What Will Become of Patents Issued to Prevailing Applicant-Interferents As The Result of Decisions By Unconstitutionally Appointed APJs? [1]

by

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and

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Introduction

Article II, Section 2, Clause 2 of the U.S. Constitution says that “inferior officers” can only be appointed by the President, the courts, or “the Heads of Departments.” From 1861[4] until 1975, the Examiners-in-Chief (“EICs”), who where the predecessors of the APJs, were appointed by the President, subject to Senate confirmation.[5] When that grew to be too much of a burden, 35 USC 3 was amended in 1975 to provide that the Secretary of Commerce (without Senate confirmation) would appoint the EICs.[6] When even that grew to be too much of a burden, 35 USC 6 was amended in 2000 to provide that the Director appoint the APJs.[7] Since then, the Director has appointed 47 APJs out of the 74 APJs now on the BPAI.[8]

Unfortunately, it is not possible to argue with a straight face that the Director is a “a Head of a Department,”[9] authorized by the Constitution to appoint “inferior officers,”[10] or that the APJs aren’t “inferior officers” within the meaning of the U.S. Constitution.[11] So, 35 USC 6 was amended on August 12, 2008 to return the power to appoint APJs to the Secretary of Commerce.[12] That should take care of the problem insofar as decisions by panels of APJs all of whom were appointed prior to March 29, 2000 or after August 12, 2008 are concerned.

However, there were thousands of decisions between March 28, 2000 and August

12, 2008 made by panels of APJs including at least one purportedly un-Constitutionally appointed APJ,[13] and no doubt scores of those decisions were in favor of an applicant-interferent which led to issuance of a patent to that applicant. The new law seeks to deal with that problem by providing: (1) that the Secretary of Commerce will henceforth appoint APJs in "consultation with the Director," (2) that the Secretary of Commerce could appoint APJs retroactively, and (3) that it shall be a defense to a challenge to the appointment of an APJ on the basis that the APJ had been originally appointed by the Director that the APJ so appointed was acting as a de facto officer.[14] The questions addressed by this article are (1) whether that attempt to design around the problem is likely to fly; (2), if it doesn't fly, what will likely be the effect on patents issued as the result of decisions in favor of an applicant-interferent by a panel including an un-Constitutionally appointed APJ; and (3), if that is the effect on those patents, what will be the likely effect on the owners of those patents.[15]

A Simple Analogy

The U.S. Constitution provides that a member of the House of Representatives must be at least twenty-five years old.[16] Suppose a hot-shot twenty-three year old is elected to the House of Representatives. Suppose further that, in order to fix that problem, Congress hastily passes and the President signs a bill providing that all individuals born between two dates (which happen to encompass the hot-shot's birthday) shall be "deemed" to be twenty-six on the date that the next Congress convenes. Do you think that the courts would agree that the hot-shot was entitled to be seated as a Congressman? We don't.[17] Congress and the President can do many things, but we don't think that the courts would let them get away with that.[18]

Is the Design Around Likely to Fly?

We think not. Just as a statute that says a twenty-three year old is twenty-six doesn't make the twenty-three year old twenty-six, a statute saying that the APJs were Constitutionally appointed should not mean that they were Constitutionally appointed. Otherwise, Congress could effectively overrule Marbury v. Madison simply by including a passage in every statute saying that it was Constitutional.

The courts will likely be called upon to consider the scope and applicability of the de facto officer doctrine to this situation. As stated by the Supreme Court in Nguyen v. United States, 539 U.S. 69, 79 (2003), the de facto officer doctrine "confers validity upon acts performed by a person acting under the color of official title even though it is later discovered that the legality of that person's appointment or election to office is deficient."[19]

On the one hand, the courts may be willing to enforce the de facto officer doctrine where the party challenging the decision in question is doing so long after the decision in question was issued and there is substantial ground for concern over the "chaos that might ensue if all of the actions taken by an official improperly in office for years were subject to invalidation."[20] That certainly sounds like this situation.

