The House Committee on the Judiciary convened on November 19, 2019 with Chairman Hank Johnson (D-GA) presiding along with Ranking Member Martha Roby (R-AL), also present was Chairman of the Judiciary Committee Jerrold Nadler (D-NY) and Representatives Gregory Stanton (D-AZ), Lou Correa (D-CA), Mike Johnson (R-LA), and Ben Cline (R-VA).

The panel of witnesses included:

**John F. Duffy**
Samuel H. McCoy II Professor of Law, University of Virginia School of Law.

**Robert A. Armitage**
Consultant, IP Strategy & Policy

**John M. Whealan**
Intellectual Property Advisory Board Associate Dean for Intellectual Property Law Studies, George Washington Law School

**Arti K. Rai**
Elvin R. Latty Professor of Law and Faculty Director, The Center for Innovation Policy, Duke University School of Law

Chairman Johnson began the hearing with his opening statement. He noted that the American Invents Act (AIA) was a “sea change in patent law” with the creation of the Inter Partes Review (IPRs) process before the Patent Trial and Appeal Board (PTAB). He noted that this process has had its critics and supporters but that the reason for the hearing was to discuss whether the PTAB as currently configured is constitutional, due to a recent ruling by the Court of Appeals for the Federal Circuit in *Arthrex v. Smith & Nephew*. The Court in *Arthrex* ruled that the appointment of the PTAB judges was unconstitutional but could be remedied by removing the judges civil service protections and enabling them to be fired at will. Chairman Johnson was concerned about this remedy of creating an adjudicatory body with no job security; he believes that goes against the idea of providing “independent impartial justice” if the judge has to be concerned about his job security while also weighing the merits of the case. He noted that the impetus for the hearing was to determine whether Congressional action was necessary to “provide a sensible solution” to this situation. He also expressed concern with recent Supreme Court jurisprudence that has been “taking extreme positions about the constitutionality of the administrative structures that have existed since the New Deal.” He believes that these decisions have “second guessed the legislative process and the solutions Congress has worked hard to pass in order to handle the realities and complexity of a modern society.”
Ranking Member Roby then gave her opening statement and focused on the impact of the PTAB on invalidating patents, and noted her concerns that there is no review of PTAB final decisions “within the patent office.” In particular, she noted her concerns that “agency officials who are not Senate confirmed should have so much independent authority.”

Chairman Nadler, Chair of the full Judiciary Committee, also made an opening statement, expressing dismay that after all the time it took to pass the AIA, and after having survived earlier constitutional challenges and all the cases that have been heard by the PTAB that the CAFC has now questioned the constitutionality of the PTAB once again. He was particularly concerned with the disruptive nature of this decision to the already settled patent cases. Moreover, he was also concerned with the remedy crafted by the CAFC to the appointments clause issue, namely to remove the PTAB judges’ civil service protections. The thought behind this is to make them accountable to the “Principal Officer” at the PTO – the Presidentially Appointed and Senate confirmed Director. Nadler argued however that this still only created “indirect influence” from the Director, and given that the extent to which the director’s views are incorporated into any decision will not be transparent, he believes that this runs counter to how the adjudicatory tribunals are structured.

Panel Opening Statements:

Professor Duffy noted that he has written about the appointments clause and its impact on the patent review boards several times, including an article twelve years ago named, “Are Administrative Patent Judges Unconstitutional?” The answer back then was yes, and Congress responded to that constitutional problem; he believes that today’s hearing should be entitled, “Are they Unconstitutional Again,” and the answer would again be “yes”. He noted that the Arthrex ruling should not have been a surprise, and he pointed out that a similar appointments clause case involving copyright judges was based on a decision by then Judge (now Justice) Kavanaugh – thus revealing how he would view the Arthrex case should it be granted cert. Professor Duffy then offered three possible solutions to the situation: 1) have all PTAB judges be Senate confirmed (however, he noted given that there are over 200 APJs, this proposal may be difficult to implement); 2) establish a small number of additional officers at the PTO who are confirmed by the Senate, and have these officers review the decisions; or 3) establish a “clear path of review” to the PTO Director.

Mr. Armitage explained that the predecessor to the PTAB was the Board of Patent Appeals and Interferences. He noted that it had been the PTO’s preference to keep the structure of the Board the same (except for the name), despite the expanded jurisdiction to include trials arising from IPRs and PGR. Mr. Armitage believes it would have been better to create a new Patent Trial Board distinct from the Board of Appeals, specifically charged with conducting the new IPR/PGR validity trials. He would prefer that the Director still have “plenary supervision and review authority” over ex parte appeals that are reviews of patent examiner rejections. And, for the Patent Trial Board, which would be adjudicating IPRs between private litigants, where it would be best not to have a role, could be supervised by a Presidentially appointed/Senate confirmed Chief Administrative Trial Judge.
**Prof. Whealan** argued that since Congress will have to take legislative action to deal with the *Arthrex* decision, now might be the time to also review whether the IPR process is functioning as originally intended by Congress. Prof. Whealan noted that during the AIA debate many concerns were raised by the PGR process and particularly the “second window” proposal and very little time was spent debating the IPR provisions; as a result the “second window” provision was not included in the final bill, and the lack of scrutiny of IPRs resulted in a process with the same flaws as the second window. He raised concerns with the 80% rate of invalidity at the PTAB (as he understands it) and the use of evidentiary standards different from Federal District Courts. He also decried the lack of a presumption of validity at the PTAB for issued patents: “the only institution in the U.S. that does not give PTO credit for its work is PTO.” He suggested that as Congress thinks about legislating on PTAB issues, it should consider doing something about the presumption of validity, estoppel (to deal with serial petitions and serial challenges), and the PTAB process from the patentee perspective.

