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Does the Patent Trial and Appeals Board's Precedential Opinion Comport with Due Process?

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DOES THE PATENT TRIAL AND APPEAL BOARD'S PRECEDENTIAL OPINION PANEL COMPORT WITH DUE PROCESS?

Patrick Lavery*

Inter partes review is an adversarial post-grant proceeding conducted at the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office that allows third parties to petition for reexamination of patents. Normally, a panel of three administrative patent judges decides an *inter partes* review, but occasionally the director of the U.S. Patent and Trademark Office has expanded panels on rehearing to find against the decision of the original panel. The director has expanded panels on rehearing when the original panel found against agency policy. This practice is known as panel stacking. Parties to cases, judges, and scholars have all raised due process concerns with such panel stacking. Recently, the U.S. Patent and Trademark Office has taken a different approach to maintaining agency policy in *inter partes* reviews with the establishment of the Precedential Opinion Panel.

The Precedential Opinion Panel is a special panel within the Patent Trial and Appeal Board, with its default members consisting of agency leadership. Use of the Precedential Opinion Panel supplants the need for panel stacking, but it may have its own due process concerns. The main due process concerns with the Precedential Opinion Panel are the director's position as a member of the panel and continued ability to manipulate the makeup of the panel. To alleviate the due process concerns of the Precedential Opinion Panel without getting rid of the panel entirely, this Note suggests that the director either refrain from sitting as a member of the panel, fix the makeup of the panel, or both.

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INTRODUCTION

In the realm of software and technology, VirnetX is probably not a household name. VirnetX has described itself as an “Internet security software and technology Company with patented technology for securing real-time communications over the Internet including 4G LTE security.”¹ The company touted its patent portfolio, which “includes over 112 U.S. and international patents and over 75 pending applications.”² Despite its large patent portfolio, VirnetX is probably not commonly known among consumers. However, companies like Apple and Microsoft certainly have name recognition with consumers due to their innovations in software and technology. Therefore, it may surprise some to learn that VirnetX has sued

1. *About VirnetX*, VIRNETX (June 3, 2020), <https://web.archive.org/web/20200603200045/https://www.virnetx.com/about/> [https://perma.cc/9V66-J48H].

2. *Id.*

these well-known companies for patent infringement.³ In 2010, Microsoft settled with VirnetX, paying them \$200 million in exchange for a patent license.⁴ On the other hand, Apple has been fighting VirnetX in federal court since 2010.⁵ In addition to federal court disputes, Apple has also sought another means of defense to make VirnetX's litigation disappear: between June 2013 and November 2016, Apple petitioned the U.S. Patent and Trademark Office (USPTO) forty-two times for inter partes review (IPR) of VirnetX patents.⁶ The USPTO's Patent Trial and Appeal Board (PTAB) conducts IPR, which allows third parties to challenge the validity of an existing patent on various grounds.⁷

IPR can invalidate patents, like VirnetX's, that are potentially worth hundreds of millions of dollars to companies. With such large sums of money on the line, interested parties should hope that when the PTAB conducts IPR, it affords the appropriate due process. However, judges, parties to cases, and scholars have all criticized the USPTO director's "panel stacking" in IPR as potentially violative of due process.⁸

Part I of this Note provides background on the U.S. patent system, including the requirements to obtain a patent and an IPR, a post-grant review proceeding. Part II analyzes whether the PTAB's Precedential Opinion Panel (POP) alleviates the due process concerns raised against the practice of panel stacking in IPR. Part III recommends how the POP can be changed to better comport with due process and discusses alternatives to the POP.

I. THE INNER WORKINGS OF PATENTS AND THE USPTO

A patent is a property right in an invention that the USPTO grants to the inventor so long as certain requirements of patentability are met.⁹ Generally, a patent term is twenty years from the date the application was filed.¹⁰ A patent confers the right to exclude others from making, using, importing an invention into the United States, offering for sale, or selling the invention.¹¹ Once the USPTO grants a patent, it is not completely out of the USPTO's

3. Steve Brachmann & Gene Quinn, *The PTAB Killing Fields: VirnetX Patents Worth More than \$1 Billion in District Court Lost at PTAB*, IPWATCHDOG (June 25, 2017), <https://www.ipwatchdog.com/2017/06/25/ptab-killing-fields-virnetx-patents/id=85042> [<https://perma.cc/49M4-SRWW>].

4. Jonathan Stempel, *Microsoft Settles with VirnetX, to Pay \$200 Million*, REUTERS (May 17, 2010), <https://www.reuters.com/article/us-microsoft-virnetx-settlement-idUSTRE64G39620100517> [<https://perma.cc/SS3C-GUUM>].

5. Nancy Braman, *VirnetX Scores Partial Win in Its Latest Federal Circuit Case with Apple*, IPWATCHDOG (Aug. 6, 2019), <https://www.ipwatchdog.com/2019/08/06/virnetx-scores-partial-win-latest-federal-circuit-case-apple/id=111926/> [<https://perma.cc/67TU-MUWT>].

6. Brachmann & Quinn, *supra* note 3.

7. *See infra* Part I.A.2.

8. *See infra* Parts I.B.2–3.

9. *See General Information Concerning Patents*, U.S. PAT. & TRADEMARK OFF. (Feb. 4, 2018), <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents> [<https://perma.cc/H69D-DB8Y>].

10. 35 U.S.C. § 154(a)(2).

11. *Id.* § 271(a)–(c).

purview. If a patent is flawed, the USPTO can reevaluate and possibly cancel the patent.¹²

Part I of this Note discusses the federal patent system and explains IPR and corresponding concerns of panel stacking and due process. Part I also explains the creation of the POP and surveys its recent uses.

A. Power to Grant a Patent

The U.S. Constitution grants Congress the power “[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.”¹³ The details of federal patent protection are left to Congress and the USPTO, a division of the Department of Commerce that was established in 1836.¹⁴ The USPTO grants patents¹⁵ and establishes regulations that govern USPTO proceedings.¹⁶

1. Sources of Law and Obtaining a Patent

Although the Constitution provides for the grant of patents,¹⁷ the Patent Act of 1952¹⁸ is the main source of U.S. patent law. The most recent patent legislation is the Leahy-Smith America Invents Act¹⁹ (AIA), which Congress passed on September 16, 2011, and went into effect March 16, 2013.

The powers and duties of the USPTO are vested in an under secretary of commerce for intellectual property and director of the USPTO (“the director”) who is appointed by the president with the advice and consent of the Senate.²⁰ In general, the director provides policy direction and supervises USPTO management, the issuance of patents, and the registration of trademarks.²¹ The director may also establish regulations that govern the conduct of USPTO proceedings.²²

An invention must meet several requirements before the USPTO will grant it a patent. First, an invention must involve certain patentable subject matter. The Patent Act provides that: processes, machines, manufactures, compositions of matter, or any improvement thereof may be patentable.²³ Further, an invention must be new,²⁴ useful,²⁵ and nonobvious²⁶ to obtain a

12. See *General Information Concerning Patents*, *supra* note 9.

13. U.S. CONST. art. I, § 8, cl. 8.

14. 35 U.S.C. § 1(a); Patent Act of 1836, ch. 357, § 1, 5 Stat. 117, 117–18.

15. 35 U.S.C. § 2(a)(1).

16. *Id.* § 2(b)(2)(A).

17. U.S. CONST. art. I, § 8, cl. 8.

18. 35 U.S.C. §§ 1–293.

19. See Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of the U.S.C.).

20. 35 U.S.C. § 3(a)(1).

21. *Id.* § 3(a)(2)(A).

22. *Id.* § 2(b)(2)(A).

23. *Id.* § 101.

24. *Id.* § 102.

25. *Id.* § 101.

26. *Id.* § 103.

patent. Patents must also meet certain disclosure requirements.²⁷ The novelty and nonobviousness requirements are of particular importance.²⁸ An invention is not novel and therefore not patentable if it was in some way known to the public before an inventor applied for a patent.²⁹ Even if an invention is novel, it may be considered obvious and therefore not patentable if a person having ordinary skill in the invention's relevant art could have solved the problem the invention was directed to.³⁰ Inquiries into novelty and nonobviousness require an examination of the relevant "prior art," which is generally previous patents and publications that are material to the patentability of the invention being examined.³¹

The USPTO's main duty is to examine a patent application and determine if the applicant's invention is entitled to a patent.³² If the USPTO determines that the applicant has adhered to the above requirements, the patent is granted.³³ These examinations can be especially time-consuming for the novelty and nonobviousness requirements, as examiners must compare the claimed invention to the prior art.³⁴ This requires individual examiners to conduct their own prior art searches to supplement the disclosure of an applicant.³⁵

As of 2019, patent examiners made up 9614 of the 12,652 federal employees at the USPTO.³⁶ The USPTO reported 665,231 filed patent applications in 2019.³⁷ On average, examiners spend only nineteen hours reviewing a patent application.³⁸ This includes "reading the patent application, searching for prior art, comparing the prior art with the patent application, writing a rejection, responding to the patent applicant's arguments, and often conducting an interview with the applicant's attorney."³⁹

Not every patent the USPTO grants is a "quality" patent. Generally, patent quality is defined as patent validity, not necessarily the quality of the

27. For further discussion of patent disclosure requirements, see generally *General Information Concerning Patents*, *supra* note 9.

28. See *infra* notes 34–39 and accompanying text.

29. See 35 U.S.C. § 102.

30. See *id.* § 103.

31. Michael D. Frakes & Melissa F. Wasserman, *Is the Time Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents?: Evidence from Micro-level Application Data* 6 (Nat'l Bureau of Econ. Rsch., Working Paper No. 20337, 2014), <https://www.nber.org/papers/w20337.pdf> [<https://www.nber.org/papers/w20337.pdf>].

32. See *General Information Concerning Patents*, *supra* note 9.

33. *Id.*

34. Frakes & Wasserman, *supra* note 31, at 7.

35. *Id.*

36. U.S. PAT. & TRADEMARK OFF., FY 2019 PERFORMANCE AND ACCOUNTABILITY REPORT 12 (2020), <https://www.uspto.gov/sites/default/files/documents/USPTOFY19PAR.pdf> [<https://perma.cc/8EH6-J4FN>].

37. *Id.* at 167. This statistic represents preliminary data from 2019. The data will be finalized in the USPTO's financial year 2020 performance and accountability report. *Id.* at 167 n.1.

