

Oct 27 2017 *The Supreme Court Tackles Patent Reform*

Why the Supreme Court in *Oil States* Should End Inter Partes Review



Under the AIA

Topics: Due Process • Intellectual Property • Separation of Powers • Supreme Court



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Oil States Energy Services, LLC v. Greene's Energy Group, LLC is the most important intellectual property case to come before the Supreme Court in many years. It challenges some of the innovative dispute resolution provisions of the 2011

American Invents Act (AIA) the most significant legislative reform of patent law since the Patent Act of 1952. *Oil States* assumes its vast significance because its outcome will determine, perhaps for decades, the litigation framework for all future patent disputes. Although widely hailed as a statute that aids inventors, the AIA has been subject to searching criticism that it amounts to “Dubious Patent Reform” driven by “The Myth of Patent Quality.” The case for the far-reaching reforms of the AIA rests on the common claim, made in the legislative history, that weak patent claims had routinely been approved under the earlier patent regime. But even if weak patents were a problem before the AIA, the 2011 legislation applies a sledge hammer where only a scalpel was warranted. This ham-handed response did more than threaten weak patents; it also undercut the safety of strong patents, since the procedure it instituted—*inter partes* review (IPR)—offers greater advantage to accused patent infringers than the traditional litigation process in district court. For this reason, parties accused of infringement have beaten a steady path to the Patent Trial and Appeal Board (Board or PTAB), where these cases are tried inside the U.S. Patent & Trademark Office (PTO).

The contrast between the 1952 Act and the AIA could not be starker. The 1952 Act was drafted by an eminent committee of two patent experts: Giles Rich, who later went on to serve 43 years as a patent appeals judge, and Pasquale Joseph Federico, who served as a high ranking official in the PTO. It was passed by voice vote. The 1952 Act is less than half the length of the AIA, but it is more than twice as good. The AIA is cluttered with arcane refinements and complex procedures, and it violates the fundamental maxim of legislative reform: if it ain't broke, don't fix it. The AIA is in sore need, as former Chief Judge Paul Michel has recently argued, of urgent substantive repair.

At issue in *Oil States* is the constitutionality of IPR which, as the PTO describes it, “is a trial proceeding conducted at the Board to review the patentability of one or more claims in a patent only on a ground that could be raised under §§ 102 [dealing with novelty and prior art] or 103 [dealing with nonobvious subject

matter], and only on the basis of prior art consisting of patents or printed publications.” These are elaborate trial proceedings before panels of indefinite size appointed by the head of the PTO. These decisions render final judgments in these cases, to which appeal may only be had to the Federal Circuit. The rules in these cases are different from those which apply in disputes before the Trademark Trial and Appeal Board (TTAB), where as Justice Alito noted in *B & B Hardware v. Hargis Industries*, “after the TTAB [MOU] decides whether to register the mark, a party can seek review in the U.S. Court of Appeals for the Federal Circuit, or it can file a new action in district court. See 15 U.S.C. § 1071. In district court, the parties can conduct additional discovery and the judge resolves registration *de novo*.”

The differences between the PTO and TTAB procedures matter, for in *Oil States*, IPR took place simultaneously with an infringement action that Oil States brought against Greene Energy in federal district court. Nearly one year after Oil States sued Greene Energy in federal district court for patent infringement, Greene petitioned the PTAB for IPR, which was granted. The federal district court then construed the disputed patent in ways that resolved the claim conclusively in favor of Oil States. But in the IPR proceeding, the Board upheld the challenge to the patent on the grounds that its claims had been anticipated in prior art. The Board refused to allow Oil States to amend its claims, and *Oil States* appealed to the Federal Circuit, which affirmed without opinion. The case is now before the Supreme Court to resolve the question of whether a decision made inside the PTO can displace that of a federal district court.

