sankyo Co. v. Matrix Labs., Ltd., 619 F.3d 1346, 1352 (Fed. Cir. 2010).

63. Integrated Tech. Corp. v. Rudolph Techs., Inc., 734 F.3d 1352, 1360 (Fed. Cir. 2009).

64. *In re* Cortright, 165 F.3d at 1356.

65. Kolmes v. World Fibers Corp., 107 F.3d 1534, 1539 (Fed. Cir. 1997).

66. Glaverbel Societe Anonyme v. Northlake Mktg. & Supply, Inc., 45 F.3d 1550, 1554 (Fed. Cir. 1995).

67. Robert Schaffer & Joseph Robinson, *Federal Court Validity Decisions Do Not Bind the PTAB*, IPWATCHDOG (Apr. 14, 2017), http://www.ipwatchdog.com/2017/04/14/federal-court-validity-decisions-do-not-bind-ptab/id=82071/.

68. 2016 PTAB YEAR IN REVIEW, *supra* note 9, at 9.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. 2016 PTAB YEAR IN REVIEW, *supra* note 9, at 8.

One difference in an appeal from the PTAB than an appeal from the district court is that it is an appeal from an administrative agency. Legal conclusions of the PTAB are reviewed de novo,[74] which is different than the deferential standard most legal conclusions drawn by agencies receive under *Chevron*.[75] Factual findings of the PTAB are reviewed under the substantial evidence standard of review.[76] However, in addition to these standards, the Administrative Procedures Act also states the reviewing court shall hold unlawful and set aside any conclusions found to be "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; [] contrary to constitutional right, power, privilege, or immunity" or "unsupported by substantial evidence . . . or otherwise reviewed on the record of an agency hearing provided by [the] statute."[77]

Additionally, in reviewing PTAB results, the court generally cannot impose procedures that require more than the Administrative Procedures Act requires.[78] However, when there is a due process concern, the constitutional underpinnings allow the courts to demand procedures that are required by the supreme law of the land. This is important in the context of appeals from PTAB decisions, because it gives the Federal Circuit authority to stop the practice of panel stacking.

C. The Differences Between Inter Partes Review and District Court Litigation That Make Due Process So Important

There are many differences between IPRs and district court litigation. Where there are two separate courses of dispute resolution for parties to take—one administrative and one judicial—the choice of forum should not dictate the outcome of the case. When there are as many differences between the two options, as described below, due process must be maintained to support the integrity of the processes and prevent different outcomes in different forums.

The first major difference between IPRs and district court litigation is in the legal standards used. First, in district court, patents have a presumption of validity and the challengers must prove invalidity by clear and convincing evidence.[79] By contrast, at the PTAB, challengers need only prove invalidity by a preponderance of the evidence—a significantly lower burden.[80] Further, claim construction at the district court is done in a way such that claims are construed to reflect the understanding that a person skilled in the art would have had at the time the application was filed.[81] In contrast, for an IPR, the claim is given its broadest reasonable interpretation.[82] Finally, standing to bring suit is not required for IPR proceedings, whereas any petitioner bringing suit in an Article III court

74. *In re* Elsner, 381 F.3d 1125, 1127 (Fed Cir. 2004) (stating review occurs without deference).

75. *See generally* Chevron U.S.A., Inc. v. NRDC., 467 U.S. 837 (1984); Sciele Pharma Inc., v. Lupin Ltd., 684 F.3d 1253, 1259 (Fed. Cir. 2012).

76. *In re* Gartside, 203 F.3d 1305, 1316 (Fed. Cir. 2000).

77. 5 U.S.C. § 706 (1966).

78. Vt. Yankee Nuclear Power Corp. v. NRDC, 435 U.S. 519, 524 (1978).

79. Michael J. Flibbert & Maureen D. Queler, *5 Distinctions Between IPRs and District Court Patent Litigation*, FINNEGAN (Dec. 16, 2015), https://www.finnegan.com/en/insights/5-distinctions-between-iprs-and-district-court-patent-litigation.html.