38. Frakes & Wasserman, *supra* note 31, at 8.

39. *Id.*

invention patented or the economic value of the patent.⁴⁰ Legislators are often concerned with patent quality as they feel low-quality patents can erode investor confidence in patent rights and thus adversely affect the economy.⁴¹ These concerns came to a head in the early 2000s when the perception that the USPTO was issuing large quantities of patents led industry actors to call for better post-grant patent review procedures.⁴² Other reexamination proceedings existed before the creation of IPR but were underused and viewed as burdensome.⁴³ This general desire for a cheaper means to deal with low-quality patents led to the development of the AIA post-grant reexamination proceedings.⁴⁴ The most notable of the new AIA proceedings is IPR.⁴⁵

2. IPR and Its Alternatives

IPR is an adversarial post-grant proceeding in which parties can challenge the validity of a patent on certain limited grounds. IPRs are conducted at the PTAB, an adjudicative body within the USPTO.⁴⁶ Members of the PTAB include: the director, the deputy director, the commissioner for patents, the commissioner for trademarks, and administrative patent judges (APJ).⁴⁷ The APJs are appointed by the Secretary of Commerce, in consultation with the director.⁴⁸

The scope of IPR is limited. A party may challenge the patentability of one or more of a patent's claims under the novelty or nonobviousness requirements and at that, only on the basis of prior art consisting of patents and printed publications.⁴⁹ The IPR process begins when a party who is not the owner of the patent at issue files a petition with the USPTO.⁵⁰ This petition must contain in writing and with particularity: each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.⁵¹ The owner of the challenged patent may file a preliminary response to this

40. See Colleen Chien, *Comparative Patent Quality*, 50 ARIZ. ST. L.J. 71, 76 n.32 (2018) ("The most common definition of a quality patent is a valid patent.").

41. H.R. REP. NO. 112-98, at 40 (2011) ("If the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents.").

42. Colleen Chien et al., *Inter Partes Review and the Design of Post-grant Patent Reviews*, 33 BERKELEY TECH. L.J. 817, 826–27 (2018).

43. *Id.* at 827; see also H.R. REP. NO. 112-98, at 46 ("Over the 5-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination.").

44. Chien et al., *supra* note 42, at 827.

45. 35 U.S.C. §§ 311–319; see *infra* notes 71–78 and accompanying text.

46. 35 U.S.C. §§ 6, 316(c).

47. *Id.* § 6(a).

48. *Id.*

49. *Id.* § 311(b).

50. *Id.* § 311(a).

51. *Id.* § 312(a)(3).

petition, explaining why IPR should not be instituted based on the petitioner's failure to meet requirements.⁵²

The director then decides whether to institute an IPR within three months after receiving a preliminary response or, if there is no preliminary response, within three months after the last date on which a preliminary response may be filed.⁵³ The director may not institute an IPR unless the director determines that, based on the information provided in the petition and preliminary response, there is a reasonable likelihood the petitioner would prevail with respect to at least one of the challenged claims.⁵⁴ The director's determination on whether to institute an IPR is final and nonappealable.⁵⁵

Once an IPR is instituted, the PTAB reexamines the patent at issue for validity in light of the challenges raised.⁵⁶ The PTAB must sit as a panel of at least three APJs who are designated by the director.⁵⁷ Because IPRs are adversarial trial-like proceedings, the petitioner and the patent owner are entitled to discovery,⁵⁸ to file affidavits, declarations and written memoranda,⁵⁹ and to have an oral hearing before the PTAB.⁶⁰ During an IPR, the patent owner may move to amend the patent by canceling a claim or by proposing reasonable substitutes to the claims.⁶¹ Before the PTAB issues a final decision, the patent owner and the petitioner may settle and terminate the proceeding.⁶² If the proceeding does not terminate, the PTAB issues a final written decision no later than one year after it instituted IPR.⁶³ When a PTAB decision becomes final, the director must issue and publish a certificate that: cancels the claims that were found unpatentable, confirms the claims that were found patentable, and adds new or amended claims that were found patentable.⁶⁴ Parties may appeal the PTAB's final written decision to the United States Court of Appeals for the Federal Circuit.⁶⁵

IPR is not the only way to challenge a patent's validity. District courts have original jurisdiction over any civil action related to patents, including challenges to a patent's validity.⁶⁶ Parties may also challenge a patent's validity in a district court as a counterclaim in an infringement suit.⁶⁷ District

52. *Id.* § 313.

53. *Id.* § 314(b).

54. *Id.* § 314(a).

55. *Id.* § 314(d).

56. *Id.* §§ 6, 316(c).

57. *Id.* § 6(c).

58. *Id.* § 316(a)(5).

59. *Id.* § 316(a)(8).

60. *Id.* § 316(a)(10).

61. *Id.* § 316(d)(1).

62. *Id.* § 317(a).

63. *Id.* §§ 316(a)(11), 318(a).

64. *Id.* § 318(b).

65. *Id.* § 141(c).

66. 28 U.S.C. § 1338(a).

67. When a defendant is sued for patent infringement in district court, they may claim as a defense that the plaintiff's patent, which they are alleged to have infringed, is invalid. If the court finds the patent is invalid, there can no longer be a patent infringement suit against the defendant. *See* 35 U.S.C. § 282(b).

court cases and IPRs concerning the same patent often run in parallel,⁶⁸ but IPR may not be instituted if, before the date on which an IPR petition was filed, the petitioner or a real party in interest files a civil action challenging the patent's validity.⁶⁹ Appeals from district court decisions relating to patents are also heard by the Federal Circuit.⁷⁰

Despite the fact that patent validity can be challenged in federal court, several factors make IPR popular.⁷¹ First, IPR is not as costly as litigation.⁷² Second, petitioners in IPR proceedings benefit from a lower burden of proof. In district court, patents are presumed valid and challengers can only overcome this presumption with clear and convincing evidence.⁷³ By contrast, in IPR, there is no such presumption and the burden of proof is a preponderance of the evidence.⁷⁴ Third, IPR is a relatively quick proceeding.⁷⁵ Fourth, once instituted, petitioners usually succeed in IPR more often,⁷⁶ as compared to in suits in district court.⁷⁷ Fifth, the Federal Circuit generally affirms appeals from IPRs.⁷⁸

68. Matthew Bultman, *PTAB Taking Note of Parallel Litigation in Review Decisions*, LAW360 (Oct. 24, 2018, 9:39 PM), <https://www-law360-com.flis.idm.oclc.org/articles/1095512/ptab-taking-note-of-parallel-litigation-in-review-decisions> [<https://perma.cc/Q33Q-EE8R>] (“Most of the patents challenged in inter partes review at the PTAB—approximately 85 percent in 2017—are involved in district court litigation . . .”).

69. 35 U.S.C. § 315(a)(1). However, a counterclaim challenging the validity of a patent claim does not count as a civil action challenging the validity of a claim of a patent for purposes of this subsection. *Id.* § 315(a)(3).

70. 28 U.S.C. § 1295(a)(1).

71. From September 16, 2012, to July 31, 2020, there were 11,845 petitions for trials before the USPTO. Ninety-three percent (11,015) of those petitions were for IPRs. U.S. PAT. & TRADEMARK OFF., TRIAL STATISTICS: IPR, PGR, CBM 3 (2020), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200731.pdf [<https://perma.cc/3YZN-YBA6>].

72. Josh Landau, *Inter Partes Review: Five Years, over \$2 Billion Saved*, PAT. PROGRESS (Sept. 14, 2017), <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion/> [<https://perma.cc/M3UT-KHG4>] (“IPR has saved plaintiffs and defendants \$2.31 billion in deadweight losses, primarily in the form of legal fees.”).

73. 35 U.S.C. § 282(a); *Microsoft Corp. v. I4I Ltd. P’ship*, 564 U.S. 91, 95 (2011).

74. 35 U.S.C. § 316(e).

75. *Id.* §§ 316(a)(11), 318(a). The median time to trial of sixty patent cases from 2013 to 2017 was found to be over two and a half years. *See* PWC, 2018 PATENT LITIGATION STUDY 4 (2018), <https://www.pwc.com/us/en/forensic-services/publications/assets/2018-pwc-patent-litigation-study.pdf> [<https://perma.cc/2A54-7W8K>].

76. From September 16, 2012, to July 31, 2020, the PTAB issued 3329 final written decisions in AIA proceedings. U.S. PAT. & TRADEMARK OFF., *supra* note 71, at 10. Of those decisions, in 655 (20 percent), all instituted claims were found patentable; in 600 (18 percent), some instituted claims were found unpatentable; and in 2074 (62 percent), all instituted claims were found unpatentable. *Id.* at 11.

77. A sample of district court decisions from 2008 to 2009 shows “roughly 43.0 percent of patents that went to a final judgment on validity were invalidated, the technology-specific numbers ranged from a low of 21.4 percent for optics and 25.6 percent for chemistry to a high of 80.0 percent for biotechnology.” John R. Allison et al., *Our Divided Patent System*, 82 U. CHI. L. REV. 1073, 1099 (2015).

78. Daniel F. Klodowski et al., *Federal Circuit PTAB Appeal Statistics Through April 30, 2020*, FINNEGAN (May 29, 2020), <https://www.finnegan.com/en/insights/blogs/american-invents-act/federal-circuit-ptab-appeal-statistics-through-april-30-2020.html> [<https://perma.cc/NT5E-5SFZ>] (“The Federal Circuit affirmed the PTAB on every issue in 524 (72.98%) cases and reversed or vacated the PTAB on every issue in 100 (13.93%) cases.”).

Although widely used, IPR has become divisive in the patent world. Some see IPR as an effective tool to combat patent trolls.⁷⁹ For example, VirnetX claimed Apple infringed its patents, so Apple used IPR to invalidate part of the patent it was alleged to have infringed.⁸⁰ However, others feel IPR too easily invalidates patents that district courts may otherwise find valid.⁸¹ In line with this criticism is the statement of former Chief Judge of the Federal Circuit Randall Rader famously calling the APJs of the PTAB “death squads” that were killing off patent rights.⁸² In addition to such labels, IPR has weathered numerous constitutional challenges in the Federal Circuit and the U.S. Supreme Court.⁸³ This controversy surrounding IPR is not surprising considering the laborious process of obtaining a patent,⁸⁴ the fees associated with the process,⁸⁵ and the importance intangible assets, such as patent rights, can have for a company.⁸⁶

A mixed outcome on appeal, where at least one issue was affirmed and at least one issue was vacated or reversed, occurred in 68 (9.47%) cases.”).