The issues raised in *Oil States* do not put the spotlight on the AIA’s substantive problems. Instead, the case calls into question the procedures that the AIA uses to examine, and then reexamine, the validity of patents that are challenged on two grounds frequently at play in patent disputes. Under the AIA, the accused patent infringer has the right to remove a case from a district court to a specially constituted panel inside the PTO. Greene’s Energy Group, the respondent in *Oil States*, requested that the PTO conduct an IPR of an *Oil States*

patent dealing with drilling equipment. That request was granted, and the PTO established a special panel to review the case; the PTO panel determined that some of *Oil States*' claims were not patentable. The members of that panel were individually appointed for this specific case by Michelle K. Lee, then director of the PTO, from a roster of some 200 potential judges. Under the AIA, PTO panels need not be constructed on a once-and-for-all basis, for the PTO reserves the power to appoint additional judges to any panel in order to "secure and maintain uniformity of the Board's decisions."

Notwithstanding the substantive importance of the resolution of these disputes, once the case is transferred to the PTO, the patent holder no longer enjoys the procedural protections that normally attach to litigation in an Article III federal court. These protections include a trial before an independent judge with lifetime tenure and the constitutional right to a jury trial that is explicitly protected under the Seventh Amendment.

By challenging this scheme, *Oil States* raises critical separation of powers and due process questions. Separation of powers is not a merely academic concern. As the Supreme Court has repeatedly held, Framers of the Constitution separated and divided the powers of government in order to diffuse power, thereby to better secure liberty. They set forth the powers of the legislative branch in Article I, the executive in Article II, and the judicial in Article III. Whether patent adjudication is properly the province of legislative or Article I courts—tribunals created by an act of Congress like the AIA, as opposed to courts established under Article III of the Constitution itself—depends on an arcane question: Should patents be classified as "public rights" over which the government has extensive discretion in setting the rules for their validity and enforcement, or as private property, creating a set of vested rights, enforceable at common law and in courts of equity, that are not subject to the same overall level of legislative manipulation.

In the brief submitted by the Solicitor General, the bald claim is made that a patent “is a paradigmatic public right, which gives the government the right not only to grant the patents but to remove them as well by actions solely within the executive branch through the actions of the USPTO on “the traditional understanding of patent rights as privileges that the government may revoke without judicial involvement,” and, apparently without any compensation at all. In its view, whenever the existence of a right depends on the will of Congress, it can set whatever limitations it chooses on the matter of its adjudication. The claim is breathtaking in its implication because it means that whenever Congress creates any statutory rights, it can oust Article III courts of their jurisdiction. The brief submitted by Greene Energy also stresses these same imperialist themes. A careful history of the public rights doctrine shows that it is far more limited in its scope.

I. Private Property versus Public Rights

A. Origin of the Public Rights Exception

The first major statute dealing with patents was the English Statute of Monopolies, adopted in 1623, which made it clear that “the force and validity of [patents], and every of them, ought to be, and shall be for ever hereafter examined, heard, tried, and determined, by and according to the common laws of this realm, and not otherwise.” As described by one commentator, “In this regard, the Statute of Monopolies was more than simply a restatement of existing law: it introduced a crucial change by granting jurisdiction to the common law courts in place of the monarch’s ‘act of grace.’”

It was this concern that helped shape the procedures by which disputes were to be resolved once patents were granted “[t]o promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” The judicial focus

of patent litigation was evident in the United States in initial Patent Act of 1790. That law provided that when a patent was recorded, it “shall be competent evidence in all courts and before all jurisdictions, where any matter or thing, touching or concerning such patent, right, or privilege, shall come in question” further, that all patent disputes should be resolved “before a judge of the district court, where the defendant resides.” No special administrative proceedings were used.