On the other hand, two recent Supreme Court opinions have raised questions about the doctrine's applicability to judicial officers. See Nguyen v. United States, 539 U.S. 69 (2003) (finding the doctrine inapplicable where an Article IV territorial judge of the District Court for the Northern Mariana Islands had sat by designation on a three-judge appellate panel of the Ninth Circuit); and Ryder v. United States, 515 U.S. 177 (1995) (declining to apply the doctrine with regard to rulings from the U.S. Court of

Military Appeals).

Ryder is particularly instructive. In Ryder, an enlisted member of the Coast Guard challenged his conviction by a court-martial. His conviction was affirmed, first by the Coast Guard Court of Military Review and then by the U.S. Court of Military Appeals.[21] The latter court agreed that the two civilian judges who served on the Coast Guard Court of Military Review had not been appointed in accordance with the dictates of the Appointments Clause,[22] but nonetheless held that the actions of those judges were valid de facto. The Supreme Court reversed, holding that the actions of the two civilian judges were not valid de facto and ordering a rehearing by a properly constituted panel.[23] The Court found that the Coast Guard Court of Military Review had broader discretion to review claims of error, revise factual determinations, and revise sentences than did the Court of Military Appeals. The Court said: "It simply cannot be said, therefore, that review by the properly constituted Court of Military Appeals gave petitioner all the possibility for relief that review by a properly constituted Coast Guard Court of Military Review would have given him."[24]

It remains to be seen whether and how the de facto officer doctrine will apply to the actions of the APJs. However, following Ryder, a case could certainly be made that the BPAI has broader discretion than is available to the Federal Circuit. Thus, an applicant-interferent might not be afforded all the possibilities of relief by a panel of the BPAI including an un-Constitutionally appointed APJ, resulting in the de facto officer doctrine's being not applicable.

If the Design Around Doesn't Fly, What Will Be the Likely Effect on Patents Issued as the Result of a Judgment in Favor of an Applicant-Interferent By a Panel Including One or More un-Constitutionally Appointed APJs?

Here we have some guidance from a recent opinion by Brian Hanlon, the Deputy Director of the Office of Patent Legal Administration (more commonly known as "the Petitions Office") in the Office of the Deputy Commissioner for Patent Examination Policy. That opinion, entitled In re Application of Lee A. Chase and issued on August 8, 2008, concerned the aftermath of McKechnie Vehicle Components USA, Inc. v. Lacks Industries, Inc.[25] In that case, a panel of the Federal Circuit ruled that Chase's patent was "a nullity"[26]-- not on any of the usual grounds, but because the patent was issued at a time when the PTO did not have jurisdiction over the Chase application because that application was involved in a then-pending 35 USC 146 action. What makes the case interesting here is that the Chase application contained both claims that were designated as corresponding to the count and claims that were designated as not corresponding to the count.

Chase lost on appeal to the Federal Circuit (he had lost before the board but won before the district court), so his claims designated as corresponding to the count were clearly gone. But what about his claims that were designated as not corresponding to the count?

Back in the PTO, Chase filed a motion in the interference requesting that his application be remanded to the Patent Examining Corps for further consideration of the claims that were designated as not corresponding to the count.[27] SAPJ McKelvey dismissed Chase's motion, but sua sponte transferred the Chase application to the Deputy Commissioner for Patent Examination Policy "for such action (if any) as may be appropriate."[28] An individual acting in that individual's behalf then issued Chase an order to show cause why the Office could and should re-open prosecution. Chase filed a

response to that order to show cause, and Mr. Hanlon's opinion issued in response to that response:

According to Mr. Hanlon:

> As petitioner states, the Court of Appeals for the Federal Circuit (CAFC) held in McKechnie Vehicle Components USA, Inc. v. Lacks Industries, Inc. (McKechnie) that the Office "did not have jurisdiction to issue the patent until this Court resolved the merits of the action, and therefore the issuance of the '485 patent had no legal effect and the '485 patent is a nullity."[3] Petitioner argues that the actions taken by the Office in resuming prosecution of the '658 application in 2003, although in response to actions by petitioner that were inconsistent with the rules of practice, were without legal effect, because the Office did not have jurisdiction to act while the '836 interference was subject to judicial review. Petitioner requests that the Office re-open prosecution of the '658 application for examination of the claims not designated as corresponding to the count in the '836 interference.
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> The record reveals that judicial review of the BPAI decision in the '836 interference was sought on September 26, 2002. As the Office did not have jurisdiction to examine the '658 application while the '836 interference was subject to judicial review, all actions taken by the Office after September 25, 2002, for which the Office did not have express jurisdiction to act, are a nullity. For example, the actions taken by the Office beyond ministerial functions, including the issuance of the '485 patent, were without authority and as such carry no legal effect.[4] Accordingly, the actions taken by the examiner and the correspondence issued by the Office on and after September 26, 2002, in the '658 application were "irregular and are hereby set aside."[5]
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> The petition to re-open prosecution of the '658 application for examination of the claims, as of their September 25, 2002 status, not designated as corresponding to the count in the '836 interference is granted.
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> [3] 122 Fed. Appx. 482.
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> [4] Loshbough v. Allen, 359 F.2d 910, 912 (CCPA 1966) (after an applicant has appealed a Board decision to court,

> the USPTO may only perform certain ministerial functions such as certifying the record and transmitting it to the court); In re Grier, 342 F.2d 120, 123 (CCPA 1965) (such ministerial functions include merely correcting the record to reflect that a reversal of part of the examiner decision had occurred).
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> [5] Ex parte Brunner, 1872 C.D. 62 (Comm'r Pat. 1872).[29]

In our view, a patent issued as the result of a judgment in favor of an applicant-interferent by a panel including one or more un-Constitutionally appointed APJs is similarly irregular (and thus, arguably, a nullity), and it should be similarly set aside. That's the bad news.

However, the good news inferable from Mr. Hanlon's decision is that, at least in his opinion, the application that matured into that patent is still active--which means that post-interference ex parte prosecution can be resumed. If Mr. Hanlon's rationale is followed by other PTO officials in other cases, that would take some of the sting out of a holding that decisions of panels of the BPAI including one or more un-Constitutionally appointed APJ in favor of applicant interferents are nullities.[30]

If the Post-Interference Ex Parte Prosecution Leads to Issuance of Another Patent, What Will Be the Likely Effect on the Owner of the Irregularly Issued First Patent?

According to the first paragraph of 35 USC 271:

> Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.[31]

Unfortunately for the owner of the second patent, the term of that patent will not begin until it is issued.[32] Thus, infringers are likely to get a free ride during the period between issuance of the first patent and issuance of the second patent.

Conclusion

In our opinion, the courts (or the Court) that ultimately rule on Congress's attempted design around should give great weight to what Andrade v. Lauer, 729 F.2d 1475, 1499 (D.C. Cir. 1984), called the "chaos that might [no, would!] ensue if all of the actions taken by…[the APJs] improperly in office for years were subject to invalidation." That argues for applications of the de facto officer doctrine. That doctrine is a safety valve designed to temper socially dysfunctional results which would follow from invalidation of actions taken in good faith by government officials later found to have been improperly appointed. In our opinion, even the Constitution should be "interpreted" to take such considerations into account.

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[4] Act of March 12, 1861, ch. 88, § 2, 12 Stat. 246.

[5] Pub. L. 82-593, 66 Stat. 792. See generally, Federico, Evolution of Patent Office Appeals, 22 JPOS 838 (1940).

[6] Pub. L. 93-601, 88 Stat. 1956.

[7] Pub. L. 106-113, 113 Stat. 1501A-580-81.

[8] Letter, May 27, 2008, from Office of General Counsel, USPTO to Joel Ard of Black, Loewe & Graham (response to a FOIA request on the APJs appointed after March 28, 2000), available at: http://www.patentlyo.com/patent/illegaljudges.pdf.

