

# WORKING WITHOUT *CHEVRON*: THE PTO AS PRIME MOVER

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## ABSTRACT

*Through a proliferation of post-issuance administrative proceedings, the U.S. Patent and Trademark Office (PTO) has become a major player in the fate of patents after their initial examination and grant. In combination with the PTO's more traditional roles in initial examination and general guidance, new post-issuance proceedings enable the PTO to help steer the development of substantive patent law even without general provision of high-level Chevron deference for the agency's interpretations of substantive aspects of the U.S. Patent Act. Contrary to some commentators' suggestions, congressional authorization for new post-issuance proceedings does not appear to have included an implicit delegation of interpretive authority generally warranting Chevron deference on such matters. But the PTO can still accomplish much with lower-level deference and the advantages that its common "first mover" position provides.*

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## INTRODUCTION

From a relatively modest Jacksonian agency with limited responsibilities after the initial examination and granting of patent applications,<sup>1</sup> the U.S. Patent and Trademark Office (PTO) has emerged as an adjudicatory forum that competes with courts in reviewing the validity of original patent grants.<sup>2</sup> Through a proliferation of post-issuance proceedings, the constitution of a new Patent Trial and Appeal Board (PTAB) to preside over such proceedings, and new statutory provisions on these proceedings and their interactions with district court proceedings,<sup>3</sup> the agency has obtained an expanded capacity to have both the first and last word on important questions of patentability and patent validity.<sup>4</sup> These capacities include the PTO's controversial ability to effectively void outstanding district court judgments by canceling previously issued

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1. John F. Duffy, *The FCC and the Patent System: Progressive Ideals, Jacksonian Realism, and the Technology of Regulation*, 71 U. COLO. L. REV. 1071, 1134 (2000) (noting that, under the 1836 Patent Act, "the Patent Office was given no power to issue substantive regulations—a limitation that continues to have significant legal implications").

2. See Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 610, 631 (2012) ("Supported by financial reforms, the America Invents Act drastically expands the USPTO's set of tools for reviewing the validity of patents.").

3. See *infra* text accompanying notes 49–52 and 210–17.

4. Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 276 (2015).

patent claims.<sup>5</sup> Nonetheless, Article III courts have so far retained their traditional roles as the primary fora for patent-infringement disputes and as the primary expositors of substantive patent law. In particular, courts have not yet recognized a general basis for according high-level *Chevron* deference to the PTO's interpretations of substantive provisions of the U.S. Patent Act.<sup>6</sup> The PTO's status in this regard renders it a relatively weak administrative agency by modern standards, having less responsibility for determining the meaning of its organic statute than many other federal agencies.<sup>7</sup> Further, this status apparently persists despite recent legal developments. Contrary to recent arguments by some commentators, this Article contends that recent additions to the Patent Act are unlikely to change courts' perception of the level of PTO interpretive authority. But through new post-issuance proceedings, the PTO might have a greater entitlement to lower-level *Skidmore* deference, a form of deference under which courts are to accord positive weight to an agency's interpretation in accordance with factors such as the quality

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5. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1332 (Fed. Cir. 2013) (holding that cancellation of asserted patent claims in USPTO reexamination eliminated the patentee's cause of action in an infringement suit that "remain[ed] pending" on appeal despite the fact that the district court and U.S. Court of Appeals for the Federal Circuit had already upheld the asserted claims against challenges of invalidity); *id.* at 1347 (Newman, J., dissenting) (contending that the Federal Circuit majority's holding enables the USPTO "to override and void the final judgment of a federal Article III Court of Appeals" and thereby "violates the constitutional plan"); see also *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 733 F.3d 1369, 1373 (Fed. Cir. 2013) (en banc) (O'Malley, J., dissenting) (contending that, where no court "could disturb [the patentee's adjudicated] entitlement to damages for infringement," "[u]nder no reasonable application of the law . . . could the PTO's actions eradicate that judgment"); Shashank Upadhye & Adam Sussman, *A Real Separation of Powers or Separation of Law: Can an Article I Administrative Agency Nullify an Article III Federal Court Judgment?*, 25 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1, 17 (2014) (noting the "tone of offense . . . in the *Fresenius* dissent" at "the concept that . . . when the PTO nullified the patent, the PTO said the court should do so too").

6. See, e.g., *Brand v. Miller*, 487 F.3d 862, 869 n.3 (Fed. Cir. 2007) (noting the Federal Circuit's position "that the [PTO's] Board [of Patent Appeals and Interferences] does not earn *Chevron* deference on questions of substantive patent law"); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (holding that the PTO Commissioner's "Final Determination" of a question of statutory interpretation was not eligible for *Chevron* deference "[b]ecause Congress has not vested the Commissioner with any general substantive rulemaking power").

7. John M. Golden, *The USPTO's Soft Power: Who Needs Chevron Deference?*, 66 *SMU L. REV.* 541, 541-42 (2013) [hereinafter Golden, *USPTO's Soft Power*] (noting that, unlike many federal administrative agencies, the PTO lacks a recognized entitlement to "high-level [Chevron] deference for its interpretation of substantive aspects of the Patent Act").

of the agency's deliberations and reasoning.<sup>8</sup> The PTO can and should exploit such deference and its common "first mover" advantage to help steer the development of patent law's substance and process toward a more stable and pragmatically balanced future.<sup>9</sup>

This Article proceeds as follows. Part I discusses the PTO's growth and the PTAB's nature and early impacts. Part II highlights limitations on PTO authority, particularly the PTO's apparently continuing absence of a general grant of *Chevron*-level interpretive authority on questions of substantive patent law. In this vein, Part II counters other commentators' contentions that new statutory provisions for PTO proceedings in the 2011 Leahy-Smith America Invents Act (AIA)<sup>10</sup> mean that, when issued through new post-issuance proceedings, PTAB decisions on the meaning of substantive provisions of the Patent Act have a general entitlement to *Chevron* deference. Part III points out that, even without a new claim to *Chevron* deference, the PTO can benefit from a stronger claim to *Skidmore* deference. The PTO can use *Skidmore* deference and its first-mover advantages to contribute substantially to the development of patent law. The Conclusion suggests that the PTO's diligent use of such existing capacities might be more fruitful than efforts to expand the PTO's interpretive authority.

## I. NOT THE 1970S' PTO

The past four decades have featured dramatic institutional developments in U.S. patent law. The Article III judiciary has starred in a number of these, including, (1) the emergence of the U.S. Court of Appeals for the Federal Circuit as the primary, day-to-day judicial expositor of patent law;<sup>11</sup> (2) the U.S. Supreme Court's temporary

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8. *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (describing factors that give an agency's judgment "power to persuade"); see also Golden, *USPTO's Soft Power*, *supra* note 7, at 548–49 (discussing *Skidmore* deference).

9. Cf. Sarah Tran, *Policy Tailors and the Patent Office*, 46 U.C. DAVIS L. REV. 487, 495 (2012) (contending that "giving the USPTO more opportunities to engage in policymaking could enable the USPTO to produce economies of scale for the patent system and help create better tailored innovation policy").

10. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.) [hereinafter AIA].

11. See, e.g., Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 788–89 (2008) (discussing the Federal Circuit's performance during its first quarter century); Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 4 (1989) (examining the Federal Circuit's performance during the first several years of its existence).

withdrawal from and subsequent return to being a regular active player in substantive patent law;<sup>12</sup> and (3) the rise of jurisdictions, such as the Eastern District of Texas and District of Delaware, as favorite fora for patent disputes.<sup>13</sup> The PTO's growth into an agency with a multibillion-dollar annual budget,<sup>14</sup> over ten thousand employees,<sup>15</sup> and a raft of post-issuance proceedings<sup>16</sup> has been similarly remarkable, however, and might presage a significant rebalancing of power between the PTO and Article III courts.<sup>17</sup>

The PTAB appears likely to be at the center of any immediate rebalancing of power between the PTO and the courts. The PTAB's central position in this regard stems, in part, from the sheer volume of work that it has assumed as successor to the PTO's prior internal adjudicatory board, the Board of Patent Appeals and Interferences (BPAI).<sup>18</sup> But the PTAB's prominence reflects two additional factors.

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12. See, e.g., John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 283 (noting that, starting in “the mid-1990s,” the Supreme “Court began exercising its certiorari power more frequently in Federal Circuit patent cases”); John M. Golden, *The Supreme Court as “Prime Perculator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 658 (2009) [hereinafter Golden, *Prime Perculator*] (observing that “the Supreme Court ha[d], in the past six years, asserted its dominion over patent law with frequency and force”); Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. REV. 387, 387 (“The Supreme Court has rendered itself well nigh invisible in modern substantive patent law.”).

13. See, e.g., J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 631 (2015) (“There are ninety-four federal district courts in the United States, but nearly half of the six thousand patent cases filed in 2013 were filed in just two of those courts: the District of Delaware and the Eastern District of Texas.”); Daniel M. Klerman & Greg Reilly, *Forum Selling*, 32 (USC CLASS Research Paper No. 14-35; USC Law Legal Studies Research Paper No. 14-44, 2015), <http://ssrn.com/abstract=2538857> [<https://perma.cc/TJ8T-JW3Q>] (observing that “Delaware is the only district that approaches east Texas in its share of patent litigation and the only other district whose share has increased significantly in recent years”); Matthew Sag, *IP Litigation in United States District Courts: 1994 to 2014*, 101 IOWA L. REV. (forthcoming 2016) (manuscript at 39), <http://ssrn.com/abstract=2570803> [<http://perma.cc/YV4Z-VYBS>] (commenting that “[t]he Eastern District of Texas has gone to great lengths to bend almost every procedural aspect of patent litigation in favor of plaintiffs” and that “[t]he District of Delaware has gone down the same path, but not quite as far”).

14. Golden, *USPTO's Soft Power*, *supra* note 7, at 541 (reporting that, in fiscal year 2012, the USPTO “had about \$2.3 billion in program costs”).

15. *Id.* (reporting that, in fiscal year 2012, “the USPTO employed over 11,000 people, including nearly 8,000 patent examiners”).

16. Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 881 (2015) (chronicling the emergence of multiple mechanisms “for post-issuance review of U.S. patents” since 1980).

17. Tran, *supra* note 2, at 613 (contending that “a number of the USPTO's new powers conflict irreconcilably with the Federal Circuit's traditional view of USPTO authority”).

18. Michael Wagner, *An Introduction to Administrative Patent Judges at the Patent Trial and Appeal Board*, 62 FED. LAW. 36, 36 (May 2015).

First, there is the eye-catching nature of its initial, relatively anti-patentee, rounds of decisionmaking, which caught the attention of the patent community. Second, there is the possibility that at least an important subset of PTAB decisions on questions of law will receive significant deference from the courts. As discussed in Part III, such deference could result, for example, when the PTAB has interpreted PTO regulations. Further, even if Part II is correct in contending that courts are unlikely to recognize a general entitlement to *Chevron* deference for PTAB interpretations of substantive provisions of the Patent Act, significant deference toward these PTAB interpretations could result from the application of *Skidmore* deference in light of the relatively formal nature of *inter partes* PTAB proceedings,<sup>19</sup> which are “*inter partes*” in the sense that they enable the continuous involvement of an opposing private party who actively contests a patentee’s contentions of patentability.<sup>20</sup>

This Part proceeds by (1) providing a primer on the PTO and the PTAB, (2) discussing the PTAB’s growth and impressive caseload, and (3) discussing some of the early results of PTAB decisionmaking.

#### A. *Primer on the PTO and the PTAB*

The PTO is a division of the Department of Commerce<sup>21</sup> that has two basic statutory responsibilities: (1) “the granting and issuing of patents and the registration of trademarks” and (2) “disseminating to the public information with respect to patents and trademarks.”<sup>22</sup> By statute, the PTO has independent “responsibility for decisions regarding [its] management and administration” but is “subject to the policy direction of the Secretary of Commerce.”<sup>23</sup> The Patent Act vests the PTO’s “powers and duties . . . in an Under Secretary of Commerce for Intellectual Property” who bears the title of PTO Director and is “responsible for providing policy direction and

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19. See *infra* text accompanying notes 180–82.

20. See Tran, *supra* note 2, at 631 (describing post-grant review as “provid[ing] third parties with an opportunity to challenge the validity of claims in a recently-issued patent on any ground relating to the statutory requirements of patentability”); *id.* at 633 (“After a post-grant review terminates or the window in which such a review could have been instituted passes, third parties may petition for *inter partes* review . . .”).

21. 35 U.S.C. § 1(a) (2012) (“The United States Patent and Trademark Office is established as an agency of the United States, within the Department of Commerce.”).

22. *Id.* § 2(a).

23. *Id.* § 1(a).

management supervision for the Office.”<sup>24</sup> The President appoints the Director “by and with the advice and consent of the Senate.”<sup>25</sup> Power to remove the Director is also vested in the President.<sup>26</sup>

The PTAB is a body of administrative judges within the PTO that handles a variety of PTO appeal-and-review proceedings. By statute, the PTAB’s membership consists of the PTO’s Director and Deputy Director, the Commissioners for Patents and for Trademarks, and administrative patent judges.<sup>27</sup> Under the Patent Act, the Secretary of Commerce appoints the Deputy Director “upon nomination by the Director,”<sup>28</sup> appoints the Commissioners without a statutory requirement of Director nomination,<sup>29</sup> and appoints the administrative patent judges “in consultation with the Director.”<sup>30</sup> The Director has the power to “fix the rate of basic pay for the administrative patent judges.”<sup>31</sup> The Patent Act requires that PTAB judges sit to hear proceedings in panels of “at least 3 members . . . designated by the Director.”<sup>32</sup> In a case decided specifically with respect to the BPAI but with reasoning that apparently extends to the PTAB, the Federal Circuit held that, although the Board is no mere alter ego of the Director and the head of the PTO “may not control the way any individual member of [a] panel votes,” the head of the PTO may designate a panel to rehear a case and, at least as far as the Patent Act (as understood by the Federal Circuit) is concerned, may “convene [a] panel which he knows or hopes will render the decision he desires.”<sup>33</sup> Because the neutrality of a panel selected to produce a particular result might be questioned,<sup>34</sup> constitutional constraints of

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24. *Id.* § 3(a).

