

Faculty Scholarship

1994

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Publication Information

76 *Journal of the Patent and Trademark Office Society* 391 (1994)

Repository Citation

Moy, R. Carl, "Commentary: Authority of the Commissioner Over the Board of Patent Appeals and Interferences" (1994). *Faculty Scholarship*. Paper 156.

<http://open.mitchellhamline.edu/facsch/156>

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Commentary: Authority of the Commissioner Over the Board of Patent Appeals and Interferences

Abstract

On August 3, 1992, the United States Patent and Trademark Office published a notice in the Federal Register requesting public comments on the PTO's appeal procedures. Taken in context, then, the notice can be fairly said to raise the issue whether, under the existing statute, the Board is subservient to the Commissioner. It also raises the broader question of whether such a subservient arrangement is desirable or, alternatively, whether the statute should be modified if necessary to give the Board decisional independence from the Commissioner. This Commentary is directed primarily to this latter point. In summary, it concludes that the Commissioner, and not the Board, is inherently better suited to determine policy in the patent area. Whatever administrative lawmaking authority exists in the patent area should therefore reside in the Commissioner. Given this conclusion, there is little or nothing to gain from placing the adjudicatory powers of the Board outside the Commissioner's supervision. Indeed, such a change would likely have negative effects. The most appropriate course is therefore to continue the Board's present subservience to the Commissioner.

Keywords

PTO, patents, decisional independence, Ex parte Alappat, Ex parte Akamatsu

Disciplines

Intellectual Property Law

Commentary: Authority of the Commissioner Over The Board of Patent Appeals and Interferences

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INTRODUCTION

On August 3, 1992, the United States Patent and Trademark Office published a notice in the Federal Register requesting public comments on the PTO's appeal procedures.² The subject matter of the notice is closely related to the controversy surrounding the Commissioner's handling of the appeals in *Ex parte Alappat*³ and *Ex parte Akamatsu*.⁴ As has been described in the trade press,⁵ in each of these cases the Commissioner appears to have actively intervened in the appeals process. In each, a panel of the Board of patent Appeals and Interferences (hereinafter the "Board") apparently was convened initially, without the Commissioner, to decide the appeal. Upon learning of the decision of the original panel, the Commissioner apparently constituted a new panel that included himself and imposed a different decision.⁶

Taken in context, then, the notice can be fairly said to raise the issue whether, under the existing statute, the Board is subservient to the Commissioner. It also raises the broader question of whether such a subservient arrangement is desirable or, alternatively, whether the

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² Notice of Request for Public Comments; Review of PTO Appeal Procedures, 57 Fed. Reg. 34123.

³ No. 91-1277 (Apr. 22, 1992).

⁴ No. 91-3230 (Mar. 20, 1992).

⁵ E.g., *Correspondence Between Board Members and PTO Commissioner on Board Independence*, 44 PTCJ 33, 43 (May 14, 1992).

⁶ The *Alappat* case is now awaiting in banc decision from the Federal Circuit. See [CITE TO PTCJ].

statute should be modified if necessary to give the Board decisional independence from the Commissioner.

This Commentary is directed primarily to this latter point. In summary, it concludes that the Commissioner, and not the Board, is inherently better suited to determine policy in the patent area. Whatever administrative lawmaking authority exists in the patent area should therefore reside in the Commissioner. Given this conclusion, there is little or nothing to gain from placing the adjudicatory powers of the Board outside the Commissioner's supervision. Indeed, such a change would likely have negative effects. The most appropriate course is therefore to continue the Board's present subservience to the Commissioner.

I. SEPARATING THE BOARD'S ADJUDICATORY FUNCTION FROM THE COMMISSIONER

The three major, traditional functions of administrative agencies are rulemaking, enforcement, and adjudication.⁷ The PTO has no enforcement powers with regard to matters of patent infringement.⁸ Rather, by determining whether a patent should be allowed to issue the PTO functions in the United States patent system mainly as the decisionmaker in an initial licensing proceeding—an issued patent is essentially a revocable license to maintain a private action for patent infringement.⁹ Thus, in the process of conducting *ex parte* examination of patent applications the Examining Corps essentially performs the combined functions of an adjudication¹⁰ and enforcement¹¹ of this initial licensing transaction. The Board performs an appellate adjudication within the agency.