This framework, whereby patents were adjudicated in courts rather than through administrative proceedings, persisted unquestioned until the Supreme Court’s 1856 decision in *Murray’s Lessee v. Hoboken Land & Improvement Co.* One central question in *Oil States* is the extent to which the so-called “public rights” doctrine established in *Murray’s Lessee* upset the preexisting framework. In *Murray’s Lessee*, the United States Treasury used a summary procedure under an 1820 statute to collect moneys that were owed to it by one of its customs collectors (a summary procedure is an administrative procedure, a way of resolving a dispute without resorting to an Article III court). Justice Curtis, speaking for a unanimous Court, held that the case squarely raised two questions:

[W]hether, under the constitution of the United States, a collector of the customs, from whom a balance of account has been found to be due by accounting officers of the treasury, designated for that purpose by law, can be deprived of his liberty, or property, in order to enforce payment of that balance, without the exercise of the judicial power of the United States, and yet by due process of law, within the meaning of those terms in the constitution; and if so, then, secondly, whether the warrant in question was such due process of law?

In evaluating the summary procedure, a unanimous Supreme Court looked to “settled usages and modes of proceeding existing in the common and statute law of England,” and it held that there was “no period” since the English monarchy was established that summary procedures could not be used for the purpose of regulating the business arrangement between the Crown and its tax collectors. They found this despite the fact that the procedures in question “have varied widely from the usual course of the common law on other subjects.” A process identical to that which was used in England carried over to the nascent United States. Indeed, the use of this procedure was not limited to the standard federal practice, but it was also used by seven states listed in the *Murray’s Lessee* opinion: Connecticut, Massachusetts, New York, Pennsylvania, South Carolina, Vermont, and Virginia. The Court found that the law authorizing the summary procedure met the customary standards of due process required under the Fifth Amendment precisely because it was directed against “public debtors.” The Court then concluded that government actions for the reconciliation of accounts do not count as “a judicial controversy” that requires an adjudication by an Article III court. Justice Curtis wrote, “The

power to collect and disburse revenue, and to make all laws which shall be necessary and proper for carrying that power into effect, includes all known and appropriate means of effectually collecting and disbursing that revenue, unless some such means should be forbidden in some other part of the constitution.” In short, although due process of law required that most legal disputes be adjudicated by courts, disputes involving “public rights” could be dealt with in administrative proceedings. The key point here is the narrow definition that the Court gave to this class of cases when, after its initial overview, it squarely addressed the question of what counts as a public right. The full passage makes it clear that the public rights exception has nothing to do with disputes between private parties, including ordinary patent infringement cases, that necessarily fall exclusively within the scope of the judicial power:

To avoid misconstruction upon so grave a subject, we think it proper to state that we do not consider Congress can either withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty; nor, on the other hand, can it bring under the judicial power a matter which, from its nature, is not a subject for judicial determination. At the same time there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which Congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper. Equitable claims to land by the inhabitants of ceded territories form a striking instance of such a class of cases; and as it depends upon the will of congress whether a remedy in the courts shall be allowed at all, in such cases, they may regulate it and prescribe such rules of determination as they may think just and needful.

The customs dispute in *Murray's Lessee* represents one class of case for which Congress may opt to resolve these claims in either a judicial or administrative proceeding. Disputes over government land grants in ceded territories, as from Mexico, are yet another. But all disputes that take place at common law, equity,

and admiralty—the three explicit heads of judicial power under Article III—fall outside of the scope of this classification, and they must be adjudicated in Article III court proceedings.

Ordinary disputes in patent cases, where the remedies sought are damages at law, injunctions in equity, or both, fall squarely within the scope of the judicial power. But under the AIA, the phrase “public rights” has been ripped out of its original context such that *Murray’s Lessee* is read to justify treating ordinary patent disputes as administrative matters; this is an extremely broad, and almost certainly incorrect, reading of the public rights exception the case established.

B. The Supreme Court Has Rejected a Broad Reading of the Public Rights Exception

The Supreme Court unanimously rejected a broad reading of the public rights exception in the trademark context in its 2017 decision in *Matal v. Tam*. The PTO had sought to deny trademark registration to a band named “The Slants” under the so-called disparagement clause of the Lanham Act. In essence, without using the exact words, government sought to portray the dispute as one involving public rights, and therefore amenable to adjudication within the PTO and not requiring a hearing in an Article III court.