25. *Id.*

26. *Id.* § 3(a)(4) (“The Director may be removed from office by the President.”).

27. *Id.* § 6(a) (describing the constitution of the PTAB).

28. *Id.* § 3(b)(1).

29. *Id.* § 3(b)(2)(A).

30. *Id.* § 6(a).

31. *Id.* § 3(b)(6).

32. *Id.* § 6(c).

33. *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc), *abrogated in irrelevant part by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), *abrogated in irrelevant part by Bilski v. Kappos*, 561 U.S. 593 (2010); *see also* John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 77 GEO. WASH. L. REV. 904, 908 (2009) (observing that BPAI members “are not mere ‘alter ego[s] or agent[s]’ of the PTO Director” (quoting *Alappat*, 33 F.3d at 1535)).

34. *See* RICHARD J. PIERCE, SIDNEY SHAPIRO & PAUL VERKUIL, *ADMINISTRATIVE LAW AND PROCESS* § 9.2.1, at 492 (5th ed. 2009) (noting that due process requirements are violated “where an administrator can be shown to have pre-judged the issues that will be litigated during a hearing”).

due process, which the Federal Circuit explicitly declined to address in its prior decision,<sup>35</sup> might limit that directorial power over rehearings so that this power is in fact narrower than the statute facially allows.<sup>36</sup>

Consistent with its name, “Patent Trial and Appeal Board,” the PTAB is charged with hearing and deciding a diverse array of matters: (1) appeals from “adverse decisions of examiners” in the original examination of patent applications;<sup>37</sup> (2) appeals of reexaminations of issued patents;<sup>38</sup> (3) disputes over whether a patent applicant derived the invention from another<sup>39</sup> or was the first

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35. *Alappat*, 33 F.3d at 1536 (acknowledging a due process challenge to “the Commissioner’s redesignation practices” raised by an amicus curiae but holding that, as a result of the relevant party’s waiver, due process questions were not eligible for the court’s review).

36. *Cf.* *Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 884 (2009) (“We conclude that there is a serious risk of actual bias—based on objective and reasonable perceptions—when a person with a personal stake in a particular case had a significant and disproportionate influence in placing the judge on the case . . . .”); Duffy, *supra* note 33, at 908 (“Re-adjudication by the PTO Director would also, at least with respect to individual factual issues, raise difficult issues of due process.”). The Patent Act mandates that, “if on . . . examination it appears that the applicant [for a patent] is entitled to a patent under the law, the Director shall issue a patent therefor.” 35 U.S.C. § 131 (2012). The indicated entitlement to a patent is reinforced by a provision for “remedy by civil action against the Director in the United States District court of the Eastern District of Virginia,” in which “[t]he court may adjudge that such applicant is entitled to receive a patent.” *Id.* § 145. In light of the prevailing entitlement test for the existence of a property interest protected by a constitutional requirement of due process, *see* LAURENCE H. TRIBE, *AMERICAN CONSTITUTIONAL LAW* § 10-9, at 686 (2d ed. 1988) (discussing the courts’ recognition of due process protection for “statutory entitlements” “founded neither on constitutional nor on common law claims of right but only on a state-fostered (and hence justifiable) expectation”), it is unsurprising that the Federal Circuit and its patent-law predecessor court, the Court of Customs and Patent Appeals, have treated due process requirements as applying to pre-issuance examination of patents, *see, e.g., In re Steed*, 802 F.3d 1311, 1321 (Fed. Cir. 2015) (sustaining PTO rejections of patent claims against a due process challenge not because there was no due process requirement, but instead because the PTO appeared to provide constitutionally adequate process); *In re Baxter*, 656 F.2d 679, 687 (Fed. Cir. 1981) (finding a “clear infringement of Baxter’s procedural due process rights” in the PTO’s rejection of certain patent claims), as well as post-issuance proceedings to cancel patent claims, *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 598–99 (Fed. Cir. 1985) (holding that “[i]t is beyond reasonable debate that patents are property” protected by the Fifth Amendment’s Due Process Clause”). *See generally* *Cushman v. Shinseki*, 576 F.3d 1290, 1298 (Fed. Cir. 2009) (holding that, as “[v]eteran’s disability benefits are nondiscretionary, statutorily mandated benefits,” “entitlement to [them] is a property interest protected by the Due Process Clause”); *Kapps v. Wing*, 404 F.3d 105, 116 (2d Cir. 2005) (“Statutory language may so specifically mandate benefits awards upon demonstration of certain qualifications that an applicant must fairly be recognized to have a limited property interest entitling him, at least, to process sufficient to permit a demonstration of eligibility.”).

37. 35 U.S.C. § 6(b)(1).

38. *Id.* § 6(b)(2) (providing for PTAB review of “appeals of reexaminations”).

39. *Id.* § 6(b)(3) (providing for PTAB conduct of “derivation proceedings”).

inventor;<sup>40</sup> and (4) *inter partes* post-issuance challenges to the validity of issued patent claims, including *inter partes* reviews,<sup>41</sup> post-grant reviews,<sup>42</sup> and covered business method reviews.<sup>43</sup> Like PTO proceedings in general,<sup>44</sup> PTAB proceedings commonly focus on whether statutory requirements for patentability are met by specific patent claims,<sup>45</sup> which are the numbered clauses in a patent application or issued patent that serve as the primary indicators of the scope of technologies subject, or intended to be subject, to rights of exclusion.<sup>46</sup> Claims in a patent application that fail to meet statutory requirements for patentability are subject to rejection.<sup>47</sup> Claims in an issued patent that fail to meet statutory requirements for patentability are subject to cancellation.<sup>48</sup>

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40. *See id.* § 6(a) (“Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.”); *id.* § 135(a) (providing, pre-AIA, for the Board of Patent Appeals and Interferences to “determine questions of priority”).

41. *Id.* § 6(b)(4) (providing for PTAB conduct of “inter partes reviews”); *id.* § 311(b) (“A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”).

42. *Id.* § 6(b)(4) (providing for PTAB conduct of “post-grant reviews”); *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).”).

43. AIA § 18(a) (providing for “a transitional post-grant review proceeding for review of the validity of covered business method patents” using “the standards and procedures of[] a post-grant review”).

44. *See* Jay Erstling, *Patent Law and the Duty of Candor: Rethinking the Limits of Disclosure*, 44 CREIGHTON L. REV. 329, 333 (2011) (“The job of the PTO and of a patent examiner within the office is to examine each claim in an application to determine whether the claim meets the requirements of patentability set forth in the Patent Act . . .”).

45. Eleanor M. Yost & Stephen T. Schreiner, *Patent Trial and Appeal Board Trials Overhaul Patent Strategies*, in ASPATORE THOUGHT LEADERSHIP, INTELLECTUAL PROPERTY LAW 2015, at 77, 78 (2015) (describing PTAB proceedings as involving “rulings regarding institution of trials, discovery matters, and ultimately, the patentability of claims”).

46. *See* John M. Golden, *Construing Patent Claims According to Their “Interpretive Community”: A Call for an Attorney-Plus-Artisan Perspective*, 21 HARV. J.L. & TECH. 321, 322 (2008) (“Claims—numbered clauses at the end of a patent—are meant to provide notice of what a patent covers . . .”).

47. *See* JANICE M. MUELLER, *PATENT LAW* 57 (4th ed. 2013) (“[T]he examiner may initially ‘allow’ (i.e., approve) certain of the applicant’s claims and reject others, or (relatively rarely) may allow all the claims, or (more typically) reject all the claims.”).

48. *See id.* at 421 (noting that a “Reexamination Certificate” issued at the end of a reexamination will “cancel any claim of the issued patent that is determined to be unpatentable”); *id.* at 432 (noting that a petitioner for *inter partes* review can ask the USPTO

The PTAB's powers and responsibilities are a substantial step-up from those of its predecessor, the BPAI. Derivation proceedings, *inter partes* reviews, post-grant reviews, and covered business method reviews are all creatures of the 2011 America Invents Act.<sup>49</sup> The AIA's provisions for *inter partes*, post-grant, and covered business method review notably empower the PTAB to conduct more trial-like proceedings than those previously conducted by the PTO.<sup>50</sup> Further, post-grant and covered business method reviews permit a broader range of potential validity challenges than were previously available in PTO post-issuance proceedings.<sup>51</sup> Thus, the PTAB's array of new proceedings naturally make the PTAB a forum for post-issuance validity challenges that competes more generally with the district courts than the pre-AIA BPAI.<sup>52</sup>

### B. *The PTAB's Growth and High Caseload*

In addition to the scope of validity issues that the PTAB may hear, the number of cases already under PTAB review attest to its

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“to cancel as unpatentable one or more claims of a patent”); *id.* at 435 (observing that the aim of a petitioner for post-grant review is to “persuad[e] the USPTO to cancel [a patent’s] claims”).

49. See Raymond A. Mercado, *Ensuring the Integrity of Administrative Challenges to Patents: Lessons from Reexamination*, 14 COLUM. SCI. & TECH. L. REV. 558, 561 n.6 (2013) (“With the passage of the America Invents Act, *inter partes* reexamination was repealed and replaced by three new administrative procedures for challenging patents: post-grant review, *inter partes* review, and the so-called ‘transitional program for covered business method patents,’ which follows roughly the same procedures as post-grant review.”); Tran, *supra* note 2, at 629–37 (discussing post-issuance proceedings under the AIA).

50. See, e.g., Andrei Iancu, Ben Haber & Elizabeth Iglesias, *Inter Partes Review Is the New Normal: What Has Been Lost? What Has Been Gained?*, 40 AIPLA Q.J. 539, 541 (2012) (“[T]he new IPR procedures, defined by both the AIA and the PTO’s rules, are more ‘trial-like’ than the PTO’s prior Reexam practice.”); Sarah Tran, *Policy Tailors and the Patent Office*, 46 U.C. DAVIS L. REV. 487, 493 (2012) (discussing PTO rulemaking authority relating to “its new and fortified trial-like proceedings, including derivation, post-grant review, and *inter partes* review proceedings”).

51. See John M. Golden, *Patent Privateers: Private Enforcement’s Historical Survivors*, 26 HARV. J.L. & TECH. 545, 613–14 (2013) [hereinafter Golden, *Patent Privateers*] (observing that, in 2011, Congress provided for “a new form of post-grant review in which third parties can challenge patentability on broader grounds than reexamination had made available”).

52. Compare 35 U.S.C. § 321(b) (2012) (“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).”), and AIA § 18(a) (providing for “review of the validity of covered business method patents” using “the standards and procedures of[] a post-grant review”), with 35 U.S.C. § 282(b) (identifying as a defense to a patent-infringement suit brought in district court the “[i]nvalidity of the patent or any claim in suit on any ground specified in part II [of the Patent Act] as a condition for patentability”).

substantial role in the post-AIA power structure of U.S. patent law. From mid-2014 through the third quarter of 2015, filings for *inter partes* post-issuance proceedings before the PTAB arrived at a rate of about 150 per month.<sup>53</sup> Hence, this single administrative body already has a case flow of petitions for *inter partes* review equaling nearly one-third of the flow of new patent cases into all the U.S. district courts.<sup>54</sup> Moreover, such *inter partes* case flow is only a fraction of the PTAB's overall caseload. The PTAB tends to resolve approximately ten thousand appeals each year in *ex parte* proceedings involving only the patent applicant or owner.<sup>55</sup> The demand for resolution of such *ex parte* appeals is relentless: as of September 2015, the PTAB faced a backlog of over twenty thousand pending *ex parte* appeals.<sup>56</sup>

Unsurprisingly, the PTO has hired PTAB judges at a rapid rate to try to meet the avalanche of incoming work. The BPAI had eighty-one judges in 2010,<sup>57</sup> the year before passage of the America Invents Act.<sup>58</sup> By August 2015, the PTAB had 235 members, almost triple the

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53. Brian J. Love, *Inter Partes Review as a Shield for Technology Purchasers: A Response to Gaia Bernstein's The Rise of the End-User in Patent Litigation*, 56 B.C. L. REV. 1075, 1079 (2015) (noting that there was "a full-blown explosion of [*inter partes* review] filings in 2014"); U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS 3 (Sept. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/W5ZL-ESZZ>] (showing graphs for numbers of petitions for *inter partes* review, covered business method review, and post-grant review filed in each month from February 2013 through September 2015).

54. See *Cases Filed by Year*, LEX MACHINA (Mar. 28, 2015) (on file with the author) (listing figures indicating that an average of about 460 patent cases were filed per month in U.S. district courts from 2012 through 2014).

55. See, e.g., U.S. PATENT & TRADEMARK OFFICE, FISCAL YEAR 2014 PATENT TRIAL & APPEAL BOARD RECEIPTS AND DISPOSITIONS BY TECHNOLOGY CENTERS: EX PARTE APPEALS (2014), <http://www.uspto.gov/sites/default/files/ip/boards/bpai/stats/receipts/fy2014-sep-e.pdf> [<http://perma.cc/8JQ4-DEVQ>].

56. U.S. PATENT & TRADEMARK OFFICE, SEPT. 2015 PATENT TRIAL AND APPEAL BOARD (PTAB) DATA, <http://www.uspto.gov/dashboards/patenttrialandappealboard/main.dashxml> [<https://perma.cc/7HSG-UHGE>] (listing 20,212 "Ex Parte Appeals" and 49 "Ex Parte Reexamination" appeals as pending before the PTAB).

57. U.S. PATENT & TRADEMARK OFFICE, PATENT PUBLIC ADVISORY COMMITTEE QUARTERLY MEETING: PATENT TRIAL AND APPEAL BOARD UPDATE 29 (Aug. 20, 2015), [http://www.uspto.gov/sites/default/files/documents/20150820\\_PPAC\\_PTAB\\_Update.pdf](http://www.uspto.gov/sites/default/files/documents/20150820_PPAC_PTAB_Update.pdf) [<https://perma.cc/8627-MBP8>] [hereinafter PTAB UPDATE (Aug. 2015)] (providing a graph indicating numbers of Board members in 2010, 2015, and select other years).