80. *Id.*

81. *See* Phillips v. AWH Corp., 415 F.3d 1303, 1311–19 (Fed. Cir. 2005) (en banc) (articulating the standard used for claim construction in the district courts).

82. 37 C.F.R. § 42.100(b) (2016).

must have standing.[83]

The next difference between IPRs and district court litigation lies in the procedures. In IPRs, patent owners can move to amend claims, unlike district court litigation, where the claims are set in stone.[84] By statute, IPRs must be completed within one year of institution.[85] By contrast, depending on case schedules, it may take up to two years to get to trial in district court.[86] Additionally, settlement can occur at any time during the course of district court litigation.[87] At that time, the action will be dismissed.[88] In contrast, while the PTAB encourages settlement, they do not have mediation or alternative dispute resolution procedures.[89] In addition, even if the parties settle, the PTAB may still proceed to a final written decision if they believe it will benefit the public interest.[90]

Next, discovery procedures are very different between the two systems.[91] District courts allow broad discovery; it is generally available for any information that is reasonably believed to lead to admissible evidence.[92] Discovery at the PTAB is much more limited.[93] Routine discovery includes exhibits cited in a paper, information that is inconsistent with a position advanced by the party, and cross-examination of the declarants.[94] Outside of this routine discovery, however, the requester must show that the discovery is in the interest of justice for IPRs.[95] This is a very high burden for a requester to meet, resulting in the granting of discovery requests only in very limited situations.[96]

III. ANALYSIS

If the Director at the USPTO can assign PTAB judges to appeals in order to align the decision with their own objectives, what effects does this have? One problem with this scenario is that allowing the Director to stack the panels in their favor affects the due process rights of the patent applicants and patent owners. Secondly, if the USPTO is seeing such an influx of proceedings, especially IPRs, is this going to affect the substantive patent law, even though agency proceedings are not binding on the courts?

A. Due Process Rights in Patent Protection

The Fifth Amendment to the United States Constitution provides "no person shall . . .

83. Flibbert & Queler, *supra* note 79, § 1.
84. *Id.* at 2.
85. 35 U.S.C. § 316 (2011).
86. Flibbert & Queler, *supra* note 79, § 2.
87. *Id.*
88. *Id.*
89. *Id.*
90. *Id.*
91. Flibbert & Queler, *supra* note 79, § 3.
92. *Id.*
93. *Id.*
94. *Id.*
95. *Id.* ("To determine whether the requested additional discovery qualifies, the board considers several factors: (1) whether more than a possibility and mere allegation of finding something useful has been demonstrated; (2) whether the request is asking for the other party's litigation positions; (3) the ability to generate equivalent information by other means; (4) whether the request contains easily understandable instructions; and (5) whether the requests are overly burdensome to answer.").
96. Flibbert & Queler, *supra* note 79, at 3.

be deprived of life, liberty, or property, without due process of law."[97] The Supreme Court clarifies in *Bi-Metallic Inv. Co. v. State Bd. Of Equalization* that where "[a] relatively small number of people was concerned, who were exceptionally affected, in each case on individual grounds" there is a right to a hearing to comply with due process.[98]

1. How Due Process Concerns Arise in PTAB Proceedings

As previously described, expanded panels are sometimes used in the determination of PTAB decisions.[99] The statute that designates how the panel is formed "plainly and unambiguously requires that the Commissioner designate 'at least three' Board members to hear each appeal."[100] There is no evidence in the legislative history to suggest that Congress intended to restrict this power.[101] Thus, the court in *Alappat* concluded that the Commissioner has the authority to convene these expanded panels with any eligible members.[102] However, due process requires that the tribunal hearing an adjudication be free from bias.[103] This includes bias from prejudgment.[104] When the USPTO chooses panels based on the outcome it wants to see in the proceeding, there is bias due to prejudgment.