79. A patent troll is some person or some entity that buys patents cheaply from companies that are under financial stress. The claims of these patents are often very broad. The trolls will use these broad patents to threaten those they feel infringe their patents with litigation unless the alleged infringer pays a steep licensing fee. Often the alleged infringers will pay the licensing fees, even if they think the trolls’ threats are meritless, so that the alleged infringers do not have to spend the time in litigation. *Patent Trolls*, ELEC. FRONTIER FOUND., <https://www.eff.org/issues/resources-patent-troll-victims> [<https://perma.cc/HPF3-DWF5>] (last visited Oct. 3, 2020); see also Grace Heinecke, Note, *Pay the Troll Toll: The Patent Troll Model Is Fundamentally at Odds with the Patent System’s Goals of Innovation and Competition*, 84 *FORDHAM L. REV.* 1153, 1170–73 (2015) (explaining typical patent troll behavior).

80. See generally *VirnetX Inc. v. Apple, Inc.*, 909 F.3d 1375 (Fed. Cir. 2018).

81. Gene Quinn et al., *PTAB Facts: An Ugly Picture of a Tribunal Run Amok*, IPWATCHDOG (Jan. 8, 2018), <https://www.ipwatchdog.com/2018/01/08/ptab-facts-ugly-picture-tribunal-run-amok/id=91959/> [<https://perma.cc/QX3A-GDNN>] (“[T]he PTAB is substantially more likely to find patents to be defective than a Federal District Court, and in fact have found numerous patents to be defective even after patentability has been confirmed in federal courts.”).

82. See Ryan Davis, *PTAB’s ‘Death Squad’ Label Not Totally Off-Base, Chief Says*, LAW360 (Aug. 14, 2014), <https://www-law360-com.fl.s.idm.oclc.org/articles/567550/ptab-s-death-squad-label-not-totally-off-base-chief-says> [<https://perma.cc/S2LU-GZCU>].

83. See *Oil States Energy Servs. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1379 (2018) (holding that IPR does not violate Article III or the Seventh Amendment of the Constitution); *Celgene Corp. v. Peter*, 931 F.3d 1342, 1362 (Fed. Cir. 2019) (holding that the retroactive application of IPR proceedings to pre-AIA patents is not an unconstitutional taking under the Fifth Amendment).

84. See generally *Patent Process Overview*, U.S. PAT. & TRADEMARK OFF. (Nov. 11, 2014), <https://www.uspto.gov/patents-getting-started/patent-process-overview#step1> [<https://perma.cc/9EDQ-TQXX>].

85. See generally *USPTO Fee Schedule*, U.S. PAT. & TRADEMARK OFF. (Sept. 1, 2019), <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule> [<https://perma.cc/W99F-SASZ>]. These USPTO filing fees are in addition to any legal fees, assuming an applicant seeks the help of a lawyer.

86. See Kristi L. Stathis, *Ocean Tomo Releases 2015 Annual Study of Intangible Asset Market Value*, OCEAN TOMO (Mar. 5, 2015), <https://www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value> [<https://perma.cc/Q25C-VHNN>] (noting that in 2015 the average value of intangible assets (which includes patents) accounted for 84 percent of market value among S&P 500 companies).

B. *The Criticisms of Panel Stacking*

It is important to note that the standard federal model for agency adjudication vests final decision-making authority in the agency head.⁸⁷ PTAB adjudications, including IPR, differ from the standard federal model in this respect because Congress did not give the director final decision-making authority over PTAB adjudications.⁸⁸ Agency-head direct review of adjudication is an important means to ensure consistency in adjudicative outcomes and consistent application of agency policy.⁸⁹ This lack of direct review may have pushed the director toward other means of maintaining consistency and policy in PTAB adjudications.

From time to time, the PTAB has issued IPR decisions that are not aligned with USPTO policy. In such cases, the director may expand the original PTAB panel on rehearing, so that the new expanded panel will rule against the original panel and align with USPTO policy. This practice is called panel stacking. Many have criticized panel stacking as potentially violative of due process. Part I.B explains panel stacking and surveys due process criticisms of the practice.

1. Expanded Panels: A Means for the Director to Manipulate PTAB Decisions?

A panel of at least three PTAB members must hear every IPR.⁹⁰ However, this does not mean that a panel need *only* consist of three APJs.⁹¹ The USPTO's current Standard Operating Procedure (SOP) 1, which was released in September 2018, explains how the PTAB can expand a panel.⁹² SOP 1 first notes that the PTAB does not favor expanding panels, and it will not ordinarily do so.⁹³ However, from time to time, an expanded panel may be used to secure and maintain uniformity in PTAB decisions.⁹⁴ PTAB members, a patent applicant, a patent owner, or a petitioner in a case pending before the PTAB may suggest the need for an expanded panel.⁹⁵ Ultimately, the decision to use an expanded panel must be recommended by the chief judge and approved by the director.⁹⁶ An expanded panel may be designated either: (1) after a case has initially been assigned to a panel and before that panel has entered a decision or (2) after entry of a decision by a panel and

87. Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 CALIF. L. REV. 141, 143–44 (2019).

88. *Id.* at 159–60.

89. *Id.* at 176–77.

90. 35 U.S.C. § 6(c).

91. Generally, an odd number of judges will be designated to decide cases in which a panel is used. U.S. PAT. & TRADEMARK OFF., PATENT TRIAL AND APPEAL BOARD STANDARD OPERATING PROCEDURE 1 (REVISION 15), at 15 (2018), <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf> [<https://perma.cc/KC3F-PNL4>].

92. *Id.*

93. *Id.*

94. *Id.*

95. *Id.*

96. *Id.*

request for a rehearing.⁹⁷ In both cases, the APJs on the initial panel remain a part of the expanded panel.⁹⁸ Some have referred to the use of expanded panels on rehearing as panel stacking, particularly when the goal of the expanded panel is finding against the original panel.⁹⁹

The USPTO is open about its use of expanded panels. In 2018, the PTAB posted the findings of a study in which it focused on expanded panels in AIA proceedings.¹⁰⁰ The study clarifies that expanded panels are rare¹⁰¹ and that most expanded panel decisions are issued as original decisions, not as decisions on rehearing.¹⁰² The study lists several purposes for expanding a panel: (1) dealing with issues of exceptional importance (guidance), (2) maintaining uniformity of board decisions (consistency), and (3) responding to written requests from the commissioner for patents identifying an issue.¹⁰³ The study points out that expanded panels on rehearing almost always reached the same underlying result as the first panel, except in two cases.¹⁰⁴ The study is open about these two cases and notes that both dealt with the issue of same-party joinder.¹⁰⁵ The study states both panels were expanded to ensure consistency and that all other decisions—before and after these cases—have permitted same-party joinder.¹⁰⁶ These two cases are *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*¹⁰⁷ and *Target Corp. v. Destination Maternity Corp.*¹⁰⁸

Nidec involved an appeal for IPR of a low-noise HVAC system patent.¹⁰⁹ Broad Ocean filed an IPR petition against Nidec's patent on two grounds, novelty and nonobviousness.¹¹⁰ Due to faulty affidavits, the PTAB instituted review only on grounds of nonobviousness.¹¹¹ Broad Ocean filed a second IPR once it had cured the defect in its affidavit and requested that the second IPR be joined with the first.¹¹² A panel of three APJs declined to join the second IPR as they found it to be time-barred.¹¹³ They also found that the exception to the time bar for requests for joinder under 35 U.S.C. § 315(b)–

97. *Id.* at 16.

98. *Id.*

99. *See infra* Part I.B.3.

100. *See generally* U.S. PAT. & TRADEMARK OFF., CHAT WITH THE CHIEF: NEW PTAB STUDIES IN AIA PROCEEDINGS: EXPANDED PANELS AND TRIAL OUTCOMES FOR ORANGE BOOK-LISTED PATENTS (2018), https://www.uspto.gov/sites/default/files/documents/chat_with_the_chief_march_2018.pdf [<https://perma.cc/7QTV-HD5L>].

101. *Id.* at 6.

102. *Id.* at 29.

103. *Id.* at 6. Such issues identified by the commissioner for patents would be those of first impression or those governed by a prior board decision where the commissioner has determined it would not be in the public interest to follow the prior board decision. *Id.*

104. *Id.* at 27.

105. *Id.*

106. *Id.*

107. 868 F.3d 1013 (Fed. Cir. 2017).

108. No. IPR2014-00508 (P.T.A.B. Feb. 12, 2015).

109. *Nidec*, 868 F.3d at 1014.

110. *Id.* at 1014–15.

111. *Id.* at 1015.

112. *Id.*

113. *Id.*

(c) did not apply because the joinder provision does not permit a party to join issues to a proceeding to which it is already a party.¹¹⁴ Broad Ocean's request for a rehearing of this decision was granted by an expanded panel of five APJs.¹¹⁵ This panel determined that 35 U.S.C. § 315(c) was broad enough to permit the joinder of the second IPR petition.¹¹⁶ So the expanded panel granted review of the second petition and joined it with the earlier instituted IPR.¹¹⁷ The expanded panel then found that the challenged claims were unpatentable on both novelty and nonobviousness grounds.¹¹⁸ Nidec appealed to the Federal Circuit, but the court did not address the PTAB's use of panel stacking.¹¹⁹ *Target* involved an IPR where a panel that had already been expanded to five members expanded again into a seven-member panel to find against the original panel after a majority of the five-member panel concluded that § 315(c) barred a party's attempt at self-joinder.¹²⁰

2. Judicial Criticism of Panel Stacking

On several occasions, judges have raised concerns with the USPTO's practice of panel stacking. At the Supreme Court, these concerns were raised in *Oil States Energy Services v. Greene's Energy Group*,¹²¹ a case holding that IPRs do not violate Article III or the Seventh Amendment of the Constitution.¹²² At oral arguments, several Justices brought up panel stacking: Chief Justice Roberts asked whether panel stacking comports with due process;¹²³ Justice Anthony Kennedy asked counsel whether his view on panel stacking would change if the practice "were rampant";¹²⁴ Justice Gorsuch asked about the constitutionality of adjudicatory proceedings subject to packing by a director who is "unhappy with the results";¹²⁵ and Justice Ruth Bader Ginsburg asked if panel stacking would be an "obvious due process flaw."¹²⁶ Justice Gorsuch's dissenting opinion continued his criticism of panel stacking, where he derided the patent statute's

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.*

118. *Id.* at 1015–16.

119. *Id.* at 1016 ("Nor need we address . . . Nidec's argument that the Board's practice of expanding panels violates due process.").