One key issue in *Tam* was whether issuing a trademark is a form of government speech, as the PTO claimed, given that federal registration functionally confers a subsidy on the holder of the trademark. The theory is odd in all respects. Parties have to pay in order to receive these rights, which they get, not as a matter of political largesse, but as a matter of right, once it is established that their applications meet the requirements of substantive law. When the government protects intellectual property, it is not transferring some preexisting patented technology, copyrightable material, or trademark to some private party. It is instead recognizing that the private party through its own actions is entitled to the exclusive right on a theory exactly parallel to the rules

of first possession that allow since Roman times have allowed for the creation of private rights in an invention. The government is correct to say that there are no patent rights in the state of nature, but the same theory of natural rights that allow for the acquisition of title by acquisition in land work as well for the acquisition of property in a devise or an invention covered by the patent laws, whose initial phrase, “to promote science and the useful arts,” is intended to ensure, as Adam Mossoff demonstrated, that Congress not issue patents to any favored applicant as a matter of political largesse.

The government treatment of patents at every critical juncture thus differs totally from the conveyance of government lands, in which it had fee simple title, which transforms public property into private property. Instead, government protection of intellectual property begins with an application by a private party that identifies the subject matter of the right that its own labors have created. The government system is intended to secure inventors’ and authors’ rights to the results of their intellectual labors, not to retain the power to dispense these rights as if the government had created the inventions itself.

Therefore, it is incorrect to treat the validation of intellectual property as a form of government speech, comparable to statements made by public officials on matters of public importance. Keeping the boundary lines clear is critical, for, as Justice Alito pointed out, treating intellectual property protection as government speech “would either eliminate any First Amendment protection [for private parties seeking IP protection] or result in highly permissive rational-basis review.” Given that possibility, the Court decisively rejected the view that trademark protection is a government subsidy, properly limiting that description to government transfer programs rather than extending it to systems used to protect common law rights. Accordingly, Justice Alito noted that trademark registration simply strengthened the common law protection for trademarks, first by giving constructive notice to the rest of the world of the existence of the trademark, and second by creating a presumption of its validity.

Justice Alito's opinion then reverted to a key theme in *Murray's Lessee*: "Trademarks and their precursors have ancient origins, and trademarks were protected at common law and in equity at the time of the founding of our country." He elaborated, showing how government-registration schemes are not subsidies: "For example, the Federal Government registers copyrights and patents. State governments and their subdivisions register the title to real property and security interests; they issue driver's licenses, motor vehicle registrations, and hunting, fishing, and boating licenses or permits." The point of these registration schemes is not to transfer wealth from one group to another, as would be the case if they were subsidies. It is to strengthen the system of property rights in ways that allow their owners to transfer, mortgage, and license their rights securely.

Patents fall within the category of properties that receive protection both at common law and in equity, which means that their validity can only be adjudicated in Article III courts. The fact that the Takings Clause of the Fifth Amendment has always protected patents—subject to some constraints—makes this even clearer. Chief Justice Roberts emphasized this point in *Horne v. Department of Agriculture*, nowhere cited in the government's brief, where he wrote, "[a patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser." *Horne* follows an unbroken line of Supreme Court cases that takes exactly the same view. So far as the rights vested in the patent holder are concerned, there has not been an iota of movement between *Murray's Lessee* and *Tam*.

C. Lower Courts Continue to Treat Patents as Public Rights

In dealing with these issues, however, the lower federal courts have deviated from the applicable Supreme Court precedents in a manner that obscures all the basic issues. There is no appellate opinion in *Oil States*, but the critical case

on which the government relies for its broad account of public rights is the 2015 decision in *MCM Portfolio LLC v Hewlett-Packard*. In that case, Judge Timothy Dyk, writing for a unanimous Federal Circuit panel, held that the public rights doctrine covered patent rights, before *Tam* had been decided. This made it constitutionally permissible to use IPR before the PTO without running afoul of either the case or controversy limitation in Article III or the Seventh Amendment guarantee of a jury trial which applies to “suits at common law.”