2. The Current State of Due Process Concerns in the Federal Circuit

The Federal Circuit has explicitly remained quiet on the issue of whether panel stacking violates due process. In *Alappat*, the Federal Circuit concluded that it need not determine whether due process rights were violated, because only the amicus briefs made this argument, not the original appellant, and the amicus did not have standing to assert this right.[105] Even when oral testimony openly and egregiously admits that the USPTO stacks panels to fit their desired outcomes, such as in *Yissum*,[106] the Federal Circuit does nothing more than affirm the USPTO decisions according to Rule 36, never addressing the issue of panel stacking.[107] Again, more recently, in *Nidec*, in a concurring opinion, Judge Dyk briefly discussed the possibility that panel stacking is inappropriate, but stated that the court need not decide the issue.[108] Judge Dyk's brief mention suggested that he would be willing to consider an argument on the subject, should the proper circumstance arise: "we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's

97. U.S. CONST. amend. V.

98. Bi-Metallic Inv. Co. v. State Bd. Of Equalization, 239 U.S. 441, 446 (1915).

99. *See supra* Part II.A.I. (describing scenarios where expanded panels are used).

100. *In re* Alappat, 33 F.3d 1526, 1532 (Fed. Cir. 1994), *abrogated on other grounds by In re* Bilski, 545 F.3d 943 (Fed. Cir. 2008).

101. *Id.*

102. *Id.*

103. Cinderella Career and Finishing Sch., Inc. v. FTC, 425 F.2d 583, 591 (D.C. Cir. 1970). Friendly, *supra* note 2, at 1279.

104. *Id.*

105. *In re Alappat*, 33 F.3d at 1536.

106. *Assigning Judges to PTAB Panels*, *supra* note 3.

107. Yissum Research Dev. Co. of the Hebrew Univ. of Jerusalem v. Sony Corp., 626 F. App'x. 1006, 1007 (Fed. Cir. 2015).

108. Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co., 868 F.3d 1013, 1019 (Fed. Cir. 2017) (Dyk, J., concurring).

earlier decision is the appropriate mechanism of achieving the desired uniformity."[109] However, until such a circumstance arises, the court remains silent on the issue.

3. Litigant Arguments the Federal Circuit Chooses to Ignore

a. Comparing USPTO Panel Stacking to Other Contexts

Even though the Federal Circuit has declined to address the issue, there have been arguments made regarding the problem of panel stacking. The amicus arguments in *Alappat* assert that stacking PTAB panels violates due process. The amicus curiae compared the situation in *Alappat* to *Utica Packing*.[110] The court in *Utica Packing* held that it was a due process violation for the Secretary of Agriculture to replace an officer conducting an agency adjudication after a final decision had been made, which the Secretary disagreed with, and then petition the officer's replacement for reconsideration of the issue.[111]

This is very similar to the USPTO's practice of panel stacking. Just as the Secretary of Agriculture could replace an adjudicating officer, the Chief Judge, on behalf of the director, may act to expand a panel.[112] Similar to the Secretary's request for rehearing, the Chief Judge can mandate that the expanded panel rehear a case on the merits.[113] One difference between the two cases is that the Secretary of Agriculture was able to completely remove the adjudicating officer, whereas an expanded panel at the USPTO generally involves retaining the judges who were on the original panel within the expanded panel, if the judges are available.[114] However, this is unlikely to make a practical difference. The judges assigned to the panel are chosen by the Chief Judge, and the Chief Judge may designate a panel consisting of any number of judges to decide a case.[115] Functionally, the Chief Judge can expand the panel with enough judges to from a majority that dictates the outcome of the panel.

If the court in *Utica Packing* found a due process violation, surely the comparison to USPTO panel stacking would require the same outcome. The functions are so similar that "[w]ith regard to judicial decisionmaking, whether by court or agency, the appearance of bias or pressure may be no less objectionable than the reality."[116]

b. The Board Should Be Considered an Alter Ego of the Director

The amicus curiae in *Alappat* also suggested that the Board was merely acting as an alter ego or agent to the Commissioner.[117] The court disagreed, holding that even though

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109. *Id.*

110. *See In re Alappat*, 33 F.3d at 1536 (stating "Amicus Curiae FCBA suggests that the Commissioner's redesignation practices in this case violated Alappat's due process rights.") (citing Utica Packing Co. v. Block, 781 F.2d 71 (6th Cir. 1986)).