120. *Target Corp. v. Destiny Maternity Corp.*, No. IPR2014-00508, at 3–5, 19 (P.T.A.B. Feb. 12, 2015).

121. 138 S. Ct. 1365 (2018).

122. *Id.* at 1378–79.

123. Chief Justice Roberts asked counsel:

What about—in terms of due process anyway . . . this business . . . that the commissioner can change the—the panels if she doesn't agree with the direction they're going, that she can add new judges to the panel so that they'll—in other words, it's a—the panel itself—and I think constitutionally this may be fine, is—is a tool of the executive activity, rather than something involving some—anything resembling a determination of rights?

Transcript of Oral Argument at 33–34, *Oil States Energy Servs.*, 138 S. Ct. 1365 (No. 16-712).

124. *Id.* at 34.

125. *Id.* at 37.

126. *Id.* at 66.

“efficiency.”¹²⁷ Judge Timothy Dyk of the Federal Circuit also commented on panel stacking in his concurrence to the decision in *Nidec*, expressing concern about the use of expanding panels.¹²⁸

Although no recent case law has addressed panel stacking head-on, one pre-AIA Federal Circuit case addressed a similar situation. *In re Alappat*¹²⁹ concerns the appeal from a reconsideration decision of the Board of Patent Appeals and Interferences¹³⁰ (BPAI) of the USPTO, which sustained the rejection of a patent.¹³¹ An examiner rejected Alappat’s patent under 35 U.S.C. § 101 as being directed to unpatentable subject matter.¹³² Alappat appealed this rejection to the BPAI, and a three-member panel reversed the examiner’s rejection.¹³³ The examiner then requested a rehearing by an expanded panel on the grounds that the three-member panel’s decision was in conflict with USPTO policy.¹³⁴ An expanded *eight*-member panel granted the examiner’s request for rehearing.¹³⁵ The five new members of the panel were the USPTO commissioner, USPTO deputy commissioner, USPTO assistant commissioner, board chairman, and board vice-chairman.¹³⁶ The

127. Justice Gorsuch wrote,

Consider just how efficient the statute before us is. The Director of the Patent Office is a political appointee who serves at the pleasure of the President. He supervises and pays the Board members responsible for deciding patent disputes. The Director is allowed to select which of these members, and how many of them, will hear any particular patent challenge. If they (somehow) reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard. Nor has the Director proven bashful about asserting these statutory powers to secure the ‘policy judgments’ he seeks.

No doubt this efficient scheme is well intended. But can there be any doubt that it also represents a retreat from the promise of judicial independence?

Oil States Energy Servs., 138 S. Ct. at 1380–81 (Gorsuch, J., dissenting) (citations omitted) (quoting Brief for Petitioner at 46, *Oil States Energy Servs.*, 138 S. Ct. 1365 (No. 16-712)).

128. In his concurrence, Judge Dyk wrote,

[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.’

...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.

Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co., 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring) (quoting Brief for Intervenor–Director of the United States Patent and Trademark Office at 27, *Nidec*, 868 F.3d 1013 (No. 2016-2321)).

129. 33 F.3d 1526 (Fed. Cir. 1994) (en banc), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).

130. The BPAI was replaced by the PTAB. “Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the [PTAB].” 35 U.S.C. § 6(a).

131. *In re Alappat*, 33 F.3d at 1531.

132. *Id.*

133. *Id.*

134. *Id.*

135. *Id.*

136. *Id.*

five new members then issued the majority opinion affirming the examiner's rejection of Alappat's patent, with the original three members dissenting.¹³⁷

Alappat appealed to the Federal Circuit challenging the BPAI's decision that found his invention unpatentable.¹³⁸ However, Alappat did not challenge the validity of the expanded panel's decision.¹³⁹ Regardless, the Federal Circuit addressed the authority of the BPAI to expand a panel on rehearing in part one of the opinion and the merits of the BPAI's decision in part two.¹⁴⁰ In part one, Judge Giles Rich was joined by Judges Pauline Newman, Alan Lourie, and Randall Rader in the plurality; Chief Judge Glenn Archer and Judges Helen Nies and S. Jay Plager concurred in the conclusion; and Judges Haldane Mayer, Paul Michel, Raymond Clevenger, and Alvin Schall dissented.¹⁴¹ The plurality found that, according to the plain meaning of the then applicable patent statute, the commissioner had "the authority to designate the members of a panel to consider a request for reconsideration of a [BPAI] decision,"¹⁴² including "designating an expanded panel made up of the members of an original panel, other members of the [BPAI], and himself as such, to consider a request for reconsideration of a decision rendered by that original panel."¹⁴³ Chief Judge Archer refused to hold that the BPAI composition was illegal, stating that "[p]recedent precludes us from holding that the composition of the agency's board is illegal where none of the parties has raised the issue."¹⁴⁴ Even so, Chief Judge Archer felt that the BPAI composition was not in violation of the statute.¹⁴⁵ Judge Plager concurred separately, noting that "there remains opportunity for attack should the Commissioner again reconstitute a board the way he did here—does he violate his own regulations, *is there a due process question*, what is the exact scope of the legislative grant of authority—that attack has not here been launched."¹⁴⁶ Two dissenting opinions reasoned that the commissioner did not have the authority to expand the panel as he did in this case.¹⁴⁷

The takeaway from *In re Alappat* is that a severely fractured Federal Circuit held panel stacking was permissible in a pre-AIA USPTO proceeding. However, the due process issue was not raised on appeal, and the opinion only addresses whether panel stacking is statutorily permissible and not whether it would survive a due process challenge.¹⁴⁸

137. *Id.*

138. *Id.* at 1530.

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.* at 1532.

143. *Id.*

144. *Id.* at 1546 (Archer, C.J., concurring).

145. *Id.* at 1548.

146. *Id.* at 1581 (Plager, J., concurring) (emphasis added).

147. *Id.* at 1571, 1583–85.

148. The majority wrote:

Amicus Curiae FCBA suggests that the Commissioner's redesignation practices in this case violated Alappat's due process rights

The FCBA does not have standing to make a due process argument and Alappat has waived any due process argument by acquiescing to the Commissioner's actions

3. Panel Stacking and Due Process

Outside of direct judicial criticisms, parties to cases where panel stacking has occurred, amicus briefs, and independent scholars have challenged panel stacking as violative of due process. Part I.B.3 surveys and categorizes those criticisms.

a. Under the Mathews Framework

One critic has used the *Mathews v. Eldridge*¹⁴⁹ framework to find that panel stacking raises due process concerns. The *Mathews* framework seeks to determine “whether the administrative procedures provided . . . are constitutionally sufficient.”¹⁵⁰ The test requires the balancing of three factors: (1) “the private interest that will be affected by the official action”;¹⁵¹ (2) “the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards”;¹⁵² and (3) “the Government’s interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.”¹⁵³

As to the first *Mathews* factor, a court may find that patent rights are substantial but not quite on the level of a fundamental liberty or property interest.¹⁵⁴ Panel stacking potentially presents several problems under the second *Mathews* factor. First, it may be difficult to separate questions of law and policy from questions of fact, so that panel stacking only affects the questions of law and policy.¹⁵⁵ Next, the director’s individual views on policy may not define what is “correct” for the PTAB, as the PTAB is the

in this case. Thus, there is no case or controversy before this court with respect to any alleged due process violation.

Id. at 1536 (citations omitted).

149. 424 U.S. 319 (1976). Critics have also used the *Mathews* framework to suggest that IPR, *in general*, may be unconstitutional. *See generally* James Carmichael & Brad Close, *Despite Oil States, Inter Partes Review May Still Be Held Unconstitutional*, IPWATCHDOG (Apr. 25, 2018), <https://www.ipwatchdog.com/2018/04/25/despite-oil-states-inter-partes-review-may-still-be-held-unconstitutional/id=96406> [<https://perma.cc/PC22-GDVJ>].

150. *Mathews*, 424 U.S. at 334.

151. *Id.* at 335.

152. *Id.*

153. *Id.*

154. A patent right is arguably not at the level of a fundamental liberty interest or property interest:

For a patent applicant or owner, the relevant private interest in PTAB proceedings is securing patent rights or their continuing enforceability. This is a significant interest, one that could be worth millions or even hundreds of millions of dollars. But a court would not likely view such an interest as on par either with fundamental liberty interests, or with property interests, such as welfare entitlements, that more predictably implicate individuals’ basic capacities to pursue happiness.

John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 IOWA L. REV. 2447, 2463 (2019) (footnotes omitted).

155. *Id.* at 2464.

statutorily charged adjudicator, not the director.¹⁵⁶ Also, deciding an issue of policy or law by means of panel stacking does not involve the reasoned process of adjudication or rulemaking.¹⁵⁷ These three facts taken together increase the risk of an erroneous deprivation of patent rights by panel stacking. Panel stacking also presents several problems under the third *Mathews* factor. First, panel stacking may compromise the reasoned process of decision-making.¹⁵⁸ It may harm the “perceived legitimacy, integrity, and fairness of [USPTO] decision-making.”¹⁵⁹ And on top of this, it increases administrative costs to the agency.¹⁶⁰ Also, other mechanisms exist, like rulemaking and designating opinions as precedential, that the director may use to maintain consistency.¹⁶¹

b. Other Due Process Criticisms

Panel stacking is often compared to the situation in *Utica Packing Co. v. Block*,¹⁶² where a Department of Agriculture adjudicator issued a decision that the department “violently disagreed” with.¹⁶³ The secretary of agriculture removed the adjudicator from the case and replaced him with someone who was not a lawyer and had not performed any “adjudicatory, regulatory or legal work.”¹⁶⁴ The Sixth Circuit found this violated due process, noting “[t]here is no guarantee of fairness when the one who appoints a judge has the power to remove the judge before the end of proceedings for rendering a decision which displeases the appointer.”¹⁶⁵ However, it is important to note that the situation in *Utica Packing* is not a perfect analog to panel stacking; in fact, there are some major differences between the two situations, something that the USPTO has pointed out.¹⁶⁶

One party has further argued that panel stacking implicates due process concerns because the decision of the PTAB is not being made by impartial decision makers but, rather, by the director, who selectively staffs panels to achieve the preferred interpretation.¹⁶⁷ This criticism suggests such decisions by the PTAB do not accurately reflect independent adjudicative interpretations of statutes by judges but, rather, “the Director’s policy stance

156. *Id.* at 2464–65.

157. *See id.* at 2465–66.

158. *Id.* at 2466.

159. *Id.*

160. *Id.*

161. *Id.* at 2467.