It is clearly possible to separate the Board's appellate adjudicatory function from the rest of the PTO's functions. Taking another set of federal administrative entities as a closely related example, Congress has empowered the Secretary of Labor, via the Occupational Health and Safety Administration ("OSHA"), to investigate

⁷ E.g., *Donovan v. Amorello*, 761 F.2d 61, 63 (1st Cir. 1985) (Breyer, J.); see generally, e.g., Asimow, *The Curtain Falls: Separation of Function in the Federal Administrative Agencies*, 81 COLUM. L. REV. 759 (1981).

⁸ See Moy, *Judicial Deference to the PTO's Interpretations of the Patent Law*, 74 JPTOS 406, nn.115-17 (1992).

⁹ *Id.* at nn. 139-40.

¹⁰ See 5 U.S.C. § 551 (defining the decision whether to grant an initial license as an adjudication).

¹¹ Cf., e.g., *Richardson v. Perales*, 402 U.S. 389, 410 (1971) (describing "three hat" function of Social Security Administration ALJs to include both enforcement and adjudication).

violations of workplace regulations and bring enforcement proceedings against violators. Congress created another agency, however, the Occupational Safety and Health Review Commission (the "Regulatory Commission"), to adjudicate disputes over OSHA's enforcement efforts.¹² Thus, there is no legal obstacle to Congress giving the Board decisional independence from the Commissioner of Patents and Trademarks.¹³

II. SEPARATION OF FUNCTION AS A CURE

Every legal rule, whether defined by adjudication or legislation, must be interpreted before it can be applied to a given fact pattern. Language is not self-defining; even if it were, no court or legislature could hope to provide a set of legal rules so exhaustive as to cover every possible factual situation. This task of making law within a framework of set controlling rules inevitably falls on the administrative agencies that operate in a given area. Agencies see a much larger set of fact patterns than come before the courts or are considered by Congress. Agencies, moreover, are on the "front line" of the law. New fact patterns, and therefore new lawmaking demands, typically come before the agency first and are presented to the reviewing courts only after the agency has acted. For reasons such these, scholars in the field of administrative law commonly accept that agencies *must* make new law to some extent.

This issue is at the heart of the dispute over the Board's relationship to the Commissioner. The disputes in *Alappat and Akamatsu*

¹² See generally e.g., *Martin v. Occ. Safety & Health Rev. Comm'n.*, _____ U.S. _____, 111 S.Ct. 1171 (1991); *Donovan v. Amorello*, 761 F.2d 61 and authorities cited therein.

¹³ The analogy between the Regulatory Commission and an independent Board may also shed some light on the issue whether the Board is already independent of the Commissioner of Patents and Trademarks under the present statute. Congress created the Regulatory Commission as an administrative entity entirely separate from the Secretary. *Martin v. OSHRC*, 111 S.Ct. at 1174; see generally Johnson, *The Split Enforcement Model: Some Conclusions From the OSHA and MSHA Experiences*, 39 ADMIN. L. REV. 315 (1987). The legislative history, moreover, shows a clear Congressional desire to insulate the Regulatory Commission from the influence of the Secretary. See, e.g., the authorities discussed in *Martin v. OSHRC*, 111 S.Ct. at 1177-78. Section 7 of Title 35, U.S.C., and its legislative history, in contrast, appear to display neither of these qualities. Had it desired to give the Board independence, for example, Congress could have easily employed language similar to that in Article 23 of the European Patent Convention. ("In their decisions the members of the Boards shall not be bound by any instructions and shall comply only with the provisions of this Convention.") The absence of any express indication argues that Congress did not intend for the present Board to have decisional independence from the Commissioner of Patents and Trademarks. Indeed, it is quite common in other Federal agencies for ALJs to be under the control of the agency head. See generally, PIERCE, SHAPIRO & VERKUIL, *ADMINISTRATIVE LAW AND PROCESS*, § 9.3.6 (2d ed. 1992).