111. *Utica Packing Co*., 781 F.2d at 78.

112. USPTO, STANDARD OPERATING PROCEDURE, *supra* note 26, at 4.

113. *Id.*

114. *Id.*

115. *Id.* at 4–5.

116. *Utica Packing Co.*, 781 F.2d at 78 (quoting D.C. Fed'n of Civic Ass'ns v. Volpe, 459 F.2d 1231, 1246–47 (D.C. Cir. 1971).

117. *See In re* Alappat, 33 F.3d 1526, 1535 (Fed. Cir. 1994) *abrogated on other grounds by In re* Bilski, 545 F.3d 943 (Fed. Cir. 2008) ("Contrary to suggestions by Amicus Curiae . . . the Board is not the alter ego or agent

the Commissioner can determine the composition of the panels, and appeared to have done so in that case, this does not make the Board an alter ego of the Commissioner.[118] The court goes on to say that the power of the Commissioner is limited in these circumstances because the Commissioner cannot unilaterally overturn a decision of a panel or instruct other members how to vote.[119] Furthermore, the court states that Congress did not intend the Board to have complete independence.[120]

The general test for determining alter ego in the corporate context is that (1) there must be such unity of interest between the corporation [or in this case the Board] and the individual that separate personalities no longer exist and (2) circumstances of such adherence to fiction of separate existence would promote injustice.[121] Both of these elements are met in regard to panel stacking at the USPTO.

In *Alappat*, the court made the point that when the Commissioner sits on the Board, "in that capacity he serves as any other member."[122] Although this may be true in the sense that the Commissioner has only one vote and cannot instruct others how to vote,[123] the court should consider the Commissioner's role before he takes his place as part of a panel. When the Commissioner chooses the panel, he selects judges in a way to dictate the outcome of the decision. Although this is one step removed from absolute, unilateral control over the decision, there is a strong unity of interest when the Commissioner hand picks the board specifically based on how the Commissioner knows the Board members will decide. This hand selection eliminates any separation of personality between the board and the Commissioner, thereby meeting the first element of the test.

The second element of this test is also surely met because of the greater due process concerns of panel stacking. As discussed in the next section, due process rights are a foundational belief within American government. Allowing the violation of due process rights is a sure promotion of injustice.

4. Foundational Beliefs in an Unbiased Adjudication

The Fifth Amendment is the basis for federal due process in the U.S. Constitution: "No person shall . . . be deprived of life, liberty, or property, without due process of law."[124] At the center of due process rights are the rights to notice and a hearing.[125] Implicit in these rights is the right to appear before a neutral judge or arbiter.[126] Specifically, in the context of administrative law, Judge Friendly notes one of the "necessary elements" of a fair administrative hearing is an unbiased tribunal.[127] However, when a Commissioner selects a panel to determine a case how he or she sees fit, this is hardly an unbiased tribunal.

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of the Commissioner.").

118. *Id.*

119. *Id.*

120. *Id.* at 1536.

121. Sea-Land Serv., Inc. v. Pepper Source, 941 F.2d 519, 520 (7th Cir. 1991).

122. *In re* Alappat, 33 F.3d 1526, 1535 (Fed. Cir. 1994) *abrogated on other grounds by In re* Bilski, 545 F.3d 943 (Fed. Cir. 2008) (quoting Animal Legal Def. Fund v. Quigg, 932 F.2d 920, 939 n.10 (Fed.Cir. 1991)).

123. *Id.*

124. U.S. CONST. amend. V.

125. *What is Procedural Due Process?*, ROTTENSTEIN LAW GRP., LLP, http://www.rotlaw.com/legal-library/what-is-procedural-due-process/ (last visited Sept. 16, 2018).

126. *Id.*

127. Friendly, *supra* note 2, at 1279.

If the members of the panel are selected because the Commissioner knows that they will decide one way or another, the panel is stacked, and this goes against the requirement for due process of law in the deprivation of property.