MCM could not possibly stand under *Murray’s Lessee* on its own, so it is important to examine the precedents that Judge Dyk relied upon in the case to expand the class of “public rights” so that patent rights supposedly fall squarely within it. Yet a close examination reveals that none of these cases made any change in the basic pattern established in *Murray’s Lessee*. For example, in the 1921 case of *Block v. Hirsh*, a narrow five-to-four majority upheld a two-year rent control statute enacted in Washington, D.C. in the aftermath of World War I, when a huge influx of new residents put upward pressure on local rents. That D.C. statute also authorized the formation of an administrative board to settle disputes over what rent was reasonable under the ordinance. Justice Holmes held that, because the rent control statute had suspended the landlord’s common law right to regain possession of his property, it concomitantly allowed the government to adopt a collateral administrative process to determine whether the rent was reasonable under a set of government standards, not the private contract. Given the circumstances of the case, the source of that right was the statutory command, not the common law. Yet the government manifestly overstates the scope of this exception when it states that it “upheld resolution of landlord tenant disputes through a federal administrative system,” when all other landlord-tenant disputes on such matters as breach of warranty lie outside its scope. Indeed, even while upholding Congress’ procedure, Holmes noted that “on [the reasonableness of the rents imposed] question the courts are given the last word,” which is hardly

the case in an IPR that deprives the District Court of any role on the merits of a private dispute in which fundamental questions of patent validity are no longer litigated in court.

Judge Dyk also cited a 1929 Supreme Court case, *Ex Parte Bakelite Corporation*, which examined the validity of a Tariff Commission constituted “to protect domestic industry and trade against ‘unfair methods of competition and unfair acts’ in the importation of articles into the United States.” Justice Van Devanter noted that the Tariff Commission and similar bodies were “legislative courts” that Congress could create outside the scope of Article III. He pointed out that “[c]onspicuous among such matters”—where a private party challenges a tariff determination made by the Tariff Commission, or the rent set by the rental board as in *Block*—“are claims against the United States.” The category of public rights also includes other claims against the United States, including both the resolution of private claims in lands ceded to the United States in the territories and specialized courts for resolving tribal disputes. But that category “include[s] nothing which inherently or necessarily requires judicial determination.” Nowhere in *Bakelite* is it argued or even hinted that the class of public rights could include actions at common law or in equity against private defendants. It plainly does not. Furthermore, one main difference between the legislative courts considered in *Bakelite* and Article III courts is that legislative courts may be empowered to give advisory opinions, while Article III limits courts to deciding only cases and controversies. Judge Dyk did not refer to the narrow constitutional place of legislative courts, on which the *Bakelite* Court relied, in his one-sentence analysis of the case, “The government’s cryptic discussion of the issue wholly glosses over the role of Article I courts.”

Judge Dyk next discussed the 1985 case of *Thomas v. Union Carbide Agricultural Products Co.* That case upheld a complex procedure under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). The statute allowed the EPA to use data submitted by one pesticide manufacturer when considering an application by a rival firm only if that rival firm agreed to binding arbitration,

with limited judicial review, if it failed to reach a compensation agreement with the submitting firm. *Thomas* involved the resolution of technical issues within the administrative agency itself, which is an uncontroversial use of administrative proceedings. The Court took the additional small step to permit the agency to turn the dispute over to binding arbitration for convenience, but it did not allow these informal, non-judicial procedures to resolve any subsequent dispute over the validity of the registration of the various substances covered by the Act, a point that was not noted in the government's brief. *Thomas* is therefore similar to *Bakelite*, which also explicitly allowed for the creation of legislative courts to ease the burden of what would otherwise be purely administrative systems. But, also like *Bakelite*, it does not even hint at the possibility that similar procedures could be used—in place of litigation in federal court—to conclusively resolve disputes between private parties over the validity of the registration, in which damages and injunctions were sought.

