

# Could Constitutional Flaw Unravel Eight Years of Patent Board Rulings?

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The U.S. Patent and Trademark Office may have a major problem on its hands – the possibly unconstitutional appointment of nearly two-thirds of its patent appeals judges.

Such a constitutional flaw, if legitimate, could call into question the hundreds of decisions worth billions of dollars in the past eight years. The flaw, discovered by highly regarded intellectual property scholar John Duffy of George Washington University Law School, could also afflict the appointment of nearly half of the agency's trademark appeals judges.

A petition raising the issue has just been filed in the U.S. Supreme Court by a company whose patent was rejected by a three-judge Board of Patent Appeals and Interferences panel. That panel decision was subsequently affirmed by the U.S. Court of Appeals for the Federal Circuit, which set aside an \$86.5 million infringement verdict won by the company.

The company's petition, drafted by veteran high court litigator Robert Long of Washington's Covington & Burling, contends that one of the three panel judges in its case was named to the board in violation of the Constitution's appointments clause. *Translogic Technology v. Dudas*, No. 07-1303.

The petition relies heavily on Duffy's analysis, which the professor published in an online IP journal.

"You shouldn't take such a position -- saying the whole board is unconstitutionally structured -- unless you're pretty sure," said Duffy. "I thought this was incredible. I checked it every single way I could before I went out on a limb to say this. ... The government has never argued I'm wrong. The question is: What do you do about it?"

If a patent applicant cannot convince a PTO examiner that his or her invention is entitled to a patent, the rejected applicant can appeal to the BPAI, which usually sits as three-judge panels.

"The board is very important and increasingly so," said Professor Craig A. Nard, director of the Center for Law, Technology and the Arts at Case Western Reserve University School of Law. Pending patent reform legislation, he added, would expand the BPAI's authority.

IP scholar Elizabeth Winston of Catholic University of America Columbus School of Law agreed, adding that these administrative law judge positions are very difficult to get and are now held by "highly qualified and respected" judges, many with experience from inside and outside of the agency as well as clerkships on the Federal Circuit.

### **NEW APPOINTMENT PROCESS**

The BPAI has 61 judges, nearly 40 of whom were appointed after March 29, 2000, according to PTO spokeswoman Jennifer Rankin Byrne.

The March 2000 date is significant because that is when a law changing the appointment process for BPAI judges took effect.

The Intellectual Property and Communications Reform Act of 1999, according to Duffy, was intended to give more authority and status to the director of the PTO, but also to keep the agency firmly within the Department of Commerce. A provision of the act transferred the power to appoint BPAI judges from the secretary of Commerce to the PTO director.

BPAI judges exercise "significant authority," argue Duffy, Long and others, and qualify as "inferior officers" under the appointments clause. The clause requires that inferior officers be appointed either by the president, the courts of law or heads of departments. The PTO director is not a head of a department.

Given the large number of judges appointed after March 2000, Duffy said, the odds are that the vast bulk of appeals since then had at least one invalidly appointed judge sitting on the panel.

Translogic Technology raised the constitutional issue in its motion for rehearing en banc in the Federal Circuit. But the PTO and the Justice Department did not defend the appointment process. Instead, they argued the court should not decide it because the issue had not been raised earlier. They also argued that the panel's allegedly invalid decision could be validated by conferring "de facto officer" status on the panel, and that the two agencies were seeking a legislative solution. The Federal Circuit did not reach the issue.

Pending patent reform legislation, which appears stalled if not dead, would return the appointment power to the Commerce secretary not only for the BPAI but also for the Trademark Trial and Appeal Board, whose 20 judges, half of whom were appointed after March 2000, hear hundreds of appeals annually.

In the high court, Translogic's lawyer, Long, argues that the remedy for the constitutional violation is to vacate the BPAI decision. He contends that the de facto officer doctrine does not apply, and that the PTO's claim -- that failure to apply it would cast a cloud over "many thousands of Board decisions" -- is inaccurate.

"Our position is this affects only decisions that are still subject to a direct appeal -- those pending in the Federal Circuit or in the Supreme Court -- a much smaller group," he said.

Neither the Justice Department nor the PTO would comment.

Constitutional scholar Michael Gerhardt of the University of North Carolina School of Law said Translogic's argument was "very credible," with its primary hurdle being more procedural because the issue was not decided by the lower court. But, he noted, the justices may overlook that because of the fundamental nature of appointments clause violations.

Duffy agreed. "I think the court has a pretty stark choice here. Do you say, 'There's this important entity of our government through which billions of dollars of economic rights are adjudicated and it's unconstitutional,' but ignore it? Or, do you confront it? I think the problem has to be confronted."