58. U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE L-9 (May 2014) (noting that the new provisions for the PTAB as a replacement for the BPAI became effective on September 16, 2012); see also Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 TEX. INTELL. PROP. L.J. 113, 114 (2015) (noting that, under the AIA, "the Patent Trial and Appeal[] Board (PTAB) succeeded the previous Board of Patent Appeals and Interferences (BPAI)").

BPAI's 2010 membership.<sup>59</sup> The size of the PTAB's membership has spurred evolution of its organizational hierarchy, which currently features not only a chief judge, but also a deputy chief judge, two vice chief judges, and lead administrative patent judges for each of twelve divisions overseen by one of the vice chief judges.<sup>60</sup>

### C. *Early Impacts of PTAB Decisionmaking*

Of course, the volume and substantive scope of PTAB proceedings might matter little if the PTAB generated no notable results. Given patent law's virtually constant need to adapt to new technologies and applicant tactics,<sup>61</sup> however, the PTAB will have trouble avoiding the front lines of many major legal developments. Indeed, the PTAB has already made a splash through its initial decisions. The results of the PTAB's first eighty written merits decisions in *inter partes* review were eye opening: Gregory Dolin reported that all patent claims at issue were canceled in fifty-two of the decisions and that more than 70 percent of claims at issue were stricken overall.<sup>62</sup> Such early results caught the attention of members of the patent community. Former Chief Judge Rader of the Federal Circuit described the PTAB panels as "death squads killing property rights" at an annual meeting of the American Intellectual Property Law Association.<sup>63</sup>

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59. PTAB UPDATE (Aug. 2015), *supra* note 57, at 34.

60. U.S. PATENT & TRADEMARK OFFICE, ORGANIZATIONAL STRUCTURE AND ADMINISTRATION OF THE PATENT TRIAL AND APPEAL BOARD (2015), <http://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%2012%202015.pdf> [<http://perma.cc/S7DD-BTUT>] (describing "how the Patent Trial and Appeal Board is structured and manages its workload").

61. See, e.g., John M. Golden, *Patentable Subject Matter and Institutional Choice*, 89 TEX. L. REV. 1041, 1083 (2011) [hereinafter Golden, *Patentable Subject Matter*] ("The malleability of technology and of techniques of patent claim drafting mean that the policing of [subject-matter eligibility] bounds requires not only continuous vigilance, but also continual updating of guidelines for examiners and courts alike."); John M. Golden, *Proliferating Patents and Patent Law's "Cost Disease"*, 51 HOUS. L. REV. 455, 458–59 (2013) [hereinafter Golden, *Proliferating Patents*] (contending that the longer-term tendency toward growth in rates of patenting "creates constant tension as public and private bureaucracies, as well as individuals, struggle to keep up").

62. Dolin, *supra* note 16, at 926.

63. Rob Sterne & Gene Quinn, *PTAB Death Squads: Are All Commercially Viable Patents Invalid?*, IP WATCHDOG (Mar. 24, 2014), <http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642> [<https://perma.cc/4BB7-C3KV>]; see also Dreyfuss, *supra* note 11, at 13 (noting then-Chief Judge Rader's statement and others' concern that "the Board is out of control").

The PTAB's rates of claim cancellation have cooled with time, but the Board's record in winnowing patent claims remains impressive. As of January 15, 2015, the PTAB found unpatentable 36 percent of the claims at issue in 173 *inter partes* reviews and a further 15 percent of claims at issue in those proceedings were as of that date, otherwise canceled or disclaimed.<sup>64</sup> In short, PTAB proceedings still seemed to lead to approximately half of all claims at issue falling by the wayside. In combination with the comparatively low cost of challenging claims before the PTAB, as opposed to before a district court,<sup>65</sup> this record helps explain the popularity of PTAB proceedings with many patent challengers.

The PTAB has also attracted attention through another aspect of its early decisions—the PTAB's common rejection of motions to amend patent claims in *inter partes* review.<sup>66</sup> The PTAB reads PTO regulations as demanding that, in support of such an amendment, the patent owner bears the burden of “show[ing] patentable distinction over the prior art of record,”<sup>67</sup> including “prior art from the patent's original prosecution history.”<sup>68</sup> For many patent owners, the PTAB's stringent approach to claim amendments has effectively taken away a crucial traditional tool in the patent attorney's kit—the ability to

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64. U.S. PATENT & TRADEMARK OFFICE, INTER PARTES REVIEW PETITIONS TERMINATED TO DATE (Jan. 15, 2015), [http://www.uspto.gov/sites/default/files/documents/inter\\_partes\\_review\\_petitions\\_terminated\\_to\\_date%2001%2015%202015.pdf](http://www.uspto.gov/sites/default/files/documents/inter_partes_review_petitions_terminated_to_date%2001%2015%202015.pdf) [<https://perma.cc/2NYW-F8GK>].

65. Stephanie E. O'Byrne, *IPRs and ANDA Litigation: All a Matter of Timing*, 62 FED. LAW. 55, 55 (Jan./Feb. 2015) (noting that “[a]n IPR offers undeniable cost advantages as compared to traditional patent litigation,” perhaps in the nature of a reduction in relevant attorney fees by a factor of seven); *see also* AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2015, at 37–38 (reporting survey results indicating that median total costs for *inter partes* proceedings through appeal are \$350,000, whereas district-court-based patent litigation involves median litigation costs of \$2 million or more when at least \$1 million is at issue).

66. Dolin, *supra* note 16, at 929 (noting that, in final decisions, the PTAB has rejected forty-six out of forty-eight associated motions to amend, with the only motion granted having been an unopposed motion by the U.S. Government); Tony Dutra, *Fed. Cir. Oks PTAB Limits on Amending Challenged Patents*, PAT. TRADEMARK & COPYRIGHT J.—DAILY ED., Dec. 7, 2015 (“Patent stakeholders repeatedly point out that, after three years of handling post-grant challenges enabled by the America Invents Act, the board has only granted motions to amend in five cases.”).

67. *Microsoft Corp. v. Proxycorr, Inc.*, 789 F.3d 1292, 1304 (Fed. Cir. 2015) (quoting *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. 2012-00027, 2013 WL 5947697, at \*4 (P.T.A.B. June 11, 2013)).

68. *Prolitec, Inc. v. Scentair Techs., Inc.*, 807 F.3d 1353, 1363 (Fed. Cir. 2015) (upholding the PTAB's ruling “that the patentee's burden on a motion to amend includes the burden to show patentability over prior art from the patent's original prosecution history”).

overcome arguments against the patentability of individual claims by amending those claims to make clearer or greater distinctions from prior art or to tie the claims more closely to the patent document's supporting disclosure.<sup>69</sup> The PTAB's approach in this regard sharply distinguished new *inter partes* post-issuance proceedings, in which the PTAB acts as trial court, from more traditional *ex parte* examination and reexamination proceedings, in which narrowing claim amendments have been readily available.<sup>70</sup>

Significantly, the Federal Circuit's review of PTAB decisions has not undercut the PTAB's apparently robust powers. For much of 2015, the Federal Circuit "affirm[ed] without opinion almost half the judgments made by the [PTO]," which were "almost all from the [PTAB]."<sup>71</sup> Moreover, by the end of 2015, the Federal Circuit had repeatedly upheld the PTAB's stringent approach to claim amendments in *inter partes* review under a highly deferential standard of review that applies to an agency's interpretation of its regulations.<sup>72</sup> In short, not only has the PTAB demonstrated itself to be a body that can shake the landscape of patent law, but it has also shown that it can make its rulings stick by winning affirmation by the Federal Circuit.

## II. CONTINUING LIMITATIONS ON PTO AUTHORITY

Despite the PTO's increased capacities in relation to post-issuance review, the agency still has substantial limits on its powers relative to those of Article III district courts. Section II.A discusses some traditional limitations on PTO authority that appear to persist, and Section II.B focuses on one particular limitation that this Article

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69. See DONALD S. CHISUM, CRAIG ALLEN NARD, HERBERT F. SCHWARTZ, PAULINE NEWMAN & F. SCOTT KIEFF, *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 102 (3d ed. 2004) ("Usually, a response [to claim rejections and objections] includes both claim amendments and arguments designed to distinguish the invention as claimed from any prior art cited by the examiner.").

70. See Dolin, *supra* note 16, at 902 ("During the reexamination proceedings the patentee can amend his claims to narrow (but not broaden) their scope, much like he would be able to do during the initial examination.").

71. Tony Dutra, *Fed. Cir. Affirming Half of PTAB Decisions Without Opinion*, 90 PAT. TRADEMARK & COPYRIGHT J. 3621, 3621 (2015).

72. See *Prolitec*, 807 F.3d at 1363 (upholding as "reasonable" a PTAB position "that the patentee's burden on a motion to amend includes the burden to show patentability over prior art from the patent's original prosecution history"); *Proxycorn*, 789 F.3d at 1307 (concluding the PTAB "reasonably interpreted" relevant regulations "as requiring the patentee to show that its substitute claims [we]re patentable over the prior art of record").

contends most likely continues: the PTO's lack of *Chevron* deference from the courts for its interpretation of the Patent Act's substantive provisions.

#### A. *Traditional Limitations on PTO Authority*

Most obviously, the PTO continues to lack jurisdiction over questions of infringement.<sup>73</sup> Further, in part because of its use of a “broadest reasonable construction” approach to interpreting patent claims,<sup>74</sup> the PTO has limited its potential influence on claim constructions in district court actions and actions before the International Trade Commission, in both of which forms of action a “best construction” approach prevails.<sup>75</sup> Further, “courts view the PTO as lacking any general grant of so-called ‘substantive rulemaking authority’ and, thus, as generally not meriting high-level (*Chevron*) deference for its interpretations of substantive aspects of the Patent Act.”<sup>76</sup> *Chevron* deference traces back to the Supreme Court's 1984 decision in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*<sup>77</sup> When *Chevron* applies, a court is to “uphol[d] an agency's statutory interpretations not merely when the court agrees with that interpretation, but also whenever the interpretation is reasonable and not ‘contrary to the statute.’”<sup>78</sup> The doctrine does not apply to all agency interpretations of statutes, however, even when the statute in question is the agency's organic statute. Under the

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73. 35 U.S.C. § 281 (2012) (“A patentee shall have remedy by civil action for infringement of his patent.”); Golden, *Patentable Subject Matter*, *supra* note 61, at 1053 (“[T]he USPTO has historically had no direct involvement with determinations of whether an accused infringer's conduct in fact constitutes infringement . . .”).

74. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015) (concluding that, as with other PTO proceedings, the “broadest reasonable construction” approach applies to PTO *inter partes* review proceedings).

75. *See* Trading Techs. Int'l, Inc. v. Open E Cry, LLC, 728 F.3d 1309, 1320 (Fed. Cir. 2013) (describing a prior decision as “determin[ing] the best construction for a single disputed claim term”); *Broadcom Corp. v. U.S. Int'l Trade Comm'n*, 542 F.3d 894, 906 (Fed. Cir. 2008) (rejecting a proposed construction as “contrary to the most reasonable interpretation of the claims”); *Asyst Techs., Inc. v. Empak, Inc.*, 268 F.3d 1364, 1370 (Fed. Cir. 2001) (declaring the nature of “the best interpretation of the patent”).

76. Golden, *USPTO's Soft Power*, *supra* note 7, at 542; *see also* Joseph Scott Miller, *Substance, Procedure, and the Divided Patent Power*, 63 ADMIN. L. REV. 31, 32–33 (2011) (“It is settled that Congress has given the Patent Office the power to issue procedural rules for patent examination at the Office, *not* substantive rulemaking power of the sort federal agencies typically possess.”).

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

78. Golden, *USPTO's Soft Power*, *supra* note 7, at 547.

Supreme Court's later decision in *United States v. Mead Corp.*,<sup>79</sup> *Chevron* applies only when Congress is understood to have delegated relevant authority and when "the agency interpretation claiming deference was promulgated in the exercise of such authority."<sup>80</sup> Consequently, the Federal Circuit's pre-*Mead* holding that the PTO generally lacked the authority necessary to obtain *Chevron* deference for its interpretations of substantive provisions of the Patent Act<sup>81</sup> can be understood in a post-*Mead* world as deciding that, in general, Congress failed to delegate to the PTO the interpretive authority required for *Chevron* deference for the PTO's interpretations of such provisions.

The AIA undoubtedly extended the PTO's rulemaking authority—for example, by empowering the PTO to issue rules to establish and govern the various new post-issuance proceedings.<sup>82</sup> Indeed, the Federal Circuit has recently acknowledged that, under the AIA, the PTO has a new grant of authority to issue regulations on the standards for instituting *inter partes* review and on the more general governance of *inter partes* review.<sup>83</sup> The Federal Circuit has further acknowledged that high-level *Chevron* deference may apply to such regulations and has applied such deference as at least an alternative basis for upholding the PTO's application of a broadest reasonable interpretation standard for claim construction in *inter partes* review.<sup>84</sup>

On the other hand, the Federal Circuit has viewed such new rulemaking authority as only a limited addition to the PTO's powers, not one calling into question the prior understanding that PTO rulemaking authority is limited, rather than general.<sup>85</sup> Even in

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79. *United States v. Mead Corp.*, 533 U.S. 218 (2001).

80. *Id.* at 226–27.

81. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549 (Fed. Cir. 1996) (holding that "the rule of controlling deference set forth in *Chevron* does not apply" because of the PTO's lack of "general substantive rulemaking power" and the relevant interpretation's consequent lack of "force and effect of law" (quoting *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 (1979))).

82. See *Tran*, *supra* note 2, at 662–73 (listing AIA provisions conferring or describing rulemaking authority).

83. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278 (Fed. Cir. 2015) (quoting statutory provisions on the PTO's power to issue regulations relating to *inter partes* review).

84. *Id.* at 1279 ("The regulation here presents a reasonable interpretation of the statute.").