**Prof. Rai** noted that her empirical and analytic works have shown that the PTAB is largely functioning as Congress intended; she noted that the PTAB is, “an expert, efficient and fair alternative to expensive article III litigation to determine the validity of issued patents.” With respect to *Arthrex*, she noted that while it represents the view of the current Supreme Court, the prescribed remedy is not “optimal as a policy matter.” She noted that Congress should cure the problem by enacting a “surgical” change to the Patent Law that gives the Director a unilateral right of review over PTAB decisions.

**Questions:**

**Chairman Johnson** began the question and answer period by directing a question at **Professor Rai** as to whether she believes the ruling will be upheld upon appeal to the Supreme Court, and she answered that yes, given the views of Kavanaugh, Roberts and Gorsuch, and possibly Thomas and Alito, who are fairly formal about appointments clause issues. Chairman Johnson then asked the whole panel to react to the following legislative ideas to address the issue: 1) should all PTAB judges be appointed by the President and confirmed by the Senate? 2) should PTAB decisions be subject to discretionary review by the Director; 3) should PTAB decisions be reviewable by a special panel of Senate confirmed PTAB judges; 4) should PTAB decisions be reviewable by the PTAB Chief Judge, which would be made into a Senate confirmed position; or 5) should the PTAB be divided into two entities, one to hear ex parte proceedings and another to hear Inter Partes proceedings? All members of the panel agreed that the easiest idea to implement would be #2, making PTAB decisions reviewable by the Director, mainly because it would be the easiest to gain consensus and therefore the easiest to have passed by Congress. Prof. Rai pointed out that this can be done as a layer above the Precedential Opinion Panel that has already been instituted by Director Iancu. Chairman Johnson also asked whether removing the civil service protections from the PTAB judges – the remedy ordered by the Court in *Arthrex* – could lead to due process concerns? Prof. Duffy compared the *Arthrex* remedy to the Cheshire Cat, because although the Director could fire a Judge if he is displeased with the decision, and the Judge would be gone, but it would be hard to unravel the decision after the fact, so the cat (or Judge in this case) but the smile (or decision) remains. Prof. Duffy also noted that it was unclear what process the litigants would obtain before the Director would say that this was an incorrect decision.
Ranking Member Roby asked the panel what other suggestions for amendments, beyond the constitutional issues, Congress should consider ensuring PTAB proceedings are fair to both parties. Prof. Whealan responded that Congress could make the playing field straight by creating a presumption of validity, changing to the *Phillips* standard, and clear and convincing evidence standard, thereby ensuring the Courts and the PTAB apply the same standard, given that 80% of PTAB proceedings are actually part of a district court validity challenge to the patent. Prof. Rai noted that as a policy matter she agrees that both standards should be the same, but as an Administrative Law Professor she prefers that Congress not “micromanage administrative adjudication” and that this question be appropriately delegated to the agency. Prof. Whealan, noted however, that the “preponderance of the evidence” standard is in the statute and thus Congress must affirmatively change the statute if they want the standard to be the *Phillips* “clear and convincing” standard. Ranking Member Roby asked Prof Whealan if companies should be allowed to bring multiple challenges to the same patent, either directly or through a follow on attack by a surrogate organization who exist to invalidate patents? Prof Whealan responded that “estoppel was meant to be real” – “pick one forum.”

Congressman Johnson (LA) was interested in understanding how the appointment of PTAB APJs differs from the selection of ALJs throughout the government? Prof. Duffy noted that after the *Lucia* case all administrative law judges must be appointed by the head of a Department; and since 2008 APJs have been appointed by the Secretary of Commerce (after Congress changed the appointment process in light of the article he wrote). He then noted that the way they're different is their duties, because the administrative law judges are subject to discretionary plenary review at the agency head level; but PTAB judges do not, and that is what's causing a constitutional problem in this case. Prof. Rai also noted that the statute does provide that the administrative patent judges have to be persons of scientific and patent competence which is a requirement that is not there in the organic statute for many other agencies; and so to the extent we're concerned about expertise, I think it's fair to say the statute provides for a basic level of expertise. Rep. Johnson asked whether more needs to be done by Congress to ensure expertise within the PTAB judges, but as noted previously by Prof Rai, and echoed by the other members of the panel, that there is little criticism of the quality of the work done by PTAB, so Rep. Johnson seemed satisfied that this did not seem to be an issue that needed to be addressed by Congress.

Congressman Cline also asked about the need for a presumption of validity and having the same standards apply at both the PTAB and District Courts. Prof. Duffy answered this question and noted that the 1952 shifted the power to the administrative agency, and noted that if Rep. Cline’s concern was a lack of judicial supervision he should go and look as to why an agency can issue a patent by a single examiner that receives an extraordinary amount of deference from the judiciary, and there is no judicial review of the administrative action of issuing the patent.

Chairman Johnson asked a last set of questions as to how disruptive the *Arthrex* decision could be to patent law as whole. Bob Armitage summed it up best when he noted that he hoped that Judge Dyk is correct and that we get an en banc ruling that agrees with him—then nothing bad happens until the Supreme Court does something different and that gives time for Congress to develop and pass a permanent solution.