162. 781 F.2d 71 (6th Cir. 1986); *see also* Brief of Amicus Curiae Biotechnology Innovation Organization in Support of Appellant at 20–21, *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013 (Fed. Cir. 2017) (No. 2016-2321); Golden, *supra* note 154, at 2473–74; Walker & Wasserman, *supra* note 87, at 183–86.

163. *Utica Packing*, 781 F.2d at 78.

164. *Id.* at 74.

165. *Id.* at 78.

166. Brief for Intervenor–Director of the United States Patent and Trademark Office at 23, *Nidec*, 868 F.3d 1013 (No. 2016-2321).

167. Brief of Appellant at 42, *Nidec*, 868 F.3d 1013 (No. 2016-2321).

without the procedural protections of notice-and-comment rulemaking.”¹⁶⁸ However, this party clarifies that it was not alleging the director orders judges to decide a certain way, nor that judges’ decisions are not the product of their own independent judgments, but rather that panel stacking *undercuts the independence of the PTAB as a whole*.¹⁶⁹

A similar criticism is that panel stacking “strips the adjudicatory board of its impartial nature”¹⁷⁰ and goes against the requirement that “[t]he one who decides must hear.”¹⁷¹ This criticism notes that panel stacking ensures an outcome, making the decision of the PTAB as a whole partial and that “outcomes are improperly put before the consideration of evidence and argument.”¹⁷² However, one critic has in fact suggested that panel stacking may undercut the decision-making authority of adjudicators at the individual level.¹⁷³

Another critic has also suggested that panel stacking is a form of prejudgment.¹⁷⁴ This criticism notes at the outset that typical cases of prejudgment involve a public display of disapproval by an adjudicator before the case is heard.¹⁷⁵ This criticism recognizes that panel stacking is distinct from this situation but still represents a type of prejudgment where prestacked odds create a biased tribunal.¹⁷⁶

C. The POP

Continued use of panel stacking by the director would have no doubt drawn continued challenges and criticisms from interested parties. Most likely in response to the criticisms of panel stacking, the USPTO created the POP, a special panel within the PTAB comprised of agency leadership that is tasked with handling issues of particular importance in PTAB adjudication.¹⁷⁷ Part I.C explains the creation of the POP, how parties can request POP review, and how the USPTO will institute POP review. Part I.C also surveys recent uses of the POP.

168. *Id.*

169. *Id.* at 43 (emphasis added). “It is this coordination of [PTAB] decisions through readjudication that implicates due process concerns and renders judicial review particularly appropriate here.” *Id.*

170. Walker & Wasserman, *supra* note 87, at 185.

171. *Id.* (quoting *Morgan v. United States*, 298 U.S. 468, 481 (1936)).

172. *Id.* at 185–86.

173. Golden, *supra* note 154, at 2472 (comparing the director’s authority to select panel members and to determine the pay of the APJs and the director’s “presumably good position” to play a role in the removal of APJs to the situation in *Esso Standard Oil Co. v. López-Freytes*, 522 F.3d 136 (1st Cir. 2008)).

174. Olivia Martzahn, Note, *Due Process Implications of Panel Stacking at the USPTO*, 44 J. CORP. L. 423, 435 (2019).

175. *Id.*

176. *Id.*

177. *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, U.S. PAT. & TRADEMARK OFF. (Sept. 20, 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/procedures/revisions-standard-operating> [<https://perma.cc/F9NQ-RB3M>].

1. Creation

On September 20, 2018, the PTAB substantially revised its SOPs regarding paneling and precedential opinions.¹⁷⁸ The revisions are intended to “increase[] transparency, predictability, and reliability across the USPTO.”¹⁷⁹ The revised SOPs are broken into two parts.¹⁸⁰ The first part, SOP 1, “explains the procedures for panel assignment and for informing parties regarding panel changes.”¹⁸¹ The second part, SOP 2, creates the POP, states its primary functions, and explains its operation.¹⁸²

SOP 1 explains the process of expanding panels beyond three judges but cautions against it.¹⁸³ Specifically, SOP 1 suggests expanded panels may be appropriate “to secure and maintain uniformity of the Board’s decisions.”¹⁸⁴ However, SOP 1 also clarifies that “[r]easons such as establishing binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance, are generally expected to be addressed using the procedures set forth in [SOP 2].”¹⁸⁵ SOP 1 sets out the means by which an expanded panel should be suggested and provides that the director has ultimate authority to approve the use of an expanded panel.¹⁸⁶

SOP 2 creates the POP, which is intended to establish binding agency authority concerning major policy or procedural issues or other exceptionally important issues.¹⁸⁷ A nonexhaustive list of examples in SOP 2 provides that the POP may be used to “address constitutional questions; important issues regarding statutes, rules, and regulations; important issues regarding binding or precedential case law; or issues of broad applicability to the [PTAB],” as well as “to resolve conflicts between [PTAB] decisions, to promote certainty and consistency, or to rehear any case it determines warrants the [POP’s] attention.”¹⁸⁸

SOP 2 provides that the director selects POP members, but, by default, the POP shall include the director, the commissioner for patents, and the chief APJ.¹⁸⁹ The director has the discretion to determine that an expanded panel of the POP “is appropriate in certain circumstances.”¹⁹⁰ The director may also decide to switch a “default member[] of the [POP] with the Deputy Director, the Deputy Chief Judge, or an Operational Vice Chief Judge, in any

178. *Id.*

179. *Id.*

180. *Id.*

181. *Id.*

182. *Id.*

183. U.S. PAT. & TRADEMARK OFF., *supra* note 91, at 15–16.

184. *Id.* at 15.

185. *Id.* at 15 n.4.

186. *Id.* at 15.

187. U.S. PAT. & TRADEMARK OFF., PATENT TRIAL AND APPEAL BOARD STANDARD OPERATING PROCEDURE 2 (REVISION 10), at 1 (2018), <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> [<https://perma.cc/3NW5-4M8H>].

188. *Id.* at 4.

189. *Id.*

190. *Id.*

case.”¹⁹¹ These restrictions do not defeat the fact that the director may convene a POP consisting of *any* board members, at *any* time, to review *any* matter, at the director’s sole discretion.¹⁹² Despite the director’s broad authority to convene a POP, SOP 2 sets forth two other ways to obtain POP review: (1) recommendation by any party to a proceeding for review of that proceeding or (2) recommendation by any member of the board.¹⁹³ However, there is no right to further review of a denial of a recommendation for POP review.¹⁹⁴ POP review recommendations go to a screening committee that is comprised of the POP members and their designees, who forwards their recommendations to the director.¹⁹⁵ Based on the committee’s recommendation, the director “will convene a [POP] to decide whether to grant rehearing.”¹⁹⁶ Then, if the POP decides to grant a rehearing, they will “render a decision on rehearing in the case.”¹⁹⁷ Note that the director does not decide whether to grant rehearing, the POP does.¹⁹⁸ This is consistent with the statutory provision that provides the PTAB with the authority to grant rehearings.¹⁹⁹

The POP may request additional briefing on issues, authorize the filings of amicus briefs, and order oral hearings.²⁰⁰ In certain circumstances, it may delegate its authority back to the original PTAB panel assigned to the case.²⁰¹ In this situation, the original panel has to keep the POP apprised of matters and give notice before an intended decision but can handle delegated matters without POP direction.²⁰² If prior proceedings are needed after a POP decision, the prior PTAB panel assigned to the case conducts the proceedings.²⁰³

As its name makes obvious, POP decisions are precedential²⁰⁴ and therefore binding PTAB authority for similar future matters.²⁰⁵ Though SOP 2 provides processes by which PTAB decisions may be designated or de-designated as precedential,²⁰⁶ it explicitly reserves the director’s authority to

191. *Id.* Also, the primary members of the POP may delegate their authority, “in the following order and based on availability: the Deputy Director; the Deputy Chief Judge; or an Operational Vice Chief Judge in order of seniority.” *Id.* However, a member may only delegate authority “for reasons including conflicts of interest and availability or when the issues to be decided are directed to procedural aspects of practice before the [PTAB].” *Id.*

192. *Id.* at 4–5.

193. *Id.* at 5–6.

194. *Id.* at 6.

195. *Id.* at 6–7.

196. *Id.* at 7.

197. *Id.*

198. *Id.*

199. “Each . . . [IPR] shall be heard by at least 3 members of the [PTAB], who shall be designated by the Director. Only the [PTAB] may grant rehearings.” 35 U.S.C. § 6(c).

200. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 7.

201. *Id.*

202. *Id.*

203. *Id.* at 8.

204. *Id.*

205. *Id.* at 11.

206. *See id.* at 8–12.

“designate or de-designate an issued decision or portion thereof as precedential or informative *at any time, in his or her sole discretion.*”²⁰⁷

2. Uses of the POP

Thus far, the POP has been utilized in four IPRs: *Proppant Express Investments, LLC v. Oren Technologies, LLC*;²⁰⁸ *Hulu, LLC v. Sound View Innovations, LLC*;²⁰⁹ *GoPro, Inc. v. 360Heros, Inc.*;²¹⁰ and *Hunting Titan, Inc. v. DynaEnergetics Europe GmbH*.²¹¹

In *Proppant*, Proppant requested IPR on one claim of Oren Technologies’s patent and asked it to be joined with an already pending IPR of different claims of the same patent.²¹² The PTAB did not institute the new IPR because the petitioner’s request was faulty.²¹³ When Proppant cured the defects, the PTAB again denied its request.²¹⁴ The PTAB interpreted § 315(c) as providing authority to join only “other parties to existing proceedings without introducing new issues of patentability.”²¹⁵ So, the PTAB denied the motion for joinder because the petitioner was already a party to the existing IPR and only sought to introduce new issues to it.²¹⁶ The PTAB denied the new IPR petition under § 315(b) because, by the time Proppant had cured its faulty filing, Proppant had been served with a complaint alleging infringement of the patent more than one year before the date on which the petition was filed.²¹⁷

Proppant requested rehearing of the PTAB’s decision and, because PTAB decisions conflict on the proper interpretation of § 315(c), the POP ordered a review on rehearing.²¹⁸ This POP consisted of its three default members: the director, the commissioner for patents, and the chief APJ.²¹⁹ Ultimately, the POP’s decision reached the same outcome as the first panel and did not institute the new IPR that Proppant was requesting.²²⁰ However, they noted that § 315(c) “provides discretion to grant same party and issue joinder, but the Board will exercise its discretion only in limited circumstances where fairness requires it and to avoid undue prejudice to a party.”²²¹ The POP decided not to exercise that discretion in this case because the petitioner’s own conduct created the need for joinder.²²² As to the § 315(b) issue, the

207. *Id.* at 11 n.4 (emphasis added).