85. See *Merck & Co.*, 80 F.3d at 1549 ("Congress has not vested the [PTO] Commissioner with any general substantive rulemaking power."); cf. Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1998 (2013) (observing that the AIA "declined to grant the PTO the robust substantive rule-making powers that had been proposed in earlier versions of the legislation").

according *Chevron* deference with respect to the PTO's approach to claim construction in *inter partes* review, the Federal Circuit emphasized that it had not made "any finding that Congress has newly granted the PTO power to interpret substantive statutory 'patentability' standards," a grant that, according to the Federal Circuit, would have effected "a radical change in the authority historically conferred on the PTO by Congress."<sup>86</sup> Likewise, in a post-AIA decision issued in 2013, the Supreme Court appeared to reaffirm the view that the PTO has no general entitlement to great deference on questions of substantive patent law by declining to give such deference to "the [PTO's] past practice of awarding gene patents."<sup>87</sup>

The PTO's continued lack of general rulemaking authority thus appears to leave it substantially hampered in its ability to determine the course of patent law's development and application. Unlike many other administrative agencies, it cannot effectively bind the courts to follow any reasonable interpretation of its organic statute.<sup>88</sup> Instead, for a PTO interpretation to prevail, Article III courts must be convinced that the interpretation is not only reasonable but should, in fact, be understood to be correct.

#### *B. Apparently Continuing Limitation of PTO Interpretive Authority*

Multiple commentators have suggested that, despite the PTO's lack of general rulemaking authority, the AIA's new provisions for post-issuance proceedings make PTAB decisionmaking a potential vehicle for the PTO to obtain *Chevron* deference on questions of substantive patent law.<sup>89</sup> This Section contends that, except to the

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86. *Cuozzo*, 793 F.3d at 1279.

87. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2118 (2013).

88. See Golden, *USPTO's Soft Power*, *supra* note 7, at 541–42 ("Like many other administrative agencies, the SEC can receive high-level *Chevron* deference when the courts review its interpretations of the statutes it administers.").

89. See Karen A. Lorang, *The Unintended Consequences of Post-Grant Review of Patents*, 17 UCLA J.L. & TECH. 1, 31 (2013) ("I predict that the Federal Circuit will also be required to give *Chevron* deference to the Board's other legal conclusions made during post-grant review, including statutory interpretations of section 101 regarding patent eligible subject matter."); Arti K. Rai, *Improving (Software) Patent Quality Through the Administrative Process*, 51 HOUS. L. REV. 503, 540 (2013) ("[D]octrinal analysis would indicate that the Federal Circuit should give *Chevron* deference to any legal determinations made by the agency in [the PTO's] new proceedings."); Arti K. Rai, *Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development*, 61 DUKE L.J. 1237, 1239 (2012) (contending that use of relatively formal post-grant review to implement PTO guidelines on issues of substantive patent law would result in "the strong form of deference enunciated by the Court in [*Chevron*] and its progeny"); Wasserman, *supra* note 85, at 1965 (contending that recent statutory changes

extent statutory provisions relating to such proceedings provide pertinent rulemaking authority, these provisions are unlikely to provide new general grounds for *Chevron* deference.<sup>90</sup> As noted above, in *Mead*, the Supreme Court “held that an agency is entitled to deference under *Chevron, U.S.A., Inc. v. NRDC* only if Congress has delegated to that agency the authority to issue interpretations that carry the force of law, and the agency has used that authority in issuing a particular interpretation.”<sup>91</sup> There is little evidence that Congress intended a broad, implicit delegation of such interpretive authority to the PTO when acting through the PTAB in post-issuance adjudication.

This Section supports this contention as follows. Subsection II.B.1 discusses how basic statutory language and context, including legislative history, fails to support the notion that Congress delegated general interpretive authority on substantive issues to the PTO overall or to the PTAB more specifically. Subsection II.B.2 discusses statutory language and legislative history specifically directed to PTAB post-issuance proceedings. Subsections II.B.3 through II.B.5 focus on how PTAB proceedings and their review differ from classic models for formal adjudication and otherwise suggest both a lack of delegation of relevant authority and a lack of exercise of such authority under *Mead*. Subsection II.B.6 suggests that PTAB decisions designated as precedential might provide the best general case for such decisions meriting *Chevron* when they interpret substantive provisions of the Patent Act. But Subsection II.B.6 also

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“anoin[t] the PTO as the chief expositor of substantive patent law standards”); cf. Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 327–28 (2007) (describing proposed post-grant review proceedings as involving “trial-type procedures” to which “*Chevron* deference would seem to apply”).

90. Golden, *USPTO’s Soft Power*, *supra* note 7, at 545–46 (questioning arguments “that Congress’s 2011 adoption of the Leahy-Smith America Invents Act (AIA) has effectively given the USPTO the power to develop presumptively binding interpretations of substantive patent law when the USPTO acts through certain forms of administrative adjudication”).

91. Lisa Schultz Bressman, *How Mead Has Muddled Judicial Review of Agency Action*, 58 VAND. L. REV. 1443, 1444 (2005); see also Kristin E. Hickman, *The Three Phases of Mead*, 83 FORDHAM L. REV. 527, 537 (2014) (describing the great majority of U.S. Supreme Court Justices as having agreed that “Congress often, but not always, intends for an agency rather than the courts to shoulder primary responsibility for filling statutory gaps” and that “not every action by an agency or its representatives reflects the identification of and deliberate effort to fill a statutory gap in the *Chevron* sense”); Thomas W. Merrill, *Step Zero After City of Arlington*, 83 FORDHAM L. REV. 753, 766 (2014) (describing *Mead* as holding “that *Chevron* is subject to a Step Zero inquiry . . . asking whether the agency has been delegated authority to act with the force of law” and whether the agency exercised that authority).

argues that, at least under current procedures and in light of statutory silence relating to precedential status, even such decisions appear to fall short under *Mead*.

1. *General AIA Language and Context Relating to PTO Interpretive Authority.* New provisions of the Patent Act added by the AIA do not provide explicit indication that the PTO is now meant to have general access to *Chevron*-level authority through decisions of the PTAB. Of course, such a delegation of interpretive authority need not be explicit.<sup>92</sup> But in light of the history of this authority's established denial, a related refusal of general rulemaking authority in the legislative history of the AIA, and a concomitant expansion of the Federal Circuit's role as the primary, day-to-day expositor of substantive patent law, argument for inferring such a delegation threatens to be an instance of contending, in the words of the Supreme Court, that Congress has "hid[den] elephants in mouseholes."<sup>93</sup>

As the Federal Circuit recently noted, "any finding that Congress has newly granted the PTO power to interpret substantive statutory 'patentability' standards . . . would represent a radical change in the authority historically [understood to be] conferred on the PTO by Congress."<sup>94</sup> Thus, the Supreme Court's admonition—described by one commentator as a new canon of statutory interpretation<sup>95</sup>—about the implausibility of inferring the presence of elephants in mouseholes, appears to apply. To the extent one subscribes to a traditional principle that courts should continue to demand a high degree of clarity when Congress overturns pre-existing legal precedent or statutory law,<sup>96</sup> this principle provides a further, related

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92. *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001) ("[I]t can still be apparent from the agency's generally conferred authority and other statutory circumstances that Congress would expect the agency to be able to speak with the force of law when it addresses ambiguity in the statute . . .").

93. *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 486 (2000).

94. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015).

95. Aaron-Andrew P. Bruhl, *Communicating the Canons: How Lower Courts React When the Supreme Court Changes the Rules of Statutory Interpretation*, 100 MINN. L. REV. 481, 542 (2015) ("The 'no elephants in mouseholes' canon now occupies a secure, if limited, place in the interpretive landscape.").

96. 3 NORMAN J. SINGER & J.D. SHAMBIE SINGER, *STATUTES AND STATUTORY CONSTRUCTION* § 58.3, at 115–17 (7th ed. 2008) (noting "a conservative policy of resistance to change in the traditional structure of law" but also reporting a "trend away from strict construction of statutes in derogation of established law").

reason to believe that the AIA has not slipped the PTO a general, PTAB-based path to *Chevron*-level interpretive authority.

Perhaps even more tellingly, the legislative history for the AIA suggests that Congress was unlikely to have been ignorant of how radical a step such a conferral of *Chevron*-level authority would be. That history “prominently featured the trouncing of a proposal to give the PTO general rulemaking authority,”<sup>97</sup> a grant of authority that would presumably entail implicit delegation of such interpretive authority.<sup>98</sup> The explicit rejection of such a proposed grant in the legislative history provides at least *prima facie* reason to suspect that Congress was not contemplating “radical change” in the PTO’s interpretive authority.

Moreover, despite vociferous academic criticism of the Federal Circuit’s handling of patent law<sup>99</sup> and prominent calls for the court to be divested of its largely exclusive jurisdiction over patent appeals,<sup>100</sup> the AIA in fact expanded the Federal Circuit’s role as primary, day-to-day expositor of substantive patent law by extending the Federal Circuit’s appellate jurisdiction to encompass compulsory

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97. Golden, *USPTO’s Soft Power*, *supra* note 7, at 545.

98. *See Merck & Co. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (making the lack of a grant of “any general substantive rulemaking power” to the PTO the linchpin of a decision not to accord *Chevron* deference to PTO interpretation of a substantive statutory provision); *cf. United States v. Mead Corp.*, 533 U.S. 218, 230 (2001) (specifically noting the significance of notice-and-comment rulemaking to the likelihood of “*Chevron* authority”); Abbe R. Gluck & Lisa Schultz Bressman, *Statutory Interpretation from the Inside—An Empirical Study of Congressional Drafting, Delegation, and the Canons: Part I*, 65 STAN. L. REV. 901, 999 (2013) (observing that the overwhelming majority of congressional staffers surveyed “told us that the authorization of notice-and-comment rulemaking (the signal identified by the court in *Mead*) is always or often relevant to whether drafters intend for an agency to have gap-filling authority”).

99. *See, e.g., David O. Taylor, Formalism and Antiformalism in Patent Law Adjudication: Precedent and Policy*, 66 SMU L. REV. 633, 636 (2013) (“[T]he criticism of the Federal Circuit as formalistic has been withering.”).

100. *See, e.g., Craig Allen Nard & John F. Duffy, Rethinking Patent Law’s Uniformity Principle*, 101 NW. U. L. REV. 1619, 1625 (2007) (“We propose that, in addition to the Federal Circuit, at least one extant circuit court should be allowed to hear district court appeals relating to patent law. In addition, both the Federal Circuit and [the D.C. Circuit] should have jurisdiction over appeals from the PTO . . . .”); Cecil D. Quillen, Jr., *Response Essay, Rethinking Federal Circuit Jurisdiction—A Short Comment*, 100 GEO. L.J. ONLINE 23, 27 (2012) (arguing for “[r]estoring appellate jurisdiction in patent infringement cases to the regular circuit courts of appeals”); Diane P. Wood, Keynote Address, *Is It Time to Abolish the Federal Circuit’s Exclusive Jurisdiction in Patent Cases?*, 13 CHI.-KENT J. INTELL. PROP. 1, 9–10 (2013) (advocating a regime in which parties in patent-infringement suits have “the option of seeking review either in the Federal Circuit or in the regional circuit with jurisdiction over the district court from which the appeal is taken”).

counterclaims.<sup>101</sup> As the Federal Circuit could effectively lose this role as primary, day-to-day expositor if the PTO were to obtain a general path to *Chevron*-level interpretive authority through the PTAB, Congress's determination to expand the Federal Circuit's role as substantive expositor on another front provides further reason to suspect that Congress would have provided a strong signal if it intended to undercut this role by conferring relevant interpretive authority on the PTO.

In short, generally speaking, the AIA's provisions and broader context provide little reason to suspect that Congress snuck delegation of *Chevron*-level authority for the PTO through the back door of PTAB post-issuance proceedings. Subsections II.B.2 to II.B.4 provide further reasons for believing that neither such a grant of authority nor its exercise is implied by the nature of the PTAB and the proceedings it conducts.

2. *Statutory Language and History Specific to PTAB Post-Issuance Proceedings.* Relevant legislative history specific to PTAB proceedings appears scant.<sup>102</sup> At least one commentator has argued, however, that Congress substantially signaled its intent to confer *Chevron*-level interpretive authority through PTAB proceedings by explicitly providing a broad range of grounds for post-grant review.<sup>103</sup> But the sorts of validity issues that may be raised in post-grant review or the PTAB's other post-issuance proceedings are far from

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101. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 539–40 (2012) (noting that section 19 of the America Invents Act “extend[ed] the Federal Circuit’s appellate jurisdiction to compulsory patent and plant-variety-protection counterclaims”); cf. 28 U.S.C. § 1295(a)(1) (2012) (giving the Federal Circuit exclusive jurisdiction over “an appeal from a final decision of a district court of the United States . . . in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection”).

102. Cf. Benjamin J. Christoff, *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*, 39 U. DAYTON L. REV. 111, 127 (2013) (lamenting the lack of much evidence “about Congress’ intent” in relation to a provision allowing the PTO to institute post-grant review to address a new legal question).

103. See Wasserman, *supra* note 85, at 1993 (contending that the AIA’s provision for institution of post-grant review to address a “novel or unsettled legal question that [is] important to other patents or patent applications,” 35 U.S.C. § 324(b), “provides strong support that Congress intended postgrant review to be accompanied with a policy-making or law-making ability”); *id.* (“Allowing the PTO to decide all contours of patentability during the postgrant review also supports the notion that Congress intended the agency to play a larger policy-making function.”).

unprecedented parts of the PTO's docket: the PTO already had power to address challenges to patent validity on more limited grounds in pre-AIA reexamination proceedings,<sup>104</sup> and the PTO has generally had power to address any requirement for patentability in original examination.<sup>105</sup>

Further, explicit statutory allowance for instituting post-grant review on the ground that a validity challenge “raises a novel or unsettled legal question that is important to other patents or patent applications”<sup>106</sup> does not necessarily indicate congressional intent that the PTO has greater authority to resolve novel or unsettled legal questions essentially conclusively. Perhaps the only detailed legislative history on point—statements by Senator Jon Kyl<sup>107</sup>—appears to point in the opposite direction. Senator Kyl described this ground for PTO review as enabling the agency “to reconsider an important legal question and to effectively certify it for Federal [C]ircuit resolution.”<sup>108</sup> Hence, in Senator Kyl's account, the utility of post-grant review was substantially predicated on its capacity for enabling relatively early Federal Circuit decision. Moreover, Senator Kyl appeared to contemplate that the Federal Circuit would assess whether the PTO's position was correct, not merely whether it was reasonable. According to the Senator, situations that would call for judicial reversal of the agency's course would be ones in which the PTO's position “is wrong” or “incorrect”—not only, as would be expected with *Chevron*-level review, situations in which the PTO's position is unreasonable.<sup>109</sup>

Indeed, Senator Kyl's remarks reinforce the sense that the Federal Circuit, not the PTO, is to remain the primary, day-to-day

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104. See MUELLER, *supra* note 47, at 423 (describing potential grounds for reexamination).

