
Illegal Judicial Appointments? Constitutional Attacks on Patent and Copyright Decisions

by James G. Gatto and Terri Cunningham

Parties are contesting the validity of Board of Patent Appeals and Interferences (BPAI) decisions based on the alleged unconstitutionality of the appointment of certain Administrative Patent Judges (APJs) who participated in those decisions. The challengers argue that the director of the Patent and Trademark Office (PTO) does not have the power of appointment under Article 2 of the Constitution.¹ If courts hold these appointments unconstitutional, the effects could be widespread, affecting potentially thousands of patents and patent applications. Specifically, this challenge creates arguments for patent applicants whose patent application rejections were affirmed by the BPAI, as well as a potential defense for patent litigants where the patent in suit resulted from the BPAI overturning an examiner's final rejection.

Background

Before March 2000, APJs were appointed by the Secretary of Commerce. In November 1999, new legislation gave the appointment power to the director of the PTO.² That legislation took effect on March 29, 2000. Since then, 47 of the 74 APJs currently serving on the BPAI were appointed by the director of the PTO.³



¹ “[The President] by and with the Advice and Consent of the Senate, shall appoint ... all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in Heads of Departments.” U.S. CONST. art. II, § 2, cl. 2.

² “The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the [PTO] Director.” 35 U.S.C. § 6(a) (2001).

³ Traci Alexander, FOIA Specialist, USPTO Administrative Patent Judges (Appointed from March 29, 2000 to May 10, 2008), in Letter from Traci Alexander, FOIA Specialist, to Joel Ard, Black Lowe & Graham (May 27, 2008).

It was not until recently that the constitutional validity of these appointments was questioned. The catalyst appears to have been a 2007 article by Professor John F. Duffy. In the article, he asserted that the method of appointment used by the PTO is “almost certainly unconstitutional,” and that the judges serving under the appointments “are likely to be viewed by the courts as having no constitutionally valid governmental authority.”⁴ He reached these conclusions by considering (1) whether these judges have sufficient authority to be considered “inferior officers” thus making their appointments subject to the Appointments Clause, and (2) whether the director of the PTO is a “head of department” as required by that clause.⁵

Legal Issues Presented

Are APJs Inferior Officers?

Inferior officers are those who “exercise significant authority within the meaning of the Supreme Court’s Appointment Clause jurisprudence.”⁶ A party seeking to challenge a BPAI decision could likely argue that APJs exercise “significant authority” under the laws of the United States sufficient to be considered “inferior officers” for purposes of the Appointments Clause.⁷ To combat this assertion, the PTO could claim that APJs are mere “employees” lacking substantial powers. However, a challenging party could rely on prior cases to rebut that defense. In *Freytag v. Commissioner*, 501 U.S. 868 (1991), the judges at issue were special trial judges of the tax court, who did not render final decisions in the cases before them (unlike APJs, who do render final decisions), and were advisors to another set of adjudicators (whereas APJs are full members of the BPAI), yet were still considered “inferior officers” for purposes of the Appointments Clause.⁸ The Court held that the special trial judges are “inferior officers” because “their offices are ‘established by Law’ and they ‘perform more than ministerial tasks’ including ‘tak[ing] testimony, conduct[ing] trials, rul[ing] on the admissibility of evidence, and ... enforc[ing] compliance with discovery orders.’”⁹ According to Professor Duffy, APJs have more authority than the special trial judges at issue in *Freytag*, and therefore could be found to be “inferior officers” under Article 2 of the Constitution.¹⁰

Is the Director of the PTO a Head of Department?

The Constitution demands that appointment authority be given only to the President, Courts of Law, or Heads of Departments. Thus, the question for the courts is whether the director of PTO is a “Head of Department.” The PTO is a bureau under the jurisdiction of the Department of Commerce. The Secretary of Commerce, who is the official “Head of Department” for the Department of Commerce, formerly had the power of appointment within the PTO. But the 1999 legislation purportedly transferred that power to the director of the PTO. However, the PTO Director is officially the “Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.”¹¹ Additionally, the PTO is “established as an agency of the United States, within the Department of Commerce” and is “subject to the

⁴ John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 Patently-O Patent L. J. 21, 21, <http://www.patentlyo.com/lawjournal/2007/07/are-administrat.html>.