208. No. IPR2018-00914, 2019 WL 1283948 (P.T.A.B. Mar. 13, 2019).

209. No. IPR2018-01039, 2019 WL 7000067 (P.T.A.B. Dec. 20, 2019).

210. No. IPR2018-01754, 2019 WL 3992792 (P.T.A.B. Aug. 23, 2019).

211. No. IPR2018-00600, 2020 WL 3669653 (P.T.A.B. July 6, 2020).

212. *Proppant*, 2019 WL 1283948, at *1.

213. *Id.*

214. *Id.*

215. *Id.*

216. *Id.*

217. *Id.*

218. *Id.*

219. *Id.* at *1.

220. *Id.* at *10.

221. *Id.*

222. *Id.*

POP found that since Proppant was served with a complaint alleging infringement of the patent more than one year before the date on which the IPR petition was filed, it had to be denied.²²³

In *GoPro*, GoPro filed a petition requesting institution of IPR of certain claims of 360Heros's patent.²²⁴ 360Heros filed a preliminary response arguing that GoPro was time-barred from filing its petition under § 315(b).²²⁵ The PTAB instituted an IPR anyway.²²⁶ 360Heros requested rehearing and POP review of the board's decision.²²⁷

The POP, consisting of its three default members, ordered a review on rehearing.²²⁸ The rehearing was to address the issue of whether the service of a pleading alleging infringement, where the serving party lacks standing to sue or the pleading is otherwise deficient, triggers the one-year time period for a petitioner to file a petition under § 315(b).²²⁹ The POP found that a faulty pleading still triggers the time bar under § 315(b) and since GoPro's petition in this case was filed more than one year after they were properly served with a complaint, its petition was time-barred under § 315(b).²³⁰

Notably, the above mentioned POP decisions deal with the same statutory provisions that were at issue in past cases involving panel stacking.²³¹ *Nidec* and *Target* both deal with § 315(c), and so does *Proppant*.²³² *Nidec* deals with § 315(b), and so does *GoPro*.²³³ This suggests that APJs have not always been aligned with the director's policy interpretation of § 315 and that the use of panel stacking and the creation of the POP may have been necessitated, in part, by this conflict of interpretation.

The other two uses of the POP deal with cases in which the POP found against the original PTAB panel but did not involve interpretation of § 315. In *Hulu*, the POP ordered a review on rehearing to decide what is required for a petitioner at the institution stage to establish that a prior art reference is a "printed publication."²³⁴ The original PTAB panel found there was insufficient evidence to show one of the petitioner's references was publicly accessible and therefore the petitioner failed to show sufficiently that the reference qualified as prior art.²³⁵ On rehearing, the POP found against the

223. *Id.*

224. *GoPro, Inc. v. 360Heros, Inc.*, No. IPR2018-01754, 2019 WL 3992792, at *1 (P.T.A.B. Aug. 23, 2019).

225. *Id.*

226. *Id.*

227. *Id.*

228. *Id.*

229. *Id.*

230. *Id.* at *10–11.

231. *See supra* notes 107–20 and accompanying text.

232. *See generally* *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013 (Fed. Cir. 2017); *Proppant Express Invs., LLC v. Oren Techs., LLC*, No. IPR2018-00914, 2019 WL1283948 (P.T.A.B. Mar. 13, 2019); *Target Corp. v. Destination Maternity Corp.*, No. IPR2014-00508 (P.T.A.B. Feb. 12, 2015).

233. *See generally* *Nidec*, 868 F.3d 1013; *GoPro*, 2019 WL 3992792.

234. *Hulu, LLC, v. Sound View Innovations, LLC*, No. IPR2018-01039, 2019 WL 7000067, at *1 (P.T.A.B. Dec. 20, 2019).

235. *Id.*

original PTAB panel, concluding that the petitioner had established a reasonable likelihood that its reference was a printed publication that was publicly accessible before the critical date of the challenged patent.²³⁶ In *Hunting Titan*, the POP granted the patent owner's request for a POP review to decide under what circumstances the PTAB may sua sponte raise its own issues of patentability on a motion to amend a patent.²³⁷ Ultimately, the POP delineated certain circumstances in which the PTAB may raise its own issues of patentability on a motion to amend but ultimately decided that the actions of the original PTAB panel did not fit into one of these circumstances.²³⁸

II. DOES THE POP RESOLVE DUE PROCESS CONCERNS?

The POP is intended to establish binding agency authority concerning major policy, procedural issues, and other exceptionally important issues.²³⁹ The POP is likely to supplant panel stacking²⁴⁰ and therefore, it should alleviate the due process concerns that accompanied panel stacking. Part II analyzes the ways in which the POP addresses the due process concerns raised by panel stacking and questions whether the POP has its own unique due process concerns. Part II.A summarizes arguments that the POP alleviates the due process concerns raised by the USPTO's prior practice of panel stacking. Part II.B evaluates the POP under both the *Mathews* framework²⁴¹ and a fair hearing analysis to determine where it lacks due process.

A. The POP Alleviates the Due Process Concerns of Panel Stacking

Part II.A evaluates the POP under both the *Mathews* test and under a fair hearing analysis. Part II.A finds that most of the POP's success in alleviating the due process concerns raised by panel stacking stems from the fact that the director cannot unilaterally decide the outcome of PTAB decisions as a member of the POP.

1. There Are Due Process Protections Under the *Mathews* Test

One critic has analyzed panel stacking under the *Mathews* test to raise due process concerns with the practice.²⁴² However, some of the criticisms aimed at panel stacking under this framework no longer apply to the POP. The first factor of the *Mathews* test, which looks to the private interest that will be affected by the official action,²⁴³ does not need to be further analyzed,

236. *Id.* at *8.

237. *Hunting Titan, Inc. v. DynaEnergetics Eur. GmbH*, No. IPR2018-00600, 2020 WL 3669653, at *1–2 (P.T.A.B. July 6, 2020).

238. *Id.* at *11.

239. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 1.

240. *See Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, *supra* note 177.

241. *Mathews v. Eldridge*, 424 U.S. 319, 334–35 (1976).

242. *See supra* Part I.B.3.a.

243. *Mathews*, 424 U.S. at 335.

as it is the same with panel stacking and the POP. Both involve an IPR on rehearing and so they affect patent rights.²⁴⁴ Patent rights are of significant interest, but one critic has argued they likely do not rise to the level of a fundamental liberty or property interest.²⁴⁵

There are a number of ways that the POP fares better than panel stacking under the second *Mathews* factor: “the risk of an erroneous deprivation of such interest through the procedures used, and the probative value, if any, of additional [or substitute] procedural safeguards.”²⁴⁶ Panel stacking was criticized under this factor for its potential shortcoming in separating decisions of law and policy from decisions of fact.²⁴⁷ Before, the director was arguably deciding matters of policy when the director would selectively manipulate the makeup of a panel to find a certain way.²⁴⁸ Now, the director is one member of the panel that decides questions of policy.²⁴⁹ The director, along with fellow POP members, can work together to separate questions of law and policy from questions of fact to reduce errors. Panel stacking was further criticized under the second *Mathews* factor because, although the director has policymaking power, the director’s view cannot be the view of the PTAB.²⁵⁰ Therefore, there was reason to question what the director deemed to be “correct” as a matter of PTAB policy.²⁵¹ However, unlike panel stacking, where the director’s views arguably became the views of the PTAB, in POP review, the director is only one member of the panel casting a vote.²⁵² Therefore, the director can no longer unilaterally decide what is “correct” in terms of PTAB policy. Panel stacking was further criticized under the second *Mathews* factor because of skepticism as to whether the director “hits upon the correct understanding of policy or statutory language without having gone through the process of issuing a rule or acting as a legally responsible adjudicator.”²⁵³ Basically, the reasoned nature of rulemaking and adjudication poses less risk of erroneous deprivation than panel stacking.²⁵⁴ The fact that the director is now part of the adjudication as a POP panel member solves this issue.²⁵⁵

There are a number of ways that POP fares better than panel stacking under the third *Mathews* factor: “the Government’s interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.”²⁵⁶ Under this factor, critics have pointed out potential problems of perceived legitimacy, integrity, and

244. Golden, *supra* note 154, at 2463.

245. *Id.*

246. *Mathews*, 424 U.S. at 335.

247. Golden, *supra* note 154, at 2464.

248. Brief of Appellant, *supra* note 167, at 42.

249. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 3–4.

250. Golden, *supra* note 154, at 2464–65.

251. *Id.*

252. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4.

253. Golden, *supra* note 154, at 2465.

254. *Id.*

255. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4.

256. *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976).

fairness of decision-making with panel stacking.²⁵⁷ One critic of panel stacking saw the practice as undermining PTAB authority and short-circuiting the IPR process.²⁵⁸ It is difficult for one to make the above arguments against the POP. Although panel stacking and the POP both involve rehearing, in panel stacking the ultimate outcome of the IPR was effectively decided when the director chose specific judges to add to the panel.²⁵⁹ Now, under POP review, the ultimate decision in the underlying IPR is not made until all panel members vote.²⁶⁰ Besides the fact that the panel is made up of agency leadership, the POP's review is like any other IPR on rehearing.

2. The POP Conducts a Fair Hearing

A past criticism of panel stacking was that it did not provide a fair hearing that would comport with due process.²⁶¹ As an alternative to panel stacking, POP review alleviates some of the concerns regarding director manipulation of PTAB results. In POP review, the director sits as one member of the panel that decides the outcome of adjudication.²⁶² Although the director has the authority to convene a POP, the director cannot directly decide its outcome.²⁶³ So long as a POP is convened as its default three-member panel, the director's vote only counts as one out of three.²⁶⁴ In *Arthrex, Inc. v. Smith & Nephew, Inc.*,²⁶⁵ the Federal Circuit echoed this point, specifically noting the director's lack of control over fellow POP members' votes.²⁶⁶

Critics of panel stacking pointed to its similarities to *Utica Packing*, in which the Sixth Circuit found a due process violation in agency adjudication.²⁶⁷ The similarities between the two situations created a strong case for panel stacking as a due process violation.²⁶⁸ *Utica Packing* is now arguably not relevant to the due process analysis of the POP. Unlike the situation in *Utica Packing*, when the director convenes a POP, the director does not remove adjudicators with whom the director disagrees²⁶⁹ and, unlike panel stacking, the director does not add adjudicators to existing panels with whose decision the director disagrees.²⁷⁰

257. See *supra* Part I.B.3.

258. Golden, *supra* note 154, at 2465–66.

259. Brief of Appellant, *supra* note 167, at 42.

260. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 7.