105. Compare 35 U.S.C. § 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).”), with *id.* § 131 (providing for examination of patent applications to determine whether an “applicant is entitled to a patent under the law”), and MUELLER, *supra* note 47, at 56 (“The examiner's job is to determine whether the application and the invention claimed therein satisfy the various statutory requirements for the issuance of a patent.”).

106. 35 U.S.C. § 324(b).

107. See Christoff, *supra* note 102, at 127 (highlighting Senator Kyl's statements “in 2008, when the provision was originally proposed”).

108. 154 CONG. REC. S9982, S9988 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl); *cf.* 157 CONG. REC. S1368, S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (asserting the relevance of 2008 remarks on “what is now section 324(b)'s additional threshold for instituting a post-grant review”).

109. 154 CONG. REC. S9982, S9988 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).

authority on the meaning of substantive provisions of the Patent Act. Senator Kyl's remarks signal this by specifically describing post-grant review as a means for the PTO "to effectively certify" questions so that they might be "conclusively resolved by the Federal [C]ircuit."<sup>110</sup> As Verity Winship has noted, "[d]efined broadly, certification is a procedure by which one entity is able to obtain from the determining entity a conclusive answer to a question of law."<sup>111</sup> Hence, Senator Kyl's certification language casts the Federal Circuit in the role of the relevant "determining entity," rather than that of a deferential reviewer of the opinion of a law's primary interpretive authority.

More generally, Senator Kyl's statements provide a common sense explanation for the broad grounds for post-grant proceedings that does not require recognition of new interpretive authority for the PTO when acting through post-issuance proceedings. By providing a wide administrative avenue for private-party challenges that could sidestep traditional requirements for Article III standing,<sup>112</sup> the broad grounds for post-grant review could facilitate judicial review of disputed, pro-patentee legal decisions by the PTO "before a large number of improper patents are granted and allowed to unjustifiably disrupt an industry."<sup>113</sup> In contrast to an adversarial proceeding such as post-grant review, pro-patentee legal decisions made by the PTO in *ex parte* processes of examination or reexamination are more likely to escape judicial review indefinitely for the simple reason that there is no party to the administrative proceeding positioned to make a direct appeal. The patent applicant would, generally speaking, have neither a legal basis nor an incentive to challenge the PTO's ruling. Moreover, until threatened with a suit for infringement, others would

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110. *Id.*

111. Verity Winship, *Cooperative Interbranch Federalism: Certification of State-Law Questions by Federal Agencies*, 63 VAND. L. REV. 181, 184–85 (2010) ("Defined broadly, certification is a procedure by which one entity is able to obtain from the determining entity a conclusive answer to a question of law."); *see also* Allan D. Vestal, *The Certified Question of Law*, 36 IOWA L. REV. 629, 629–30 (1951) ("Basically, certification of questions of law is a procedure by which an inferior court is able to obtain from a defining court a conclusive answer to a material question of law.").

112. *See* *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1401 (2015) ("[W]here Congress has accorded a procedural right to a litigant, such as the right to appeal an administrative decision, certain requirements of standing—namely immediacy and redressability, as well as prudential aspects that are not part of Article III—may be relaxed.").

113. 154 CONG. REC. S9982, S9988 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).

likely lack Article III standing to bring a declaratory judgment action challenging the PTO's decision.<sup>114</sup>

3. *AIA Proceedings' Deviation from Standard Formal Adjudication.* The argument that Congress did not implicitly intend for PTAB proceedings to be a vehicle for a broad expansion of the PTO's interpretive authority is supported by the AIA's structural provisions for how Board decisions would be reviewed. Although Congress enacted language requiring the PTAB's administrative patent judges to sit in panels of "at least 3,"<sup>115</sup> Congress appears to have made no explicit provision for review of panel decisions by a person or relatively small-numbered body representing the overall opinion of the agency—for example, by the Director of the PTO, who is "appointed by the President, by and with the advice and consent of the Senate" and in whom, by statute, "[t]he powers and duties of the [PTO are] vested."<sup>116</sup> Instead, the U.S. Patent Act explicitly confers on the Federal Circuit the job of reviewing Board judgments in *inter partes* review and post-grant review<sup>117</sup>—arguably reaffirming a congressional understanding that the Federal Circuit, rather than the agency, is truly the primary, day-to-day authority on the substantive meaning of U.S. patent law.

Although PTAB proceedings appear to involve various aspects of formal adjudication as explicitly contemplated by the APA,<sup>118</sup> the

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114. See Golden, *Patent Privateers*, *supra* note 51, at 549 (describing still restrictive requirements for "standing to challenge patents in district court"); Golden, *Patentable Subject Matter*, *supra* note 61, at 1086–87 (noting possibilities for substantial delays in subject-matter eligibility questions being presented to courts).

115. ERIKA HARMON ARNER & JOSEPH EDWIN PALYS, *THE PRACTITIONER'S GUIDE TO TRIALS BEFORE THE PATENT TRIAL AND APPEAL BOARD 21* (E.H. Arner & J.E. Paly eds., 2014) ("Both [post-grant review] and [*inter partes* review] proceedings will be conducted before a three-judge panel of administrative patent judges . . . ."); *cf.* 35 U.S.C. § 6(c) (2012) ("Each appeal, derivation proceeding, post-grant review, and *inter partes* review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director.").

116. 35 U.S.C. § 3(a)(1).

117. 35 U.S.C. § 141(c) ("A party to an *inter partes* review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit."); *id.* § 319 (providing for appeal to the Federal Circuit from a final Board decision in *inter partes* review); *id.* § 329 (providing for appeal to the Federal Circuit from a final Board decision in post-grant review).

118. *Cf.* *Dell Inc. v. Accelaron, LLC*, Nos. 2015-1513 & 2015-1514, 2016 WL 1019075, at \*6 (Fed. Cir. Mar. 15, 2016) ("For a formal adjudication like the *inter partes* review considered here, the APA imposes particular requirements on the PTO.").

Patent Act's provisions for Federal Circuit review of PTAB decisions without intervening whole-agency review contrast substantially with a specific provision in the Administrative Procedure Act (APA) for whole-agency review in formal adjudication. If "the agency"—for example, the full body of commissioners within an agency such as the International Trade Commission—does "not preside at the reception of the evidence" in formal adjudication, the APA appears generally to contemplate that there will be a later opportunity for review by "the agency" of the "initial decision" made by the individual or individuals who do preside over evidentiary hearings.<sup>119</sup> Thus, for example, in formal adjudication before the International Trade Commission, an administrative law judge (ALJ) typically presides over evidentiary hearings.<sup>120</sup> The ALJ issues a decision on the merits that constitutes the agency's "initial determination."<sup>121</sup> A party may appeal this determination to the Commission—that is, the ITC Commissioners sitting as an adjudicatory body.<sup>122</sup> An adverse "final determination" by the Commission may be appealed to the Federal Circuit.<sup>123</sup>

The PTAB's use of administrative patent judges (APJs), rather than ALJs, itself provides a difference from formal adjudication as explicitly contemplated by the APA.<sup>124</sup> For purposes of assessing whether Congress delegated *Chevron*-level interpretive authority, the level of formality of PTAB proceedings is significant because, under *Mead*, "[i]t is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of

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119. 5 U.S.C. § 557(b) ("On appeal from or review of the initial decision, the agency has all the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule.").

120. Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547, 1555 (2011) (discussing how the ITC refers cases to ALJs who preside over "formal evidentiary hearing[s]").

121. *Id.* ("The ALJ then issues an Initial Determination ('ID') on whether section 337 has been violated and recommends a remedy." (footnotes omitted)).

122. *Id.* at 1556 ("Once the [ALJ's initial determination] issues, a party may request review by the ITC's six-member Commission; the Commission can also choose to review the decision on its own initiative.").

123. 28 U.S.C. § 1295(a)(6) (providing the Federal Circuit with exclusive jurisdiction over appeals); *see also* Kumar, *supra* note 120, at 1549 ("The Federal Circuit . . . hears appeals of patent decisions from . . . the U.S. International Trade Commission ('ITC').").

124. *PIERCE ET AL.*, *supra* note 34, § 6.4.3a, at 322 ("All formal adjudications must be presided over by (1) the agency; (2) one or more members of the body which comprises the agency; or[] (3) one or more Administrative Law Judges (ALJ).").

such force.”<sup>125</sup> PTAB trials fall into a large class of administrative proceedings—apparently common in the U.S. administrative state—that might be considered “similar to [classic] formal adjudication” but are not technically “formal” in the standard APA sense because they feature administrative judges that are not ALJs, the type of adjudicator that the APA’s provisions on formal adjudication specifically authorize to preside over “the taking of evidence” in lieu of “the agency” or “one or more members of the body which comprises the agency.”<sup>126</sup> Generally speaking, non-ALJ administrative judges are less insulated from an administrative agency’s more characteristic political appointees: they are subject to performance review by the agency, rather than the U.S. Government’s separate Office of Personnel Management, which may support agency action against an ALJ only when “good cause exists for doing so.”<sup>127</sup> Consistent with this relative lack of insulation, non-ALJ agency adjudicators such as the PTAB’s APJs generally “lack the statutory protection from removal, professional discipline, and performance reviews that ALJs have under the APA”;<sup>128</sup> are generally not subject to the APA’s prohibition of ex parte communications “with agency officials during and about their hearings”;<sup>129</sup> are more likely to invite due process challenges to the fairness and impartiality of their proceedings;<sup>130</sup> and are less likely to issue opinions deemed worthy of *Chevron* deference.<sup>131</sup>

Nonetheless, even if one assumes the PTAB’s APJs are acceptable substitutes for ALJs for purposes of “foster[ing] fairness and deliberation,” there would remain the concern that procedures relating to PTAB trials deviate from APA-contemplated formal adjudication in another significant way.<sup>132</sup> As already noted, Congress explicitly provides for review of PTAB decisions by the Federal

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125. *United States v. Mead Corp.*, 533 U.S. 218, 230 (2001).

126. 5 U.S.C. § 556(b).

127. *PIERCE ET AL.*, *supra* note 34, § 6.4.3a, at 322–23.

128. Kent Barnett, *Against Administrative Judges*, 49 U.C. DAVIS L. REV. (forthcoming 2016), <http://ssrn.com/abstract=2658138> [<https://perma.cc/GU6U-5C53>].

129. *Id.*

130. *Id.* (“The most important benefit that agencies receive from using ALJs is improved appearances of impartiality.”).

131. *Id.* (“[U]sing [non-ALJ administrative judges], instead of ALJs and formal adjudication, decreases the likelihood under current doctrine that agencies will receive deference from courts (under administrative law’s well-known *Chevron* doctrine) . . .”).

132. *United States v. Mead Corp.*, 533 U.S. 218, 230 (2001).

Circuit<sup>133</sup> and, in contrast to the standard APA model for formal adjudication, does not explicitly provide for review of decisions of PTAB panels by the agency as a whole. Instead of conferring on the PTO's Director an independent, adjudicatory power to review PTAB decisions, the Patent Act confers on the Director a "right to intervene in an appeal from a decision entered by the [PTAB] in a derivation proceeding under section 135 or in an *inter partes* or post-grant review under chapter 31 or 32."<sup>134</sup> By failing to provide explicitly for appeal to the Director and instead providing for direct appeal to the Federal Circuit, Congress arguably placed the Federal Circuit in the authoritative position analogous to that of "the agency" under the APA's standard provisions for formal adjudication.<sup>135</sup> As discussed further in subsection II.B.4, typical PTAB panels consisting of three out of over two hundred APJs distributed among multiple, geographically dispersed offices<sup>136</sup> seem a poor stand-in for "the agency" in the terms conceived by the APA, particularly given the APA's explicit distinction between initial decisions by hearing officers and final decisions by "the agency."<sup>137</sup>

4. *Mead and the Distinction Between PTAB Interpretation and Authoritative PTO Interpretation.* Subsection II.B.3 has highlighted how the nature and place of relevant PTAB proceedings within the patent regime make statutory provisions on PTAB proceedings a shaky basis for inferring that Congress intended such proceedings to provide an avenue for dramatic expansion of the PTO's interpretive authority. Suppose, however, that the PTO is conceded to have *Chevron*-level authority over a relevant question of statutory interpretation. Under *Mead*, there would remain the question whether the PTO exercised that authority through PTAB

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133. See *supra* note 117.

134. 35 U.S.C. § 143 (2012).

135. Cf. Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 278 (2013) ("[I]n creating a specialized court with a mandate of uniformity, Congress inadvertently created an agency-like entity in the judiciary.").

136. See PTAB UPDATE (Aug. 2015), *supra* note 57, at 35 (showing 183 judges, including "teleworking" judges, as associated with the PTO's office in Alexandria, Virginia; 20 as associated with the PTO's office in Silicon Valley; 12 as associated with the PTO's office in Dallas, Texas; and 10 as associated with each of the PTO's offices in Denver, Colorado, and Detroit, Michigan).

137. Compare 5 U.S.C. § 557(b) (calling for "an initial decision" by the presiding hearing officer "[w]hen the agency did not preside at the reception of the evidence"), with *id.* (providing for appeal of "an initial decision" to "the agency").

proceedings.<sup>138</sup> *Mead* itself provides reason to believe that PTAB panels are not proper vehicles for the exercise of such authority.