The last of the cases that Judge Dyk addressed is the well-known 2011 bankruptcy decision of the Supreme Court, *Stern v. Marshall*, which repeatedly stressed the need to resolve ordinary common law disputes in Article III courts. At issue in *Stern* was whether the plaintiff, as executor for the estate of Vicki Marshall, could bring in bankruptcy court—an Article I legislative court—a common law tort claim against the executor of E. Pierce Marshall's estate. Chief Justice Roberts emphatically rejected the possibility:

The Bankruptcy Court in this case exercised the judicial power of the United States by entering final judgment on a common law tort claim, even though the judges of such courts enjoy neither tenure during good behavior nor salary protection. We conclude that, although the Bankruptcy Court had the statutory authority to enter judgment on Vickie's counterclaim, it lacked the constitutional authority to do so...

...Under "the basic concept of separation of powers...that flow[s] from the scheme of a tripartite government" adopted in the Constitution, "the 'judicial Power of the United States' ... can no more be shared" with another branch than "the Chief Executive, for example, can share with the Judiciary the veto power, or the Congress share with the Judiciary the power to override a Presidential veto."

Nonetheless, Judge Dyk treated the Supreme Court's *rejection* of an expanded role for the bankruptcy courts to cover common law tort claims as though it *supports* an expanded role for the PTO in evaluating common law patent claims. Despite the outcome in *Stern*, he accepted the proposition that IPR under the AIA falls within the class of public rights exceptions to the requirements of Article III. He thus wrote for the panel:

The patent right “derives from an extensive federal regulatory scheme,” Stern, 131 S.Ct. at 2613, and is created by federal law. Congress created the PTO, “an executive agency with specific authority and expertise” in the patent law, and saw powerful reasons to utilize the expertise of the PTO for an important public purpose—to correct the agency’s own errors in issuing patents in the first place...There is notably no suggestion that Congress lacked authority to delegate to the PTO the power to issue patents in the first instance. It would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.

The Board’s involvement is thus a quintessential situation in which the agency is adjudicating issues under federal law, “Congress [having] devised an ‘expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.’” Stern, 131 S.Ct. at 2615

This characterization badly misreads *Stern*, as the context from which the sentence fragment “[t]he patent right ‘derives from an extensive federal regulatory scheme’” is extracted makes clear. The first point to note is that the words “patent right” nowhere appear in that sentence or indeed anywhere in

the opinion; nor, for that matter, does the word “extensive” appear anywhere in *Stern*. The exact words are “a federal regulatory scheme.” The full passage makes it clear that the Supreme Court sought to limit the scope of the public rights doctrine:

Shortly after Northern Pipeline Construction Co. v. Marathon Pipe Line Co., the Court rejected the limitation of the public rights exception to actions involving the Government as a party. The Court has continued, however, to limit the exception to cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.

The opinion goes on to say, citing *Bakelite*, “the [public rights exception] extended ‘only to matters that historically could have been determined exclusively by’ the Executive and Legislative Branches,” which of course excludes all common law and equitable actions involved in patent litigation. The Court then cited its own earlier 2011 decision in *United States v. Jicarilla Apache Nation*, which relied on the initial public rights distinction in *Murray’s Lessee*, to support the application of the public rights doctrine applied to the trust obligations of the United States to the Indian Tribes because they “are established and governed by statute rather than the common law, and in fulfilling its statutory duties, the Government acts not as a private trustee but pursuant to its sovereign interest in the execution of federal law.” There is not the slightest hint anywhere in *Stern* that removing all patent litigation from the federal courts counts as “a *limited* regulatory objective,” when it is in fact the

most ambitious overhauling of the framework for patent adjudication ever. The government brief likewise elides over all these difficulties, never once mentioning the dominant place that the Chief Justice accorded to Article III courts.