[9] The argument of the Patent Office's independence is not totally made out of whole cloth. In Butterworth v. United States, 112 U.S. 50 (1884), the Court found the Commissioner of Patents to be independent of the Secretary of Interior (when the Patent Office was in that Department) with regard to adjudicative matters and subject to review by only the courts.

[10] John F. Duffy, Are Administrative Patent Judges Unconstitutional?, 2007 Patently-O Patent L.J. 21, 25, available at: http://www.patentlyo.com/lawjournal/2007/07/are-administrat.html.

[11] Duffy, at 22-23 n.6.

[12] Pub. L. No. 110-313, 122 Stat. 3014.

[13] Dennis Crouch of the Patently-O blog reviewed over 2,500 decisions issued between March 2007 and March 2008 and found that 83% of the decisions had at least one Director-appointed APJs on the panel. In nearly half of those decisions, a Director-appointed APJ wrote the opinion. See http://www.patentlyo.com/patent/2008/06/bpai-administra.html

[14] Pub. L. 110-313, § 1.

[15] It should be noted (1) that the issuance of patents as the result of decisions by panels including at least one purportedly un-Constitutionally appointed APJ in ex parte appeals presents different issues and (2) that those issue are not addressed in this article. See generally, In re Alappat, 33 F.3d 1526, 1535, 31 USPQ2d 1545, 1550 (Fed. Cir. 1994)

(en banc; opinion by C.J. Rich), holding that, in ex parte appeals, the APJs are mere scriveners acting on behalf of the Director.

[16] U.S. Const., Art. I, § 2, cl. 2. The other two qualifications are that the Representative must be a citizen of the United States for at least seven years and must be an inhabitant of the state from which the Representative was elected.

[17] Cf., e.g., Powell v. McCormack, 395 U.S. 486 (1969) (finding that the power of the House of Representatives to judge the qualifications of one whose election as a member is under challenge is limited to the three qualifications in U.S. Const. Art. I, § 2, cl. 2).

[18] After all, this is America--not Communist China, where the Government can make a fourteen year old gymnast sixteen by issuing her a passport saying that she is sixteen.

[19] As noted by Prof. Steven Schooner of the Law School of the George Washington University (who kindly reviewed a draft of this article), this doctrine is similar to the doctrine of ratification in contract law. For the federal government contracts analogy, see 49 CFR 1.602-3.

[20] Andrade v. Lauer, 729 F.2d 1475, 1499 (D.C. Cir. 1984).

[21] The U.S. Court of Military Appeals was the predecessor of the U.S. Court of Appeals for the Armed Forces.

[22] U.S. Const., Art. II, § 2, cl. 2

[23] Ryder, 515 U.S. at 188.

[24] Id. at 187.

[25] 122 Fed. Appx. 482 (Fed. Cir. 2005).

[26] 122 Fed. Appx. at 487.

[27] Full disclosure: At that point, Mr. Gholz had become co-counsel for Chase.

[28] Beam v. Chase, Interference No. 103,836, Paper No. 120 at pp. 9-10, January 5, 2006.

[29] In re Application of Lee A. Chase, App. No. 08/479,658, Decision Granting Petition, Office of Patent Administration, August 8, 2008, p. 3.

[30] See footnote 15 supra, and remember that such decisions in ex parte appeals present entirely different questions.

[31] Emphasis supplied.

[32] 35 USC 154(a)(2) ("Such grant shall be for a term beginning on the date on which the patent issues…") However, it should be noted that, in Graco Children's Products Inc. v. Century Products Co. Inc., 38 USPQ2d 1331, 1343 (E.D.Pa. 1996), the court held that a false statement that led to expedited issuance of a patent "was not material," thereby vitiating an inequitable conduct charge, despite the fact that it may well have earned the patentee either more damages or an earlier preliminary injunction.