In *Mead*, the Supreme Court found that a Customs Service classification ruling did not qualify as an exercise of the agency's conceded interpretive authority<sup>139</sup> even though such a ruling might have "precedential value" for "later transactions."<sup>140</sup> In support of this conclusion, the Court pointed to facts that (1) Congress had provided "for independent review of Customs classifications by the [Court of International Trade];" (2) "Customs does not generally engage in notice-and-comment practice when issuing them, and their treatment by the agency makes it clear that a letter's binding character as a ruling stops short of third parties;" and perhaps most decisively, (3) "46 different Customs offices issue 10,000 to 15,000 of [such rulings] each year."<sup>141</sup> To the Court, these facts were telling even though (a) Customs regulations provided that "[a] ruling letter represents the official position of the Customs Service with respect to the particular transaction or issue described therein;" (b) the particular ruling letter at issue came from the Customs Headquarters Office,<sup>142</sup> rather than one of "the 46 port-of-entry Customs offices,"<sup>143</sup> and (c) "the Solicitor General of the United States ha[d] filed a brief, cosigned by the General Counsel of the Department of the Treasury, that represents the position set forth in the ruling letter to be the official position of the Customs Service."<sup>144</sup> In the Court's view, "[a]ny suggestion that rulings intended to have the force of law are being churned out at a rate of 10,000 a year at an agency's 46 scattered offices is simply self-refuting."<sup>145</sup>

Even if the PTO as a whole had relevant interpretive authority, PTO decisions in the form of a final disposition by a PTAB panel would seem, generally speaking, to have no greater claim to *Chevron* deference than the Headquarters ruling at issue in *Mead*. As in *Mead*,

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138. See *supra* text accompanying note 91.

139. *United States v. Mead Corp.*, 533 U.S. 218, 232 (2001) ("[I]t is true that the general rulemaking power conferred on Customs authorizes some regulation with the force of law . . . ." (citations omitted)).

140. *Id.*

141. *Id.* at 232–33.

142. *Id.* at 222, 233–34 (observing that "the relevant statutes" provided "no indication that a more potent delegation might have been understood as going to Headquarters even when Headquarters provides developed reasoning, as it did in this instance").

143. *Id.* at 224 (footnotes omitted).

144. *Id.* at 258 (Scalia, J., dissenting).

145. *Id.* at 233 (majority opinion).

there are substantial reasons for concern about the ability, or perhaps even intent, of agency heads to ensure that all individual decisions track the official agency view. Although the total number of PTAB rulings on the merits in *inter partes*, covered business method review, and post-grant review proceedings is not quite at the level of the classification rulings in *Mead*, dealing with such proceedings and petitions for such proceedings has already become a high-volume business, and this high-volume business is only a portion of the higher-volume business of PTAB review of appeals from decisions by PTO examiners that agency heads also have under their supervision. In addition to deciding about ten thousand appeals from original examinations or reexaminations each year,<sup>146</sup> the Board has already issued final dispositions in *inter partes* review and covered-business-method review at a rate of at least a couple hundred per year.<sup>147</sup> Moreover, the average annual number of such dispositions is expected to grow substantially: in the first three quarters of 2015, the Board received 1,897 petitions for *inter partes*, covered business method, or post-grant review and decided to institute over one thousand such proceedings.<sup>148</sup>

Other points reinforce the sense that PTAB decisions in *inter partes*, covered business method, and post-grant review are unlikely to be viewed as warranting *Chevron* deference. Recent developments have given PTAB panels a geographic dispersion that might be compared to that of the Customs offices in *Mead*. Although administrative judges have historically been based mostly in the PTO's central office in Virginia, they often appear there only virtually<sup>149</sup> and now have bases in five offices dispersed across the

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146. U.S. PATENT & TRADEMARK OFFICE, RECEIPTS AND DISPOSITIONS BY TECH. CTRS.: EX PARTE APPEALS (2014), <http://www.uspto.gov/sites/default/files/ip/boards/bpai/stats/receipts/fy2014-sep-e.pdf> [<https://perma.cc/K7U3-RNMQ>] (recording that the PTAB disposed of 9,880 ex parte appeals in fiscal year 2014).

147. U.S. PATENT & TRADEMARK OFFICE, AIA PROGRESS: STATISTICS (Apr. 2, 2015), [http://www.uspto.gov/sites/default/files/documents/aia\\_statistics\\_04-02-2015.pdf](http://www.uspto.gov/sites/default/files/documents/aia_statistics_04-02-2015.pdf) [<https://perma.cc/W2YW-TNMW>].

148. U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS 5, 7 (Sept. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<https://perma.cc/87M6-QNMT>], (reporting the launch of 665 new *inter partes* reviews, 80 covered business method reviews, and 2 post-grant reviews in as-yet-incomplete fiscal year 2015).

149. See MICHAEL ASTORINO, MATT CLEMENTS, BART A. GERSTENBLITH & MEREDITH PETRAVICK, U.S. PATENT & TRADEMARK OFFICE, DAY IN THE LIFE OF AN ADMINISTRATIVE PATENT JUDGE 2, [http://www.uspto.gov/sites/default/files/documents/a\\_day\\_in\\_the\\_life\\_of\\_an\\_apj.pdf](http://www.uspto.gov/sites/default/files/documents/a_day_in_the_life_of_an_apj.pdf) [<https://perma.cc/JPC7-SWUT>] (noting, in remarks of Administrative Patent Judge

United States.<sup>150</sup> Moreover, the PTAB lacks independent authority to give its decisions precedential effect even within the PTO, and few decisions by the PTAB or the BPAI have been given such effect. According to a PTAB rule of standard operating procedure, PTAB opinions are only flagged as precedential if (1) “a majority of the Board’s voting members agree that the opinion should be made precedential;”<sup>151</sup> and (2) the PTO “Director concurs.”<sup>152</sup> Whereas the PTAB and the BPAI have commonly issued thousands of decisions each year, the PTO currently lists only twenty-six precedential opinions of either Board that are currently in force, with the earliest of these opinions having been issued in late-1994.<sup>153</sup> Nonprecedential PTAB opinions seem particularly unlikely to trigger *Chevron* deference from Article III courts, whose judges might wonder why they should consider themselves largely bound by a PTAB ruling that neither the PTAB nor the agency more generally considers to be binding. Subsection II.B.6 addresses in detail the special case of precedential opinions.

5. *Comparison to Mead’s Examples of Chevron-Warranting Adjudication.* Arguments for the general provision of *Chevron* deference to PTAB rulings on the interpretation of substantive

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Clements, that “the USPTO’s excellent telework options” and general allowance for judges to “appear by videoconference in a Hearing Room in Alexandria[, Virginia]”).

150. See U.S. PATENT & TRADEMARK OFFICE, PATENT PUBLIC ADVISORY COMMITTEE QUARTERLY MEETING: PATENT TRIAL AND APPEAL BOARD UPDATE 33 (Aug. 14, 2014), [http://www.uspto.gov/sites/default/files/about/advisory/ppac/20140814\\_PPAC\\_PTABUpdate.pdf](http://www.uspto.gov/sites/default/files/about/advisory/ppac/20140814_PPAC_PTABUpdate.pdf) [<https://perma.cc/2J88-BHTU>] (showing office demographics); *Texas Regional Office*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/about-us/uspto-locations/dallas-texas> [<https://perma.cc/4A3B-DPVK>] (“The goal is to have 100 examiners and 20 administrative patent judges, as well as several support staff, on site in Dallas by the end of the first year of operation.”).

151. U.S. PATENT & TRADEMARK OFFICE, STANDARD OPERATING PROCEDURE 2 (REV. 9): PUBLICATION OF OPINIONS AND DESIGNATION OF OPINIONS AS PRECEDENTIAL, INFORMATIVE, REPRESENTATIVE, AND ROUTINE 3–4 (Sept. 22, 2014), <http://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf> [<https://perma.cc/66TR-7MHQ>] [hereinafter USPTO SOP 2] (indicating that “informative,” “representative,” and “routine” opinions are “not binding authority” except as “law of the case”).

152. *Id.* (“No opinion may be precedential without concurrency by the Director.”).

153. *Precedential Opinions*, U.S. PATENT & TRADEMARK OFFICE (Oct. 6, 2014), <http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/decisions> [<https://perma.cc/DU6V-HBD9>]; see also USPTO SOP 2, *supra* note 151, at 3 (“An opinion is not precedential simply because it has been published in a commercial reporter, involves an expanded panel, or includes an *ex officio* member on the panel.”); see generally *id.* at 2 (indicating that “informative,” “representative,” and “routine” opinions are “not binding authority” except as “law of the case”).

provisions of the Patent Act do not appear greatly helped by comparison to the eight cases that a footnote in *Mead* specifically cites as examples of “adjudication cases” in which *Chevron* deference was warranted.<sup>154</sup> Seven of these eight cases involved review of decisions made by a body looking like “the agency” in the APA’s terms—that is, a body consisting of a small number of presidentially appointed heads of an independent agency: the three heads of the Federal Labor Relations Authority,<sup>155</sup> the five heads of the National Labor Relations Board,<sup>156</sup> and the five heads of the now defunct Interstate Commerce Commission.<sup>157</sup> Thus, from the start, citation of these seven cases provides little support for extending *Chevron* deference to the decisions of panels of a large-numbered body of lower-level officials like the APJs of the PTAB.

For purposes of comparison to the PTAB, *Mead*’s eighth example is more intriguing. The case in question involved an administrative adjudication by the Board of Immigration Appeals (BIA).<sup>158</sup> Like PTAB members, BIA members are members of a multi-person adjudicatory body appointed not by the President but, instead, by the head of the relevant government department—in the

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154. *United States v. Mead Corp.*, 533 U.S. 218, 230 n.12 (2001) (listing eight “adjudication cases” in which *Chevron* deference applied).

155. *See Nat’l Fed’n of Fed. Emps., Local 1309 v. Dep’t of Interior*, 526 U.S. 86, 90–91 (1999) (reviewing a circuit court’s decision to “set aside” an order of the Federal Labor Relations Authority); *Fort Stewart Schs. v. Fed. Labor Relations Auth.*, 495 U.S. 641, 644 (1990) (reviewing circuit decision that “upheld the Authority’s decision”); *Dep’t of Treasury v. Fed. Labor Relations Auth.*, 494 U.S. 922, 924 (1990) (“review[ing a] determination of the Federal Labor Relations Authority”).

156. *See Holly Farms Corp. v. NLRB*, 517 U.S. 392, 396 (1996) (reviewing a circuit decision to enforce an order from the National Labor Relations Board); *ABF Freight Sys., Inc. v. NLRB*, 510 U.S. 317, 320–21 (1994) (reviewing a circuit decision to enforce an order from the National Labor Relations Board that had followed a hearing before an administrative law judge).

157. *See Nat’l R.R. Passenger Corp. v. Boston & Maine Corp.*, 503 U.S. 407, 414 (1992) (reviewing circuit decision on final order from Interstate Commerce Commission); *Norfolk & W. Ry. Co. v. Am. Train Dispatchers’ Ass’n*, 499 U.S. 117, 128 (1991) (responding to separate orders from the Interstate Commerce Commission); *see generally* Marshall J. Breger & Gary J. Edles, *Established by Practice: The Theory and Operation of Independent Federal Agencies*, 52 ADMIN. L. REV. 1111, 1260–62, 1273–75 (2000) (providing information on the Federal Labor Relations Authority and National Labor Relations Board as part of a descriptive list of independent agencies); Kirti Datla & Richard L. Revesz, *Deconstructing Independent Agencies (and Executive Agencies)*, 98 CORNELL L. REV. 769, 776 (2013) (noting that the Interstate Commerce Commission had “[f]ive commissioners, appointed by the President with the advice and consent of the Senate”).

158. *INS v. Aguirre-Aguirre*, 526 U.S. 415, 425 (1999) (explaining that the Attorney General’s delegation of authority to the BIA provides a basis for *Chevron* deference to the BIA’s interpretations of the INA).

BIA's case, the Attorney General;<sup>159</sup> in the PTAB's case, the Secretary of Commerce.<sup>160</sup>

Nonetheless, the BIA differs from the PTAB in a number of ways that appear relevant under *Mead*. First, the BIA apparently has generally been, and remains, a significantly more exclusive and elite body than the PTAB. As opposed to the hundreds of members of the PTAB, permanent membership of the BIA has, since at least the early 1980s, been capped at a number ranging from five to twenty-three,<sup>161</sup> with the current cap standing at seventeen.<sup>162</sup> The BIA's permanent membership may be supplemented by additional temporary members,<sup>163</sup> but the current number of such temporary members stands at the relatively small number of four.<sup>164</sup>

A second way that the BIA differs from the PTAB is that the BIA can generally claim *Chevron*-level authority as a derivative of the Attorney General's separately recognized *Chevron*-level authority. The Supreme Court has indicated that the Attorney General "clear[ly]" enjoys a general grant of *Chevron*-level authority,<sup>165</sup> and the Court has accorded the BIA derivative *Chevron*-

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159. 8 C.F.R. § 1003.1(a)(1) (2015) ("The Board members shall be attorneys appointed by the Attorney General . . .").

160. 35 U.S.C. § 6(a) (2012) (specifying that APJs "are appointed by the Secretary, in consultation with the Director").

161. DAVID A. MARTIN, THOMAS ALEXANDER ALEINIKOFF, HIROSHI MOTOMURA & MARYELLEN FULLERTON, *IMMIGRATION AND CITIZENSHIP: PROCESS AND POLICY* 281 (6th ed. 2008) (discussing variation in the number of permanent BIA members); AM. BAR ASS'N, *REFORMING THE IMMIGRATION SYSTEM* 3–5 (2010) ("Since [1983], the number of BIA members has varied from as few as five to as many as 23.").

162. 8 C.F.R. § 1003.1(a)(1) ("The Board shall consist of 17 members.").

163. The Director of the Executive Office for Immigration Review (EOIR) has the power to appoint temporary BIA members for up to six-month terms. *Id.* § 1003.1(a)(3). Temporary BIA members have the same adjudicatory authority as permanent members, "except that temporary Board members [lack] the authority to vote on any matter decided by the Board *en banc*." *Id.*

164. In December 2015, the Department of Justice's website indicated that, at that time, the BIA had fourteen permanent members and four temporary members. *Board of Immigration Appeals*, U.S. DEP'T OF JUSTICE (Aug. 10, 2015), [http://www.justice.gov/eoir/board-of-immigration-appeals-bios#Temporary\\_Board\\_Members](http://www.justice.gov/eoir/board-of-immigration-appeals-bios#Temporary_Board_Members) [<https://perma.cc/FQ7D-RAJJ>].