II. Due Process Concerns

The second issue that is raised by the IPR proceedings at stake in *Oil States* requires less discussion. Due process requires that parties have their cases resolved before neutral tribunals that are free from any form of bias or favoritism. Its purpose is to ensure that, in the words of Justice Thurgood Marshall in *Marshall v. Jerrico, Inc.*, “no person will be deprived of his interests in the absence of a proceeding in which he may present his case with assurance that the arbiter is not predisposed to find against him.” That principle applies to all litigation, whether in Article III or Article I courts. The AIA’s procedures, including IPR, do not satisfy even that minimal due process constraint. In virtually every one of these proceedings, the PTO has untrammelled discretion to first constitute, and then reconstitute, any panel that is charged with adjudicating a dispute. Setting aside the question of whether resolving patent disputes in Article I tribunals can ever provide due process, the unbridled discretion the AIA gives to the PTO provides too many opportunities for favoritism and bias for the outcomes of its deliberations to be fair to all disputants.

Recently, in *PHH Corporation v. Consumer Financial Protection Bureau*, now on rehearing en banc at the DC Circuit, Judge Brett Kavanaugh held that the principles of the separation of powers require that the President be able to remove the head of the Consumer Financial Protection Bureau, not only for cause, as the legislation provides, but also at will, in order to prevent the excessive concentration of power in the hands of a single unelected person who could design and institute his own regulations within his own agency. A similar

concern arises when administrative bodies create administrative judgeships. The SEC's internal tribunals were recently rebuffed under the Appointments Clause in *Bandimere v. SEC* because, the 10th Circuit held, SEC judges serve as "inferior officers" of the United States who, under the Appointments Clause in Article II, § 2, cl. 2 of the Constitution, may only be appointed by some "head of department"; because the administrative law judges inside the SEC were appointed by SEC Commissioners, who are not heads of a department, their sitting in judgment on disputes was held to be unconstitutional.

In the patent context, procedural due process is denied when the head of the PTO may appoint to a particular case whomever he or she sees fit to appoint, with no external constraint. Judge Dyk, joined by Judge Wallach, wrote in related case:

[W]e are also concerned about the PTO's practice of expanding administrative panels to decide requests for rehearing in order to "secure and maintain uniformity of the Board's decisions." Here, after a three-member panel of administrative judges denied petitioner Broad Ocean's request for joinder, Broad Ocean requested rehearing and requested that the rehearing be decided by an expanded panel. Subsequently, "[t]he Acting Chief Judge, acting on behalf of the Director," expanded the panel from three to five members, and the reconstituted panel set aside the earlier decision.

Nidec [the objector] alleges that the two administrative judges added to the panel were chosen with some expectation that they would vote to set aside the earlier panel decision. The Director represents that the PTO "is not directing individual judges to decide cases in a certain way" (Director Br. 21). While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity. But, as with the joinder issue, we need not resolve this issue here.

The puzzling question is why the federal courts bother to tarry at all. The PTO process under the AIA reeks of opportunism and bias and begs to be struck down for denying due process.

III. Conclusion

The ambitious provisions found in the AIA upend the historical practice of patent litigation in ways that have already led to a call for major reforms. There are strong theoretical reasons to adhere to the traditional verities of litigation in these patent cases. The public rights doctrine has never been applied, in England or the United States, to disputes at common law or in equity where damages, an injunction, or both are sought. The rights in question in patent disputes are not created by the government through its examination and registration system. That system is simply intended to protect good patents, which arise from the labor, energy, and intelligence of the patentee. It is not intended to let the government act as if its *certification* of a patent were equivalent to creation of the patent right. To accept the underlying theory of the AIA is to make any property that is protected by a system of registration—which is virtually all real and intellectual property—a federal resource rather than a private resource. This would be a huge nationalization of private rights, which would inevitably lead to the pathologies that always impact government ownership of resources. The position that patent rights are private rights and that disputes must therefore be adjudicated in Article III courts has been uniformly accepted in the United States from *Murray's Lessee* to *Matal v. Tam*. The need for Article III courts to resolve ordinary disputes between private parties is not just an accidental feature of the legal system. It represents an important constitutional safeguard, rooted in the separation of powers, that should not be frittered away by clever artificial distinctions and subtle arguments. The ordinary processes of adjudication have resolved patent disputes since the beginning of the Republic. There is no reason to replace them with an untested