261. See *supra* Part I.B.3.

262. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4.

263. *Id.* at 7.

264. *Id.*

265. 941 F.3d 1320 (Fed. Cir. 2019).

266. *Id.* at 1330 (“[E]ven if the Director placed himself on the [POP] to decide whether to rehear the case, the decision to rehear a case and the decision on rehearing would still be decided by a panel, two-thirds of which is not appointed by the President. There is no guarantee that the Director would even be in the majority of that decision.”).

267. *Utica Packing Co. v. Block*, 781 F.2d 71, 78 (6th Cir. 1986).

268. See *supra* Part I.B.3.b.

269. Even during POP review, the original panel maintains some level of involvement with the case. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 7–8.

270. See *supra* Part I.B.1.

The POP is a completely different PTAB panel than the panel that adjudicated in the first instance. It is technically conducting a rehearing, but it operates more like an appellate court. Although the director ultimately decides to initiate POP review, review can be requested by parties, adjudicators, and agency officials.²⁷¹ The POP as a whole, not just the director, must vote to grant the rehearing.²⁷² Instituting a POP is not a form of punishment like in *Utica Packing*; it is the result of a reasoned decision-making process in which multiple stakeholders are allowed to partake.²⁷³

B. The POP Does Not Alleviate Panel-Stacking Due Process Concerns and Raises Its Own

The POP does succeed in some respects as a solution to panel stacking; however, it is not perfect. The POP fails to address the problems with PTAB panel assignments that originally led to panel stacking. The POP may also raise its own unique concerns with due process. Part II.B discusses the fact that the director still maintains power to manipulate the POP, which presents almost the same due process concerns raised by panel stacking. This part also observes that the director's presence on the POP as a member may influence fellow panel members in a way that would create due process issues.

1. Due Process Concerns Under the *Mathews* Test

Under the second *Mathews* factor, risk of erroneous deprivation,²⁷⁴ critics argue that under POP review the director is still acting as the policy decision maker for the PTAB.²⁷⁵ The director ultimately has the power to institute POP review and therefore decides for the PTAB which matters of policy are important enough for a rehearing.²⁷⁶ The director could still be "incorrectly" deciding what is important in terms of PTAB policy. However, this argument may contradict the fact that the director does not decide to grant rehearing, since only the PTAB has that statutory authority.²⁷⁷ While the director can convene a POP, the director cannot unilaterally decide whether the POP will actually grant rehearing in the case and address the matter of policy.²⁷⁸

Under the second *Mathews* factor, critics may argue that the POP is still an ineffective means of maintaining consistency in PTAB decisions, as compared to rulemaking. Why constantly decide the same or similar issues by way of adjudication when the agency can settle them all through sweeping rulemaking? With each instance of adjudication, the agency runs the risk of misinterpreting the issue. Of course, agencies may choose to decide issues

271. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4–7.

272. *Id.* at 7.

273. See *supra* notes 187–207 and accompanying text.

274. *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976).

275. See *supra* Part I.B.3.

276. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 3–5.

277. 35 U.S.C. § 6(c) ("Only the [PTAB] may grant rehearings.").

278. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 7.

through adjudication or rulemaking.²⁷⁹ Furthermore, there may be instances in which POP review is preferable to rulemaking.²⁸⁰ The decisions of the POP are precedential, so they are binding on future PTAB decisions and theoretically do not require revisiting the same underlying issues.²⁸¹

A criticism of panel stacking under the third *Mathews* factor was the additional administrative costs it created, as opposed to simply accepting the decision of the original panel.²⁸² Ignoring the fact that the point of both panel stacking and POP review is to readdress the original decision—which necessarily includes additional administrative costs—this criticism still remains at issue in regard to POP review. POP review is a rehearing and, by definition, requires administrative resources.²⁸³ Panel stacking was criticized since the USPTO had alternative means of maintaining consistency, for example, through rulemaking and designating certain opinions as precedential.²⁸⁴ While rulemaking remains an alternative means of maintaining consistency, the decisions of the POP are precedential, another means of increasing uniformity.²⁸⁵

2. POP Review Involves an Unfair Hearing

The POP presents its own major fair hearing issue: the director now sits on the panel that decides the case.²⁸⁶ At the outset, it is important to note the director is a statutory member of the PTAB and has the authority to sit on a panel.²⁸⁷ Yet the director's presence on the POP raises several concerning questions.

First, when deciding to institute a POP, has the director already prejudged the case? A POP may be requested by a number of different interested actors²⁸⁸ and is recommended to the director by a number of agency actors,²⁸⁹ but the director has the ultimate authority to convene a POP.²⁹⁰ For the POP to grant rehearing, each member of the panel must vote to grant it.²⁹¹ Instituting a POP can be the result of a reasoned process involving many

279. *SEC v. Chenery Corp.*, 332 U.S. 194, 203 (1947) (“[T]he choice made between proceeding by general rule or by individual, ad hoc litigation is one that lies primarily in the informed discretion of the administrative agency.”).

280. Daniel J. Gifford, *Adjudication in Independent Tribunals: The Role of an Alternative Agency Structure*, 66 NOTRE DAME L. REV. 965, 1017 (1991) (“[O]ther inconsistencies can perhaps be uncovered only as a result of careful review by a monitoring panel. Such monitoring might indeed identify ALJs who are unduly prone to positive or negative errors, but, because of the fact-specific nature of each case, their performance is not amenable to correction by rule.”).

281. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 8, 11.

282. Golden, *supra* note 154, at 2466.

283. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 5, 7.

284. Golden, *supra* note 154, at 2467.

285. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 3–4.

286. *Id.* at 4.

287. 35 U.S.C. § 6(a).

288. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 5–6.

289. *Id.* at 6–7.

290. See *id.* at 5 n.2.

291. *Id.* at 7.

actors,²⁹² but this reasoned process may not matter if the director can institute POP review at any time.²⁹³ When deciding to institute a POP, the director has already decided the importance of the issue that the IPR in question presents and may also have communicated a desire to find against the original panel who decided the IPR at issue. This could mean that the director has prejudged the case before sitting as an adjudicator on a POP. Regarding voting on the eventual decision of the POP, the director's participation in a hearing may be superficial if the director has already decided the issue. Of the four instances in which the POP has been utilized thus far, three rehearing panels found against the original panels.²⁹⁴

Second, will the director's presence on the panel influence fellow panel members? The default members of the POP are the director, the commissioner for patents, and the chief APJ.²⁹⁵ The secretary of commerce appoints, decides the bonuses for, and can remove the commissioner.²⁹⁶ However, the director is involved in this process. The commissioner has an annual performance agreement with the secretary of commerce that influences the commissioner's ability to receive a bonus and the secretary's decision to fire the commissioner.²⁹⁷ The commissioner's ability to receive a bonus is based on an evaluation by the secretary, acting through the director, of the commissioner's performance, as defined in an annual performance agreement.²⁹⁸ The secretary's decision to remove the commissioner is also based on the same performance agreement.²⁹⁹ Therefore, the director is involved to some extent in deciding the commissioner's bonus and removal. While it does not necessarily follow that the director would punish the commissioner with a poor evaluation should the two not agree on POP review, a fellow panel member having some power over another suggests the appearance of partiality.

This is similar for the chief APJ. As an APJ, the chief APJ's pay is decided by the director.³⁰⁰ After the Federal Circuit's decision in *Arthrex*, it appears

292. See *supra* notes 187–207 and accompanying text.

293. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 5 n.2.

294. See *Hunting Titan, Inc. v. DynaEnergetics Eur. GmbH*, No. IPR2018-00600, 2020 WL 3669653, at *11 (P.T.A.B. July 6, 2020) (vacating the original PTAB panel's final written decision and granting the motion to amend); *Hulu, LLC v. Sound View Innovations, LLC*, No. IPR2018-01039, 2019 WL 7000067, at *8–9 (P.T.A.B. Dec. 20, 2019) (remanding the matter to the original PTAB merits panel and granting the request for rehearing); *GoPro, Inc. v. 360Heros, Inc.*, No. IPR2018-01754, 2019 WL 3992792, at *10–11 (P.T.A.B. Aug. 23, 2019) (denying the institution of inter partes review where the original PTAB panel instituted trial). *But see* *Proppant Express Invs., LLC v. Oren Techs., LLC*, No. IPR2018-00914, 2019 WL 1283948, at *1, *10 (P.T.A.B. Mar. 13, 2019) (denying a motion for joinder and denying a petition for inter partes review where the original PTAB panel came to the same conclusion).

295. See U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4.

296. 35 U.S.C. § 3(b)(2).

297. *Id.* § 3(b)(2)(B)–(C).

298. *Id.* § 3(b)(2)(B).

299. *Id.* § 3(b)(2)(C).

300. *Id.* § 3(b)(6).

the director can remove APJs without cause.³⁰¹ This may put the chief APJ in a precarious position when sitting on a POP with the director. Independent of compensation and removal power, panel members still may be unwilling to vote against the director, just by nature of the director's position at the USPTO.³⁰²

The director remains able to manipulate the POP and any other PTAB panel.³⁰³ Although the POP has default members³⁰⁴ and, so far, the POP has only been convened with its default members,³⁰⁵ the director has explicitly maintained authority to convene a POP consisting of any PTAB member that the director chooses.³⁰⁶ If the director is unsure if fellow panel members will be on the director's side, there is always the possibility that the director can stack the POP. This would raise the same due process concerns associated with panel stacking.³⁰⁷ However, it may be even more offensive than the original instances of panel stacking because the POP is expected to replace this practice.³⁰⁸ Therefore, stacking the POP would defeat the entire purpose of its creation.

Some judges have even posited that the director's use of the POP exerts influence over the director's fellow PTAB members. Responding to the Arthrex court's downplay of the director's role on the POP, Judges Todd Hughes and Evan Wallach noted that Arthrex

fail[ed] to recognize the practical influence the director wields with the power to hand-pick a panel, particularly when the director sits on that panel. The director's ability to unilaterally designate or de-designate a decision as precedential and to convene a POP of the size and composition of his choosing are therefore important tools for the direction and supervision of the board even after it issues a final written decision.³⁰⁹

301. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1338 (Fed. Cir. 2019) (“Title 5 U.S.C. § 7513(a) permits agency action against those officers and employees ‘only for such cause as will promote the efficiency of the service.’ Accordingly, we hold unconstitutional the statutory removal provisions as applied to APJs, and sever that application.”).