165. *INS v. Aguirre-Aguirre*, 526 U.S. 415, 424–25 (1999) (noting statutory language saying that "the 'determination and ruling by the Attorney General with respect to all questions of law shall be controlling[.]'" and adding "that judicial deference to the Executive Branch is especially appropriate in the immigration context" (quoting 8 U.S.C. § 1103(a)(1) (1994)); *see also* 8 U.S.C. § 1103(a)(1) ("[D]etermination and ruling by the Attorney General with respect to all questions of [immigration] law shall be controlling."); 1 CHARLES GORDON, STANLEY MAILMAN & STEPHEN YALE-LOEHR, *IMMIGRATION LAW AND PROCEDURE* § 3.03[1] (2008) (noting that "the Attorney General's determination on all questions of [immigration] law is controlling").

level authority in accordance with explicit regulatory language providing that, in deciding cases, BIA members “exercise the ‘discretion and authority conferred upon the Attorney General by law.’”<sup>166</sup> Consistent with this delegation of authority, BIA members can vote to accord precedential status to decisions “by a three-member panel or by the Board en banc” without requiring further action by the Attorney General.<sup>167</sup> In contrast, the PTO and PTO Director currently lack a general grant of PTAB-independent *Chevron*-level authority in interpreting substantive provisions of the Patent Act.<sup>168</sup> Moreover, neither the Patent Act nor PTO regulations accord PTAB members alter ego status with respect to the Director.<sup>169</sup> Further, as noted above, the PTAB currently lacks the ability to make its decisions precedential without the Director’s approval.<sup>170</sup> In short, the PTO has no relevant, separately derived authority on which the PTAB can be parasitic, and, in any event, the PTAB presents a weaker case than the BIA for parasitically derived authority.

6. *The Potentially Special Case of Precedential PTAB Interpretations.* Elsewhere in this issue, Stuart Benjamin and Arti Rai suggest that a strong case for such deference might arise for a determination resulting from a PTO rehearing involving a PTAB panel stacked by the Director to ensure a particular result.<sup>171</sup> But given *Mead*’s emphasis on “relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of [legal] force,”<sup>172</sup> such irregular

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166. *Aguirre-Aguirre*, 526 U.S. at 424 (quoting 8 C.F.R. § 3.1(d)(1) (1998)). The present analog of this regulation provides that BIA members are “to act as the Attorney General’s delegates in the cases that come before them.” 8 C.F.R. § 1003.1(a)(1). Such delegation has apparently been authorized by statute. *GORDON ET AL.*, *supra* note 165, § 3.03[2] (“As contemplated by the Immigration and Nationality Act (INA), the Attorney General has delegated to various officers his responsibilities under the immigration laws.” (footnote omitted)); *see also* 8 U.S.C. § 1103(g)(2) (“The Attorney General shall establish such regulations, . . . delegate such authority, and perform such other acts as the Attorney General determines to be necessary for carrying out this section.”).

167. 8 C.F.R. § 1003.1(g).

168. *See supra* note 76 and accompanying text.

169. *See* 35 U.S.C. § 6 (2012) (describing the PTAB); *cf. In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc) (reaffirming that the PTAB’s predecessor, the BPAI, “is not the alter ego or agent of” the head of the PTO); Duffy, *supra* note 33, at 908 (observing that BPAI members “are not mere ‘alter ego[s] or agent[s]’ of the PTO Director”).

170. *See supra* text accompanying note 152.

171. *See* Stuart Minor Benjamin & Arti K. Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 DUKE L.J. 1563, 1595 (2016).

172. *United States v. Mead Corp.*, 533 U.S. 218, 230 (2001).

proceedings and their extraordinary possibility seem a less than persuasive basis for *Chevron* deference. As noted earlier, although the Federal Circuit has previously found such proceedings to be authorized by the Patent Act, the Federal Circuit declined to address whether they violated the constitutional requirement of due process.<sup>173</sup>

Ultimately, the best case for PTAB decisions warranting *Chevron* deference seems to lie with PTAB decisions designated as having precedential status. Some obstacles to *Chevron* deference for interpretations of substantive provisions of the Patent Act are overcome if one focuses solely on these decisions. Given that (1) precedential status means that the PTO views the relevant decision as binding and (2) the Director must approve such status, a precedential opinion seems more likely than a nonprecedential opinion to merit treatment as a true decision of “the agency” in APA terms.<sup>174</sup> Nonetheless, because there is no statutory basis for the PTAB’s procedure for designating opinions as precedential, a court might view as impermissible bootstrapping a proposition that a requirement for Director review developed by the PTO transforms an otherwise non-*Chevron*-deference meriting PTAB opinion into one that merits *Chevron* deference.<sup>175</sup>

The Supreme Court’s reference to delegation by regulation in the course of according *Chevron* deference to the BIA provides little aid here because, with respect to the BIA, the question was essentially the distinct one of whether the Attorney General’s recognized interpretive authority flows down to the BIA.<sup>176</sup> In the context of the PTAB, the challenge is to show that otherwise nonexistent interpretive authority arises from congressional provision

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173. See *supra* text accompanying note 35.

174. See *supra* text accompanying note 119; cf. Hickman, *supra* note 91, at 552 (observing that, “although the [Supreme] Court has made clear that decisions of the Board of Immigration Appeals (BIA) carry the force of law and are *Chevron*-eligible,” a number of courts of appeals have held that “interpretations designated by the BIA as nonprecedential” do not merit *Chevron* deference and others “have reserved the question”).

175. Bressman, *supra* note 91, at 1469 (“*Mead* makes clear that agencies cannot shoehorn themselves into *Chevron* deference by voluntarily adopting procedures that Congress has not authorized.”); cf. Nat’l Cable & Telecomms. Ass’n v. Brand X Internet Servs., 545 U.S. 967, 1004 (2005) (Breyer, J., concurring) (stating that, under *Mead*, “the existence of a formal rulemaking proceeding is neither a necessary nor a sufficient condition for according *Chevron* deference,” with the lack of sufficiency resulting “because Congress may have intended *not* to leave the matter of a particular [statutory] interpretation up to the agency, irrespective of the procedure the agency uses”).

176. See *supra* text accompanying notes 158–66.

for the PTAB and associated post-grant proceedings. The fact that the Supreme Court has accepted the ability of the Attorney General to delegate recognized *Chevron*-level authority to the BIA does not imply that the PTO can effectively generate *Chevron*-level interpretive authority by adopting one or more procedures involving both the PTAB and the Director. Without relevant congressional provision, the PTO's generation of such procedure seems to offer little in the nature of evidence of a congressional intent to delegate *Chevron*-level interpretive authority.

Moreover, even if the PTO's current procedure for designating a PTAB opinion as precedential were a creature of Congress, it would arguably fall short under *Mead* because of how that procedure compares negatively to standard procedures for agency-level review in formal adjudication. Although a party to a PTAB adjudication may "request in writing that an opinion be made precedential," the PTO does not appear to have issued rules in relation to such a request that provide for basics of agency-level review as contemplated by the APA<sup>177</sup>—namely, that parties have "a reasonable opportunity to submit for the [agency's] consideration . . . (1) proposed findings and conclusions; or (2) exceptions to the decisions or recommended decisions of subordinate employees or to tentative agency decisions; and (3) supporting reasons for the exceptions or proposed findings or conclusions;"<sup>178</sup> and that the agency generate a record "show[ing] the ruling on each finding, conclusion, or exception presented."<sup>179</sup> Thus, the PTO's current approach to according precedential status might fail *Mead*-informed expectations for a "procedure tending to foster the fairness and deliberation that should underlie a pronouncement" that presumptively binds Article III courts.<sup>180</sup>

### III. PTO AS "PRIME MOVER"

Part II argues that the PTO's powers remain significantly limited, particularly with respect to its ability to bind courts to an agency interpretation of substantive provisions of the Patent Act. This Part contends that, despite such constraints, the PTO can still accomplish much through adjudicatory processes as patent law's probable "prime mover"—the government body that is likely to be the first to address

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177. USPTO SOP 2, *supra* note 151, at 2–3.

178. 5 U.S.C. § 557(c) (2012).

179. *Id.*

180. *United States v. Mead Corp.*, 533 U.S. 218, 230 (2001).

many patent law issues in a centralized and systematic fashion. Further, although ostensibly back-end processes, the post-issuance proceedings administered by the PTAB indeed do much to enhance the PTO's prime-mover potential.

First, even without an entitlement to *Chevron* deference, PTAB decisions may be accorded persuasive weight. Indeed, although PTAB post-issuance proceedings are not formal adjudication in the manner explicitly contemplated by the APA, their relatively formal nature compared to earlier PTO proceedings suggests that, particularly when precedential, PTAB decisions in post-issuance proceedings are likely to have a greater claim to substantial *Skidmore* deference than was previously available to the PTO through adjudication. Although some have wondered about the substantiality of *Skidmore* deference,<sup>181</sup> a relatively recent empirical study has led Kristin Hickman and Matthew Krueger to conclude that *Skidmore* review is in fact frequently “highly deferential,” with results “weighted heavily in favor of government agencies.”<sup>182</sup>

Of course, as an alternative to applying *Skidmore*, courts might determine more simply that, quite generally, they owe no deference to PTAB rulings on questions of substantive patent law. In 2015, the Supreme Court apparently took such a tack in reviewing the Internal Revenue Service's (IRS) views on the availability of certain tax credits under the Patient Protection and Affordable Care Act.<sup>183</sup> But the Court's apparent failure to accord any deference in that case reflected special circumstances: the vast significance for national health insurance policy of the interpretive question<sup>184</sup> and the Court's belief that the IRS had “no expertise in crafting health insurance policy of this sort.”<sup>185</sup> The PTO is unlikely to be deemed to have “no expertise” in substantive patent law, and PTAB rulings on questions of substantive patent law will, presumably, be perceived only rarely—if ever—as having a policy significance on a par with a tax-credit

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181. Golden, *USPTO's Soft Power*, *supra* note 7, at 549 (“[S]ome have suggested that *Skidmore* deference itself is, in reality, a regime of zero deference . . .”).

182. Kristin E. Hickman & Matthew D. Krueger, *In Search of the Modern Skidmore Standard*, 107 COLUM. L. REV. 1235, 1280 (2007).

183. *King v. Burwell*, 135 S. Ct. 2480, 2487 (2015) (discussing how “[t]he IRS addressed the availability of tax credits by promulgating a rule”).

184. *Id.* at 2489 (describing the availability of tax credits “on Federal Exchanges” as “a question of deep ‘economic and political significance’” that Congress “surely would have [delegated to the IRS] expressly” if it had intended such a delegation at all (quoting *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 160 (2000))).

185. *Id.*

question whose resolution threatened to hurl state insurance markets into “death spirals.”<sup>186</sup> Thus, the *Skidmore* framework appears to offer a plausible mechanism for the PTO to use its new post-issuance proceedings to obtain meaningfully enhanced deference on questions of substantive patent law, particularly for those rulings designated as precedential.<sup>187</sup>

A second way that PTAB proceedings can enable the PTO to flex its added muscle is by providing a forum for developing agency interpretations of PTO regulations. The Federal Circuit has recently emphasized the high level of deference that it gives PTAB interpretations of PTO regulations, saying that the court accepts such an interpretation unless it is “plainly erroneous or inconsistent with the regulation.”<sup>188</sup> Given restrictions of the PTO’s ability to issue rules having the force of law, relevant regulations are likely to be substantially procedural, but the bounds and meaningfulness of distinctions between procedure and substance are not always clear. For example, the Federal Circuit applied the aforementioned high level of deference to uphold a PTAB interpretation that placed on a patent owner the burden of showing that new claims proposed in *inter partes* review “are patentable over the prior art of record.”<sup>189</sup> By reversing the normal state of affairs in the PTO, under which claims are in essence presumed valid unless the PTO or another party provides reason to believe otherwise,<sup>190</sup> the PTAB thereby effectively ratcheted up the bite of substantive patentability requirements.<sup>191</sup> The

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186. *Id.* at 2492–93 (eschewing a statutory interpretation that, in the Court’s view, would “likely create the very ‘death spirals’ [in state insurance markets] that Congress designed the [PPACA] to avoid”).

187. *See* *United States v. Mead Corp.*, 533 U.S. 218, 227 (2001) (observing that “agencies charged with applying a statute necessarily make all sorts of interpretive choices, and while not all of those choices bind the judges to follow them, they certainly may influence courts facing questions the agencies have already answered”). *But see* Peter L. Strauss, *In Search of Skidmore*, 83 *FORDHAM L. REV.* 789, 792 (2014) (questioning the current Supreme Court’s commitment to the *Skidmore* deference framework in light of a case in which “there is not a mention of the concept—indeed, its relevance is effectively denied—in opinions signed by eight of the Justices”).

188. *Microsoft Corp. v. Proxycorr, Inc.*, 789 F.3d 1292, 1306 (Fed. Cir. 2015) (quoting *In re Sullivan*, 362 F.3d 1324, 1326 (Fed. Cir. 2004)).

189. *Id.* at 1307.

190. *See, e.g., Hyatt v. Dudas*, 492 F.3d 1365, 1369 (Fed. Cir. 2007) (“In the prosecution of a patent, the initial burden falls on the PTO to set forth the basis for any rejection, *i.e.*, a *prima facie* case.”).

191. Such substantive effect has caused the Supreme Court elsewhere to hold that the assignment of burdens of proof is substantive, rather than merely procedural. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 849 (2014) (“[W]e have held that ‘the burden of

PTAB might more generally use its adjudicatory powers to interpret PTO regulations in ways that have a substantial impact on patent law practice and outcomes. Even more generally, the PTO possesses the ability to influence the course of patent law through its fundamental position as patent law's "prime mover"—the first and, often, most readily accessed gatekeeper for whether a patent claim should be allowed or should continue in force.