⁵ *Id.* at 21-22.

⁶ Duffy, *supra*, at 22.

⁷ “Any appointee exercising significant authority pursuant to the laws of the United States is an officer of the United States, and must, therefore, be appointed in the manner prescribed by § 2, cl. 2, of Article II.” *Freytag v. Comm’r*, 501 U.S. 868, 881 (1991).

⁸ *Id.*

⁹ Duffy, *supra*, at 22 (citing *Freytag v. Comm’r*, at 881-882).

¹⁰ *Id.*

¹¹ 35 U.S.C. § 3(a) (2001).

policy direction of the Secretary of Commerce.”¹² Thus, it appears that the Secretary of Commerce and *not* the Under Secretary (i.e., the PTO Director) may likely be considered the Head of Department.¹³

Pending Cases Raising the APJ Challenge

Relying on Professor Duffy’s arguments, parties are raising this challenge in court. One case raising the APJ challenge is *Aldor Solutions Corp. v. Dudas*. Filed in May 2008, Plaintiffs are arguing in the D.C. District Court that the panel of APJs that issued the Decision on Appeal, affirming the rejection of their patent application, was “improperly constituted.”¹⁴ Because at least one of the three judges that heard their appeal was appointed by the PTO director after March 29, 2000, Plaintiffs are requesting “a declaration that the Board who decided the ... [a]ppeal was unconstitutional under the appointments clause to the United States Constitution, and therefore that the Board’s March 27, 2008 Decision was invalid.”¹⁵

In *Translogic Tech. v. Dudas*, Petitioners filed a petition for a writ of certiorari asking the Supreme Court to hear arguments on this issue.¹⁶ This follows a BPAI rejection of their patent during reexamination (and a Federal Circuit Appeals decision affirming that rejection, which set aside an \$86.5 million jury verdict against Hitachi).¹⁷ Translogic hopes to use this constitutional issue to invalidate the BPAI’s decision based on the Court’s “broad standing rules for challenging constitutionally invalid appointments to adjudicatory bodies.”¹⁸ If they can prove that one of the judges who heard their case was unconstitutionally appointed¹⁹, and that they received an adverse decision while they were “directly subject to the authority of the agency,” Translogic could possibly get the BPAI decision vacated.²⁰ The Supreme Court has not yet accepted the petition. If the Supreme Court hears this case and finds these appointments to be invalid, APJ appointments since March 29, 2000, could be held to be unconstitutional and decisions rendered by those APJs could be vacated.

Similar Issues in Other Areas of Intellectual Property

Patents are not the only area of intellectual property law for which this challenge may be applicable. In *Royalty Logic v. CRB*, appellants raised a similar issue to the Court of Appeals for the D.C. Circuit. In that case, the challenge is to the appointment of members of the Copyright Royalty Board (CRB).²¹ The CRB judges are appointed by the Librarian of Congress. The court granted appellant’s motion to file supplemental briefing on the issue, and the parties are filing briefs on whether the court should consider the Appointment Clause arguments.

¹² 35 U.S.C. § 1(a) (2001).

¹³ Professor Duffy asserts that the PTO Director is “subordinate to the Secretary of Commerce and therefore cannot qualify as a Cabinet-level department head” for the purpose of the Appointments Clause. Duffy, *supra*, at 25.

¹⁴ Complaint and Demand for Trial by Jury to Authorize the Director to Issue Letters Patent, *Aldor Solutions Corp. v. Dudas*, No. 08-cv-00897 (D.C. May 28, 2008) at 4.

¹⁵ *Id.* at 5.

¹⁶ Petition for Writ of Certiorari, *Translogic*, No. 07-1303 (S.Ct. Apr. 16, 2008) at 2.

¹⁷ *In re Translogic Tech v. Dudas*, 504 F.3d 1249, 1251(Fed. Cir. 2006).

¹⁸ Duffy, *supra*, at 26.

¹⁹ *Id.* at 27 (citing *Nguyen v. United States*, 539 U.S. 69, 82 (2003), which held that the presence of only a single invalidly appointed judge is sufficient to vacate the judgment of a panel containing a quorum of validly appointed judges).

²⁰ Duffy, *supra*, at 26 (quoting *Federal Election Comm’n v. NRA Political Victory Fund*, 6 F.3d 821, 824 (D.C. Cir. 1993)).