B. Potential Effect on Substantive Patent Law

The Supreme Court has never definitively approved the making of prospective general rules in an adjudicatory process.[128] With case law continuing to show substantial deference to PTAB final decisions,[129] however, there are potential effects on substantive patent law.

Most final decisions by the PTAB can be appealed to the U.S. Court of Appeals for the Federal Circuit.[130] Judicial review of administrative proceedings was greatly affected by the deferential standard set out in *Chevron*.[131] In *Chevron*, the Supreme Court held that unless Congress has directly spoken to the precise issue in question, courts should defer to agencies on questions of statutory interpretation as long as the agency arrived at a reasonable or permissible construction of the statute.[132] Further contributing to the problem is the Federal Circuit's ability to enter judgment without opinion.[133] The court gives no reasoning behind the judgment in these so-called "rule 36" decisions. Because of this court rule, there is no way to know what level of deference the court is applying. As one commentator stated, deciding a case without any opinion "rubs many the wrong way,"[134] especially when considering that nearly 50% of appeals from the PTAB are disposed of in this way.[135]

When the Federal Circuit decides these cases giving deference to the agency, how does that affect the view of the district courts? Due to the vast number of cases coming out of the patent office, the law will continue to develop in this area over the next few years. Although the district court system is separate from administrative proceedings, the sheer number of decisions emanating from the PTAB is likely to make some impact, though it is unclear how substantial it will be.

C. Why Arguments for Allowing Panel Stacking Don't Stack Up

The patent office believes its panel stacking practice should continue, arguing that it is an important way to ensure the Director's policy decisions are "enforced by the panel[]."[136] Two important goals that the America Invents Act set out to meet were "[r]educing litigation" and "[i]ncreasing patent quality."[137] Post-grant proceedings, such

128. *See* N.L.R.B. v. Bell Aerospace Co., 416 U.S. 267, 294 (1974) (showing Court specifically disavowed deciding this issue).

129. Rachel L. Emsley et al., *Lessons Learned from Appeals of PTAB Decisions*, FINNEGAN LLP (March/April 2017), https://www.finnegan.com/en/insights/lessons-learned-from-appeals-of-ptab-decisions.html?news=815c77cb-0fda-4232-adaf-fec71e752f27.

130. 35 U.S.C. § 141 (2012).

131. Chevron U.S.A., Inc. v. Nat. Res. Def. Council, 467 U.S. 837, 843 (1984).

132. *Id.* at 837–38.

133. FED. CIR. R. 36.

134. Gene Quinn, *Rule 36 Judgment: The Growing Problem of One Word Affirmance* [sic] *by the Federal Circuit*, IPWATCHDOG (Aug. 22, 2016), http://www.ipwatchdog.com/2016/08/22/rule-36-judgment/id=72108/.

135. *Id.*

136. *Assigning Judges to PTAB Panels*, *supra* note 3.

137. Press Release, White House, Office of Press Sec'y, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Step to Help Entrepreneurs

as IPRs, help meet both of these goals, by reducing litigation in the district courts, and allowing the patent office—experts in the field—to ensure the quality of previously issued patents. But this does not answer for the fact that due process is being violated within the system.

The courts have developed several doctrines that can be applied when there is a concern that a decision-maker lacks neutrality: bias due to pecuniary interest,[138] bias due to lack of independence,[139] bias due to a relationship with a party,[140] and pre-judgment.[141] Only a slight extension of the pre-judgment doctrine is required to see that the process of selecting expanded panels at the USPTO violates due process.

In typical pre-judgment cases, there is a public display of disapproval of a single adjudicator that is set to preside over the case.[142] This adjudicator then directly decides the case.

The situation at the USPTO varies only slightly from this. Because the situation is only slightly different, the courts should extend this doctrine so that the USPTO expanded panel selection process falls into the pre-judgment category. When the commissioner hand-selects judges based on how they typically decide cases, admittedly an element of decision-making is still in the process. The individual selectees must listen and hear the case. However, intentionally stacking the odds against the patent owner still introduces bias. The traditional notion is that an *unbiased* tribunal should decide disputes. If the odds are stacked, the tribunal is biased. If the tribunal is biased, due process is violated.