do not center on whether the original panel of the Board applied undisputed law to the facts correctly. Instead, the dispute is almost entirely on whether the original panels in those cases adopted the correct legal rule.¹⁴ Clearly, then, the current dispute is whether the Commissioner or the Board will have the lawmaking authority that exists at the agency level.¹⁵

The difficulty is that merely separating the Board's adjudicatory function from the Commissioner does not settle this question. The Board could potentially function to limit the Commissioner's lawmaking authority¹⁶ in at least two ways. First, it could be given the power to strike down interpretive rulings of the Commissioner that it finds either unreasonable or contrary to binding authority.¹⁷ In this way the Board could place limits on the Commissioner's lawmaking powers that would be directly analogous to those the courts impose when reviewing agency action.¹⁸ Second, the Board could be given the broad power to impose its own view of the proper interpretive legal rule on the Commissioner. That is, the Board's view of the law could control even in those situations where the Commissioner's interpretation is both reasonable and consistent with the underlying authority that is being interpreted. Presumably, the Commissioner's interpretive actions are usually both reasonable and consistent with authority. As a result, the first potential power of the Board is much less significant than the second.

Merely removing the Board from the Commissioner's supervision does not necessarily confer on it this second type of power. It is entirely possible for adjudicatory power to rest in one administrative entity and interpretive rulemaking authority to rest in another. The Regulatory Commission in *Martin*, for example, despite being

¹⁴ See, e.g., the dissenting opinion in *Alappat*, slip op. at 25.

¹⁵ See generally, PIERCE, SHAPIRO & VERKUIL, ADMINISTRATIVE LAW AND PROCESS, § 9.3.6 (2d ed. 1992).

¹⁶ This Commentary assumes that the Commissioner has interpretive, but not substantive law making authority. See Moy, *The Effect of New Rule 56 on the Law of Inequitable Conduct*, 74 JPTOS 257, nn.46-60 (1992). As a consequence, it does not consider the impact of any substantive law-making authority that the Commissioner may have. It should be noted, however, that this view of the Commissioner's substantive law-making authority is not held universally. See, e.g., AIPLA, *Independence of the Board of Patent Appeals and Interferences*, 2 FED. CIR. BAR J. 215, 219 n.9 (1992).

¹⁷ Cf. *Martin v. OSHRC*, 111 S.Ct. at 1178 (noting power of the Regulatory Commission to "assure" the Secretary's interpretation is reasonable and consistent with the underlying authority).

¹⁸ E.g., *Chevron U.S.A., Inc. v. Natural Resources Defense Council*, 467 U.S. 837 (1984).

separate from the Secretary of Labor and OSHA,¹⁹ is nonetheless bound to apply the interpretive rules promulgated by the Secretary.²⁰

Simply separating the Board and its adjudicatory function from the Commissioner, therefore, will not get at the heart of the current debate. Instead, this can be settled reliably only by asking the question: "Which actor, the Commissioner or the Board, *should* have the power to interpret the law of patents at the agency level?"

III. THE RELATIVE LAWMAKING EXPERTISE OF THE BOARD AND THE COMMISSIONER

The position of the two actors within the structure of the patent system indicates that the Commissioner, and not the Board, is likely to possess the better lawmaking abilities. The Board sees, essentially, only *ex parte* proceedings on whether to issue patents and *inter partes* proceedings on contested interferences. In both cases its perspective is that of an adjudicator only. In addition, particularly with the first class of cases, the Board sees only those application proceedings whose initial adjudicatory decisions are appealed—certainly a small fraction of the application proceedings that actually occur.

The Commissioner, in contrast, has experience with a much wider range of activities. Through his supervision of the examining corps, he comes into contact with application proceedings. These are greater in number and arguably afford him a greater perspective than do the few cases that come before the Board. In addition, however, the Commissioner is exposed to a wide range of activities that find no parallel in the Board's functions. The Commissioner, for example, participates actively before Congress with regard to legislative matters that touch upon the patent system. He is the primary official of the United States in foreign negotiations that involve patent matters. He participates in legal proceedings outside the PTO that involve PTO matters, both before the Federal Circuit in *in re* appeals, and in certain district court proceedings as either a party or an amicus.²¹ Finally, he has a much greater range of contacts with the patent bar and users of the patent system than does the Board.