302. One writer, analyzing an FCC review board, stated: “[T]he presence of a Commissioner might inhibit his Review Board colleagues from disagreeing with him and deter his colleagues on the agency from reversing Review Board decisions in which he participated.” James O. Freedman, *Review Boards in the Administrative Process*, 117 U. PA. L. REV. 546, 566 (1969).

303. 35 U.S.C. § 6(c).

304. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4.

305. *See* *Hunting Titan, Inc. v. DynaEnergetics Eur. GmbH*, No. IPR2018-00600, 2020 WL 3669653, at *1 (P.T.A.B. July 6, 2020); *Hulu, LLC v. Sound View Innovations, LLC*, No. IPR2018-01039, 2019 WL 7000067, at *1 (P.T.A.B. Dec. 20, 2019); *GoPro, Inc. v. 360Heros, Inc.*, No. IPR2018-01754, 2019 WL 3992792, at *1 (P.T.A.B. Aug. 23, 2019); *Proppant Express Invs., LLC v. Oren Express Solutions, LLC*, No. IPR2018-00914, 2019 WL 1283948, at *1 (P.T.A.B. Mar. 13, 2019).

306. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4–5.

307. *See supra* Parts I.B.2–3.

308. *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, *supra* note 177.

309. *Polaris Innovations Ltd. v. Kingston Tech. Co.*, 792 F. App'x 820, 824 (Fed. Cir. Jan. 31, 2020) (Hughes, J., concurring).

III. FINDING A COMPLETE SOLUTION TO PANEL STACKING

SOP 1 states that the use of expanded panels is now not generally favored and that the POP will be used for “establishing binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance.”³¹⁰ To further solidify this, the USPTO webpage that announced the new SOPs states explicitly that “[i]t is expected that the POP and the procedures described in revised SOP2 will, in most cases, replace the prior practice of expanded paneling under SOP1, with a process that is more transparent and predictable.”³¹¹ If the USPTO’s intention in creating the POP was truly to replace panel stacking, it should also have aimed to rid PTAB paneling of the due process concerns that arose with its practice of panel stacking. While Part II.A of this Note showed that the USPTO may have achieved its goals in some respects, Part II.B illustrated that not only are some of the same due process concerns of panel stacking still relevant to the POP but that the POP has created its own due process concerns.³¹² Although the director does not unilaterally decide the outcome of POP adjudications, the director still may have too much influence on its outcomes.³¹³

Part III suggests alternatives to the use of the POP as a solution to the due process concerns. This part also suggests how the POP itself can be changed to better comport with due process. First, as alternatives to the POP, Congress could grant the director direct agency-head review of adjudication, or the director could simply decide issues of policy through rulemaking. Second, the POP itself may be improved to better comport with due process by removing the director as a member of the POP, making the POP a fixed panel, or a combination of both.

A. Alternatives to the POP

If the POP is like panel stacking, in that it is a work-around of the director’s lack of direct review of PTAB adjudications, the best and most obvious solution remains for Congress to grant the director such power.³¹⁴ This would eliminate the need for the director’s use of an extra adjudicative procedure when a PTAB decision is found to be against agency policy and alleviate the due process concerns that accompanied such procedures.³¹⁵ Further, judges have questioned whether the director may even decide issues of statutory interpretation through the use of the POP. In the concurrence of *Facebook, Inc. v. Windy City Innovations, LLC*,³¹⁶ Chief Judge Sharon Prost and Judges Plager and Kathleen O’Malley found that the POP’s decision in

310. U.S. PAT. & TRADEMARK OFF., *supra* note 91, at 15 n.4.

311. *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, *supra* note 177.

312. *See supra* Part II.

313. *See supra* Part II.B.

314. *See Walker & Wasserman*, *supra* note 87, at 189–90.

315. *See id.*

316. No. 2018-1400, 2020 WL 5267975 (Fed. Cir. Sept. 4, 2020)

Proppant is not entitled to deference, because the AIA does not authorize either the director or the PTAB to conduct statutory interpretation through POP opinions.³¹⁷

However, some feel that agency-head review of adjudication is itself problematic.³¹⁸ Such criticisms find issue with the seemingly unnatural coexistence of prosecutorial and judicial functions at the agency-head level.³¹⁹ In that case, the solution may be to remove the director's statutory authority to sit as a member of the PTAB.³²⁰ If granting the director direct review over PTAB adjudications or removing him as a statutory member of the PTAB are not viable options, there are changes to the POP and alternatives to its use that may better ensure due process.

Another alternative to POP review is rulemaking.³²¹ Both panel stacking and two uses of the POP have dealt with issues of how § 315 is interpreted in PTAB adjudications.³²² If panel stacking and the POP have mainly been used to clarify how this statutory provision will be interpreted in PTAB adjudications, perhaps the director should instead use the rulemaking power to interpret these provisions.³²³ This would preserve consistency in adjudication without the need to constantly review the decisions of individual PTAB panels through POP review.³²⁴ However, this assumes that once the rule interpreting these statutory provisions has been instituted, the APJs will correctly apply the interpretation. Also, the arduous requirements of rulemaking may render it preferable for the director to proceed with POP review.³²⁵ While no alternative to POP review is perfect, there are a number of ways that the POP itself may be changed in order to comply with due process. Finally, a limit to this solution is that the director does not have substantive rulemaking authority with respect to interpretations of the Patent Act.³²⁶

B. How the POP Can Be Improved to Better Comport with Due Process

One unique due process concern with the POP is that the director's presence on the panel may influence fellow panel members' votes.³²⁷ The

317. *Id.* at *22 (Prost, C.J., concurring) ("There is no indication in the statute that Congress either intended to delegate broad substantive rulemaking authority to the Director to interpret statutory provisions through POP opinions or intended him to engage in any rulemaking other than through the mechanism of prescribing regulations.").

318. See Gifford, *supra* note 280, at 977–79.

319. See *id.*

320. This Note does not attempt to resolve this conflict.

321. See Walker & Wasserman, *supra* note 87, at 190–91.

322. See *supra* Part I.C.2.

323. 35 U.S.C. §§ 2(b)(2), 316(a)(4).

324. See Walker & Wasserman, *supra* note 87, at 190.

325. See *id.* at 190–91 ("[L]egislative challenges and procedural requirements associated with rulemaking are nontrivial. The costs associated with rulemaking could be so prohibitive that the [USPTO] may not be able to rely solely on rulemaking to consistently align PTAB outcomes with the agency's policy preferences.").

326. *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008).

327. See *supra* Part II.

simplest solution to this problem would be to remove the director as a member of the POP altogether. The default POP members could be the commissioner for patents, the chief APJ, and an operational vice chief APJ, or any other USPTO leader fit for the position. This configuration would ensure that the POP is composed of agency leadership that could properly deal with issues of policy underlying the IPR before them while maintaining the appearance of impartiality.

However, this is not a perfect solution. The director is a statutory member of the PTAB and, since the POP is a special panel within the PTAB, the director has the authority to be a part of it.³²⁸ Thus, the director is confronted with a difficult question: should the director abstain from something that Congress has explicitly authorized, merely to maintain an appearance of impartiality? If the director's presence on the POP is not strictly necessary to maintain uniformity in the PTAB policy, then it may be wise for the director to abstain from sitting as a member of the POP.

Another problem arises from the fact that the director is still allowed by statute to decide the makeup of each PTAB panel.³²⁹ Even if removed as a POP member for the purpose of impartiality, the director could still manipulate the makeup of the POP in a manner similar to panel stacking.³³⁰ This could be especially problematic if the POP, which did not include the director as a member, found against the policy of the director. The director could refuse to designate that decision as precedential and order another POP review with an expanded panel.³³¹ This would be a new form of panel stacking that would defeat the purpose of the POP.

Another solution would be to limit the POP to its default members. The default members could be the director, the commissioner for patents, and the chief APJ. These would be the only three members. None of these members could be replaced, and no other members could be added. However, the fixed default members of the POP could delegate their authority to a fixed pool of other PTAB members, preferably agency leadership, when absolutely necessary. Overall, this would not be too drastic of a change, as the POP has only ever sat as a panel of these three members.³³² One problem with this solution is that the director still has the statutory authority to decide the makeup of a PTAB panel.³³³ Again, should the director abstain from something that Congress has explicitly permitted merely to maintain the appearance of impartiality? If the goal of maintaining PTAB policy can be achieved without manipulating PTAB panels, it may be wise for the director to abstain from using statutorily prescribed power in such instances. Another problem with this proposed solution is that if the director were a fixed POP

328. 35 U.S.C. § 6(a).

329. *See id.* § 6(c).

330. U.S. PAT. & TRADEMARK OFF., *supra* note 187, at 4–5.

331. *See id.* at 11 n.4.

332. *See supra* note 305 and accompanying text.

333. 35 U.S.C. § 6(c).

member, the concerns of potential influence on fellow panel members would remain.³³⁴

The two proposed solutions—the director abstaining from sitting on the POP and fixing the POP panel membership—are not perfect on their own. Therefore, the best option may be to merge the two. The POP should be a fixed three-member panel of agency leadership, not including the director. If this agency leadership comprising the POP is familiar with agency policy, the POP could achieve its goal of maintaining consistency of policy decision-making, while remaining impartial.

CONCLUSION

The USPTO's previous method of maintaining consistency of policy in PTAB adjudication—that is, panel stacking, was criticized by case parties in which panel stacking occurred. These criticisms mainly illustrated that panel stacking may violate due process. To quell these constitutional concerns, the USPTO created the POP, a standing panel within the PTAB consisting of top agency officials tasked with adjudicating important issues of agency policy.

To some extent, the POP has succeeded in quelling the due process concerns of panel stacking. This success mainly stems from the fact that the director is no longer effectively deciding the outcome of an adjudication by stacking a panel. Now the director is one member of a panel, and the director's vote counts only as much as each fellow panel member's vote. However, the director's presence on the POP may influence the decisions of fellow panel members and therefore raise due process concerns. To ensure due process in PTAB adjudications, Congress could give the director direct agency-head review of adjudication, or the director could simply decide issues of policy via rulemaking. However, the POP itself may better comport with due process if the director is removed as a default member of the POP and the POP is fixed to other default members.

334. *See supra* Part II.B.2.