IV. RECOMMENDATION

The process for assigning members to expanded panels should mirror the process for assignment of cases to federal judges. Although courts have varying methods for assigning cases, "the majority of courts use some variation of a random drawing."[143] Random assignment is the only way to ensure that the USPTO is not selecting patent law judges based on how the judges are expected to vote. A simple way of doing this would be to assign cases, in order, to each available judge.

A question arises as to whether it is beneficial to the administrative agency to have patent law judges work with cases in their area of expertise. It is reasonable to assume that agency efficiency is best served when the adjudicator is readily familiar with the field of invention. Unlike adjudications in federal courts, agency adjudications are meant to be less

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Create Jobs (Sept. 16, 2011), https://obamawhitehouse.archives.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim.

138. *See* Tumey v. Ohio, 273 U.S. 510, 532–35 (1927) (holding that due process was violated where the official adjudicating certain criminal cases was allowed to keep a portion of the fines assessed).

139. *See* Assoc. of Admin. Law Judges v. Heckler, 594 F. Supp. 1132, 1143 (D.D.C. 1984) (holding that review of administrative law judges based on allowance rates was improper because it put pressure on the judges to decide a certain way).

140. *See* Cheney v. U.S. Dist. Court. 542 U.S. 367 (2004) (noting a relationship between the decision maker and the one of the parties may constitute bias).

141. Cinderella Career and Finishing Sch., Inc. v. FTC, 425 F.2d. 583, 590–92 (D.C. Cir. 1970) (finding pre-judgment occurs when it appears that a decisionmaker in an adjudication has adjudged the case before hearing it).

142. *Id.*

143. *FAQs: Filing a Case*, U.S. COURTS, http://www.uscourts.gov/faqs-filing-case#faq-How-are-judges-assigned-to-cases? (last visited Sept. 13, 2018).

of an ordeal. Every bit of efficiency is helpful to both the parties and the judge. However, even if we do want to take into account the specialties of the patent law judges, it should be done so in a way that allows for random assignment within these specialty areas.

A solution to the potential problem of how to efficiently classify cases for assignment to judges already exists. When patent applications are filed, they are classified based on an extensive art unit numbering system.[144] Patent Examiners are assigned to an art group, and they examine those patents which are sorted into their group. A similar system could easily be applied to the patent law judges. When a new judge is appointed, the USPTO should determine which classes of art that judge is able to hear. This classification would need to occur when the judge begins work at the USPTO; otherwise, similar issues to those that currently exist may arise.

Once the USPTO has identified which classes of cases the judge can hear, the judge should be worked into the random rotation as described above. When a case requires an expanded panel, all available judges in the art group should be identified, and the panel should be selected, in order, based on the last case assigned.

However, this process may not even be necessary. Patent law judges are already specialized in patent law. That is likely sufficient to satisfy efficiency demands at the agency. District courts can hear patent cases, and their judges generally are not scientists or patent lawyers. This does decrease the efficiency of the court, which we are trying to avoid in administrative adjudication, but patent law judges at the USPTO likely only need to specialize in patent law to make efficient, correct decisions.

Whether or not we need additional expertise beyond "patent" specialization for patent law judges, the process for selection of the expanded panels needs to be unbiased. Choosing panels based on a desire that the case be decided in a certain way is a clear violation of due process and cannot be allowed to continue.

V. CONCLUSION

The courts cannot allow panel stacking at the USPTO to continue. Panel stacking violates a patent owner's right to due process. The USPTO should select panels in a way that randomizes the allocation of available patent judges to ensure that the patent proceedings take place before unbiased tribunals. This will minimize the disparity between patent proceedings in the district courts and patent proceedings at the USPTO. If the USPTO is going to adjudicate matters, it must provide the same protections as the district court. This includes due process. For these reasons, the courts should require the USPTO to discontinue panel stacking.

144. *Patent Classification: Classes Arranged by Art Unit*, USPTO https://www.uspto.gov/patents-application-process/patent-search/understanding-patent-classifications/patent-classification (last modified Oct. 2. 4, 2018).