¹⁹ Compare 29 U.S.C. §§ 658-59, 666, with 29 U.S.C. §§ 651 (b)(3).

²⁰ *Martin v. OSHRC*, 111 S.Ct. 1171. Cf. also, *Pacific Gas & Electric Co. v. FPC*, 506 F.2d 33, 38 (D.C. Cir. 1974) (ALJ bound by declared agency policy).

²¹ E.g., *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920 (Fed. Cir. 1991); *Patlex Corp. v. Mossinghoff*, 771 F.2d 480 (Fed. Cir. 1985).

These different qualities of the Board and the Commissioner are inherent in their statutorily defined roles. Together, they indicate that the Commissioner should be given primary interpretive lawmaking power at the administrative level. He is the actor with the wider range of experience. As a result, he should be better able in general to balance the competing policies that are involved when selecting between competing legal rules.²²

IV. THE LAWMAKING FORMS OF THE BOARD AND THE COMMISSIONER

In addition to these reasons of substantive administrative law, there are purely mechanical reasons to prefer that interpretive lawmaking power reside in the Commissioner instead of the Board. The Commissioner typically announces his interpretive decisions either as formal rules in Title 37, C.F.R., or informal statements published in the *MANUAL OF PATENT EXAMINING PROCEDURE* or the *OFFICIAL GAZETTE*. Each of these formats presents the rulings in a codified, definite, plainly visible form. The Board, in contrast, reaches its interpretive rulings via adjudication. Legal scholars have explored with vigor the task of discerning legal rules from a body of adjudicated decisions. The task is notoriously difficult. The dividing line between holding and dicta, for example, is uncertain. The holdings in different cases inevitably conflict and must be reconciled.

For these reasons, the Commissioner is likely to be more efficient than the Board in defining patent law at the agency level. This is particularly true when one considers that many of the persons who use the PTO's interpretive rulings routinely have no legal training.²³ It may be particularly inefficient to communicate the PTO's interpretations of the law of patents to these persons by adjudication.

The choice of rulemaking v. adjudication also presents other important reasons to favor the Commissioner. If given law-making authority, the Board, which is a 33-member body that sits in 3-member panels, will inevitably find it difficult to apply consistent legal rules to persons who are similarly situated. Rulemaking by the Commissioner is thus more likely to be just. The notice-and-comment procedure, which the Commissioner can use but the Board cannot,

²² Cf. *Martin v. OSHRC*, 111 S.Ct. at 1176-79.

²³ Roughly half of the patent examiners in the PTO do not have law degrees. In addition, the PTO rules of practice permit persons with technical training, but no training in law, to represent patent applicants before the PTO.

is moreover capable of generating a record that far surpasses anything the Board is reasonably likely to have at its disposal. Perhaps most importantly, rulemaking will centralize accountability for policy decisions in this area in the person of the Commissioner. Accountability could be a severe problem with an entity as large and diffuse as the Board.

V. CONCLUSION

The clearly better result is to place interpretive lawmaking authority, at the agency level, in the Commissioner and not the Board. The Commissioner knows better the competing policies that drive the formation of the law in this area. As a direct result, his lawmaking decisions are likely to be of a higher quality than those of the Board. In addition, the format in which the Commissioner states his interpretive rulings carries with it inherent advantages over the adjudicative format that the Board would use.

Given this conclusion, there is little or no point to removing the Board from the Commissioner's supervision. A separate Board that is nonetheless bound to apply the Commissioner's rulings will have few freedoms in addition to those the Board now possesses. An independent Board could be given the power to strike down an individual interpretive ruling of the Commissioner as either unreasonable or contrary to higher, binding authority. In reality, however, such occurrences are rare, and in the event that they do occur the Federal Circuit's review of the Commissioner's rulings is likely to be an adequate safeguard. In the much larger class of cases the Board and the Commissioner will simply disagree over which of two competing, reasonable interpretations is preferable. The advantage of relying on the Commissioner's judgments in this latter class of cases is plain. Creating an independent Board simply to address the small number of cases in the former class would probably be unwise.