²¹ Supplement to Appellant’s Brief, *Royalty Logic, LLC v. CRB*, No. 07-1168 (D.C. Cir. May 13, 2008).

While it has not yet been raised in court, there is speculation that parties may bring constitutional challenges to the appointment of Administrative Trademark Judges (ATJs) under §17(b) of the Lanham Act.²²

Legal Issues

In determining whether the APJ appointments are constitutional, the Court must consider the two main questions generated by this constitutional doctrine. If the Court answers the first question, whether APJs are “inferior officers,” in the affirmative, then the Appointments Clause likely applies. In that case, the Court will then have to decide whether the director of the PTO is a “head of department” as required by that clause. If they rule that the PTO director is a “head of department,” then the appointments likely will be considered constitutional. If they decide that the PTO director is not, the appointments may be held unconstitutional.

When these issues will be resolved is still unknown. While Translogic states in their petition that they did not raise this issue earlier because they were not aware of Professor Duffy’s article, the Supreme Court may decline to hear the issue because it was not first heard in the Federal Circuit, where appeals from BPAI decisions are brought.²³

Impact of the Potential Challenge

If these APJ appointments are held to be unconstitutional, and the affected decisions of the BPAI found invalid, it could greatly affect legal strategies of patent applicants, as well as patent litigants. A patent applicant whose application was rejected by the examiner and whose rejection was affirmed by a BPAI panel with one of the unconstitutionally appointed judges could seek to vacate that BPAI decision. Alternatively, a defendant in a patent case could seek to invalidate the patent in suit by pointing to a BPAI decision by a panel including one of the unconstitutionally appointed judges, where the BPAI overturned an examiner’s rejection.

Potential Legislation to Minimize the Effect of the Constitutional Challenge

Representative Howard Berman introduced a bill on June 25, 2008, that could minimize the impact of this constitutional challenge, both going forward and retroactively.²⁴ The bill seeks to amend both the Patent Act and the Lanham Act with regards to administrative judge appointments. The bill proposes that the Secretary of Commerce, in consultation with the PTO Director, appoint APJs and ATJs. It also states that the Secretary of Commerce may deem the appointment of an APJ or ATJ who previously held office pursuant to an appointment by the PTO Director to have taken effect on the date when the APJ or ATJ was originally appointed by the PTO Director. Additionally, this bill creates a defense to a constitutional challenge of an APJ or ATJ appointment, declaring that the APJ or ATJ was acting as a de facto officer after being appointed by the PTO Director.²⁵

²² “[A]ppointments to the TTAB are governed solely by §17(b) of the Lanham Act, [and if the BPAI appointments are held unconstitutional] appointees under that section are equally suspect.” Thomas G. Field, Jr., *Limits to Administrative Appointments*, May 28, 2008. Section 17(b) of the Lanham Act states that the TTAB “shall include the Director, the Commissioner for Patents, the Commissioner for Trademarks, and administrative trademark judges who are appointed by the Director.” 15 U.S.C. § 1067(b) (2002).

²³ “Petitioner did not raise the Appointments Clause issue in its merits brief to the Federal Circuit because the article by Professor John Duffy exposing the unconstitutionality of the PTO’s appointments process [citation omitted] was not published until ... months after briefing and oral argument were complete.” Petition for Writ of Certiorari, *Translogic*, No. 07-1303 (S.Ct. Apr. 16, 2008) at 5.

²⁴ H.R. 6362 110th Cong. (2d. Sess. 2008).

Conclusion

We will continue to monitor cases and legislation related to the constitutionality of APJ appointments and provide updates as they become available. In the interim, if you have specific questions regarding patent issues, particularly related to options for appealing adverse board decisions, please feel free to contact us.

Live Links

“Are Administrative Patent Judges Unconstitutional?,” John F. Duffy; 2007 Patently-O Patent L. J. 21, 21; July 23, 2007

Supreme Court Collection; LII / Legal Information Institute, Cornell Law School

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²⁵ “The *de facto* officer doctrine confers validity upon acts performed by a person acting under the color of official title even though it is later discovered that the legality of that person's appointment or election to office is deficient.” *Norton v. Shelby County*, 118 U.S. 425, 440 (1886).

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