True, the sheer volume of patent applications and issued patents generates practical limitations on the influence that the PTO can exert through first-stage review. Even with several thousand examiners, the yearly influx of several hundred thousand applications means that the PTO can—and even arguably should<sup>192</sup>—often conduct little more than a relatively cursory investigation of various questions relating to patentability.<sup>193</sup> Further, the need to use several thousand examiners, as well as hundreds of administrative patent judges, means that the PTO has natural problems ensuring that individual decisions by agency employees are properly representative of the official positions of the agency as a whole.

Nonetheless, in part through the issuance of guidance documents that do not have the force of law, the PTO has already shown a capacity to influence the substantive course of patent law's development. The utility guidelines that the PTO developed in the late 1990s to deal with a flood of patent applications for fragmentary DNA sequences<sup>194</sup> were deployed by the PTO's examination corps and the BPAI to reject specific patent claims in original examination.<sup>195</sup> The Federal Circuit later affirmed these rejections

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proof' is a 'substantive aspect of a claim.'" (quoting *Raleigh v. Ill. Dep't of Revenue*, 530 U.S. 15, 20–21 (2000))).

192. Mark A. Lemley, Essay, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1497 (2001) ("Because so few patents are ever asserted against a competitor, it is much cheaper for society to make detailed validity determinations in those few cases than to invest additional resources examining patents that will never be heard from again.").

193. See Golden, *Proliferating Patents*, *supra* note 61, at 496–97 (indicating how, roughly speaking, an average of something in the nature of twenty hours for PTO examiner work on each application follows from current numbers of patent examiners and incoming applications per year).

194. Golden, *USPTO's Soft Power*, *supra* note 7, at 554 (discussing how "the USPTO injected new life into the utility requirement for biological-substance and chemical-substance inventions").

195. *In re Fisher*, 421 F.3d 1365, 1368 (Fed. Cir. 2005) (noting that, in reviewing a patent application, the PTO examiner had "found that claimed [DNA sequences] were not supported by a specific and substantial utility" and that the Board had also found that various asserted utilities for the sequences were not specific and substantial utilities).

under a deferential standard of review that reflected the factual underpinnings for the PTO's approach.<sup>196</sup>

Likewise, even before the AIA, the PTO has shown a capacity to use its adjudicatory processes to tee up important legal issues for courts and even to suggest novel ways in which the courts might ultimately resolve those issues. An example comes in the form of opinions associated with a 2005 precedential decision by the BPAI in *Ex parte Lundgren*.<sup>197</sup> In that case, the Board addressed questions of subject-matter eligibility,<sup>198</sup> previously a relatively dormant area of the law on patentability.<sup>199</sup> More specifically, the opinion for the majority of the Board rejected a "technological arts" requirement for subject-matter eligibility<sup>200</sup> but declined to reject or criticize an alternative approach to limiting patentable subject matter suggested in a dissent.<sup>201</sup> This dissent not only highlighted the PTO's natural need to address such issues promptly<sup>202</sup> but also proposed an alternative test for subject-matter eligibility under which a process claim must be "tied to a particular machine or apparatus" or "transform physical subject matter to a different state or thing."<sup>203</sup> The BPAI opinions' suggestion of the possibility of reconsidering questions of patentable subject matter preceded the Supreme Court's spur to that effect,

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196. *Id.* at 1379 ("We conclude that substantial evidence supports the Board's findings that each of the five claimed [DNA sequences] lacks[a specific and substantial utility and that they are not enabled."].

197. *Ex parte Lundgren*, No. 2003-2088, 2004 WL 3561262 (B.P.A.I. Apr. 20, 2004).

198. *Id.* at \*4 ("We reverse the examiner's rejection under 35 U.S.C. § 101 (non-statutory subject matter).").

199. See *Golden, Prime Percolator*, *supra* note 12, at 683 (observing that "broad challenges to patentability to whole classes of subject matter" might, "[u]ntil recently," have been classified as arguments "that parties appearing in patent cases [would] be systematically unlikely to make").

200. *Lundgren*, 2004 WL 3561262, at \*5 ("Our determination is that there is currently no judicially recognized separate 'technological arts' test to determine patent eligible subject matter under § 101.").

201. *Id.* ("We decline at this stage . . . to enter a new ground of rejection based on Judge Barrett's rationale, because in our view his proposed rejection would involve development of the factual record and, thus, we take no position in regard to the proposed new ground of rejection.").

202. *Id.* at \*12 (Barrett, Admin. Patent J., concurring in part and dissenting in part) ("In recent years, the USPTO has been flooded with claims to 'processes,' many of which bear scant resemblance to classical processes of manipulating or transforming compositions of matter and of functions performed by machines.").

203. *Id.* at \*26 ("A series of steps which is not tied to a particular machine or apparatus, and which does not transform physical subject matter to a different state or thing, does not meet the statutory definition of a 'process' and is not patentable subject matter.").

through a grant of certiorari in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*,<sup>204</sup> and a later dissent from dismissal of that case as one in which certiorari was improvidently granted.<sup>205</sup> The Federal Circuit later substantially adopted this “machine or transformation” test.<sup>206</sup> Although the Supreme Court ultimately rejected the test as lacking sufficient statutory and precedential support<sup>207</sup> as well as, in the opinion of at least four Justices, possessing excessive rigidity,<sup>208</sup> the Supreme Court has left in place and bolstered the turn toward a more restrictive approach to subject-matter eligibility that the Boards’ judges had signaled was possible.<sup>209</sup>

The PTO’s newly expanded power to engage in post-issuance proceedings increases its capacity to act as a “prime mover.” PTAB appeals and trials give private parties many opportunities to highlight issues that the PTO might address as a matter of first impression or, at least, before any presumptively conclusive, centralized determination by the Federal Circuit or Supreme Court. Provisions for automatic stays of district court litigation while a patent is subject to *inter partes* or post-grant review effectively provide the PTO with a variant of “primary jurisdiction”<sup>210</sup> when a challenger to a patent files

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204. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 546 U.S. 975 (2005) (granting certiorari).

205. *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 136 (2006) (per curiam) (Breyer, J., dissenting) (questioning Federal Circuit precedent on subject-matter eligibility); *see also* Golden, *Prime Percolator*, *supra* note 12, at 707 (“It seems no coincidence that, in the wake of *Laboratory Corp.*, Federal Circuit panels experimented with more vigorous enforcement of requirements for subject matter eligibility . . .”).

206. *Bilski v. Kappos*, 561 U.S. 593, 600 (2010) (quoting *In re Bilski*, 545 F.3d 943, 956 (Fed. Cir. 2008) (en banc)) (noting the Federal Circuit’s adoption of a “machine-or-transformation test” for the patent eligibility of a process).

207. *Id.* at 602–04 (discussing statutory language, interpretive principles, and prior Supreme Court decisions).

208. *Id.* at 606 (opinion of Kennedy, J.) (“Section 101’s terms suggest that new technologies may call for new inquiries.”).

209. *See id.* at 612 (Kennedy, J., majority opinion) (emphasizing that, in rejecting a machine-or-transformation test lately adopted by the Federal Circuit, the Supreme Court should not be “read as endorsing [prior] interpretations of § 101” by the Federal Circuit); *id.* at 658–59 (Breyer, J., concurring in the judgment) (contending that rejection of the Federal Circuit’s prior “useful, concrete, and tangible result” test for subject-matter eligibility was “consistent with” all the Justices’ written opinions (quoting *State St. Bank & Tr. v. Signature Fin. Grp., Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998))); *see also id.* at 614 n.1 (Stevens, J., concurring in the judgment) (stating that “it would be a grave mistake to assume that anything with a ‘useful, concrete and tangible result’ . . . may be patented” (quoting *State St. Bank & Tr.*, 149 F.3d at 1373)).

210. *See* PIERCE ET AL., *supra* note 34, at 221 (describing primary jurisdiction as “a concept used by courts to allocate initial decision making responsibility” and noting that, “[i]f a court

a civil action in district court after or on the same day as the challenger petitions for *inter partes* or post-grant review.<sup>211</sup>

More generally, *inter partes* and post-grant review proceedings not only provide expanded opportunities for PTO action but also mean that such action will come in circumstances in which PTO review, in terms of timing and quality, is more on a par with the sort of trial-based, post-issuance review traditionally only available in Article III courts or, for at least a subset of infringement cases, the International Trade Commission.<sup>212</sup> As opposed to prior provisions for ex parte reexamination and *inter partes* reexamination that limited grounds for post-issuance challenge to arguments of obviousness or lack of novelty based on prior-art “patents or printed publications,”<sup>213</sup> the new provisions for post-grant review broadly enable the PTO to review challenges to patent claims based on all the grounds for invalidity that an accused infringer might raise in litigation in the district courts.<sup>214</sup> Moreover, these new provisions enable the PTO to

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concludes that an issue raised in an action before the court is within the primary jurisdiction of an agency, the court will defer any decision in the action before it until the agency has addressed the issue” (emphasis omitted)); John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J.L. & POL’Y 109, 137 (2000) (observing that, after a court “decides to invoke the doctrine” of primary jurisdiction, the court may “grant[] a stay of proceedings”).

211. 35 U.S.C. § 315(a) (2012) (“If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed . . . .”); *id.* § 325(a)(2) (“If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed . . . .”).

212. Dreyfuss, *supra* note 11, at 6 (discussing procedural aspects of post-grant review, *inter partes* review, and covered business method review proceedings); Melissa F. Wasserman, *Deference Asymmetries: Distortions in the Evolution of Regulatory Law*, 93 TEX. L. REV. 625, 661 (2015); Wasserman, *supra* note 85, at 1981 (noting that the PTO must “allow oral arguments and discovery as part of [its] postgrant review proceedings”); *cf.* Benjamin & Rai, *supra* note 89, at 327–28 (2007) (observing that “various post-grant review proceedings . . . proposed [in the bills that ultimately culminated in amendment of the U.S. Patent Act] would be trial-type procedures on the record that bear the hallmarks of formal adjudication—most notably, a proceeding before an administrative judge at which the parties present evidence and cross-examination, with the judge’s decision based on the record”).

213. 35 U.S.C. §§ 301–03 (indicating allowed grounds from launching an ex parte reexamination); *id.* § 311(a) (pre-AIA provision applying to *inter partes* reexamination requests filed before September 16, 2012) (indicating allowed grounds for an *inter partes* reexamination).

214. *See 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).”); *cf.* AIA § 18(a) (providing for grounds for transitional covered business method patent review that largely track those for post-grant review).

institute post-grant review not only (1) on grounds that a challenge to one or more claims would “more likely than not” succeed,<sup>215</sup> but also and alternatively (2) on grounds “that the petition [for post-grant review] raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>216</sup> At the same time, the PTO retains the capacity to launch post-issuance proceedings *sua sponte* on the more limited grounds allowed for *ex parte* reexamination.<sup>217</sup>

In sum, the PTO’s new post-issuance proceedings allow it to compete more substantially with Article III courts’ review of questions of patentability. They raise the possibility that court proceedings on such questions should be seen as more supplementary than complementary, thereby helping to call into question the need for as heavy-handed a judicial role as patent law has made traditional.

### CONCLUSION

This Article has noted how developments in patent law have strengthened the PTO’s hand while also appearing to leave its interpretive authority substantially constrained. In particular, Part II has argued that the PTO remains generally blocked from obtaining high-level *Chevron* deference for its interpretations of substantive provisions of the Patent Act, even when the PTO arrives at those interpretations through relatively formal PTAB proceedings.

But as argued previously in an article that focused on rulemaking, rather than adjudication, concern with entitlement to *Chevron* deference can be overblown.<sup>218</sup> Regardless of whether the PTO obtains *Chevron*-level deference for its interpretations of substantive provisions of the U.S. Patent Act, its general status as the first mover on questions of patentability and its expanded set of post-issuance proceedings put the agency in prime position to have a significant impact on how patent law develops. Just as the PTO can influence the courts’ ultimately authoritative interpretations of the

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215. 35 U.S.C. § 324(a).

216. *Id.* § 324(b).

217. *Id.* § 303(a) (empowering the Director, “[o]n his own initiative, and any time . . . [to] determine whether a substantial new question of patentability is raised by patents and publications”); *id.* § 304 (providing that a determination by the Director of “a substantial new question of patentability” in relation to patents and printed publications “will include an order for reexamination”).

218. Golden, *USPTO’s Soft Power*, *supra* note 7, at 558 (“The USPTO’s experience with utility and written-description guidelines shows that the USPTO can successfully use nonbinding rulemaking to provide a systematic response to certain patentability problems.”).

law through persuasively supported interpretive rules,<sup>219</sup> the agency can also influence those interpretations through persuasively supported PTAB opinions or through PTAB opinions that at the very least help to crystallize available adjudicatory options or otherwise catalyze deliberation in Article III courts. The BPAI judges' opinions in *Ex parte Lundgren* illustrate how the PTO can help stir the adjudicatory pot in a way that encourages further legal developments.<sup>220</sup> The extent to which the PTO exploits its strategic position wisely will likely play a significant role in the extent to which the U.S. patent system succeeds in its constitutional purpose to "promote the Progress of Science and useful Arts."<sup>221</sup>

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219. *Id.* at 553 ("There are already notable instances of situations in which the USPTO's adoption of a policy, guideline, or practice on a controversial question of substantive patent law has 'succeeded' in the sense that courts . . . have upheld or embraced the USPTO's position as a correct interpretation of statutory law.").

220. *See supra* text accompanying notes 197–203. Given (1) the PTO's presumably better factfinding capacities in its more trial-like post-issuance proceedings and (2) the Supreme Court's recent highlighting of the Federal Circuit's duty commonly to defer to other entities' original factual findings, *see* *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015) ("We hold that the appellate court must apply a 'clear error,' not a *de novo*, standard of review [to trial judge factfinding in relation to questions of patent claim construction]."), there is reason to hope that the PTO is well positioned to obtain substantial deference for even relatively general conclusions relating to the patentability of certain types of subject matter, as long as those opinions have a substantial grounding in factual findings. *But cf.* Benjamin & Rai, *supra* note 89, at 290 (contending that the Federal Circuit's "[h]ighly aggressive application of [a substantial evidence] standard [of review] to the PTO's informal proceedings—where the only formal evidence on which the PTO can rely to make the case against patentability is written prior art—yields the paradoxical result of rigorous review").

221. U.S. CONST. art. I, § 8, cl. 8.