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Commentary

REVIEW OF PTO INTRAMURAL APPEAL PROCEDURES [n.a]

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I. GENERAL OBSERVATIONS RE THE PTO'S REQUEST FOR COMMENT

The PTO, in a Federal Register notice has asked for comment about possible revisions to "the structure and operation of the Board of Patent Appeals and Interferences and the Trademark Trial and Appeal Board." [n.1] However, options under consideration are not indicated. It is difficult to respond to such an open-ended request. Further, what the Commissioner should do is constrained by what he can do. The notice states that the Commissioner has the responsibility to oversee policy and legal matters. The statutes seem clear: Trademarks are registered [n.2] and patents are granted [n.3] in his name. Yet, fundamental issues are not resolved, having only recently been directly confronted.

II. THE COMMISSIONER'S AUTHORITY

A. Practice and procedure

The Commissioner's procedural authority, if exercised consistent with 35 U.S.C. and 15 U.S.C. § § 1051 et seq. is large and explicit under 35 U.S.C. § 6. Also, rules of practice [n.4] may gain additional force from having been promulgated through "informal" rule making. [n.5]

Moreover, the Commissioner exercises exclusive intramural appellate review over such matters through petition. [n.6] The organic and enabling legislation does not provide for review of these decisions, but "non-statutory review" is available. [n.7] Since Vermont Yankee, [n.8] however, procedural choices within the scope of the Commissioner's statutory authority and in conformance with, e.g., the Fifth Amendment, may be essentially unreviewable. Matters upon which comment is requested seem to fall into that category.

B. Substantive matters

1. Rule Making

Notices sometimes advise of PTO policy on particular matters, but the CAFC recently stated that these are not "rules." [n.9] It also stated that the PTO has no substantive rule making authority. [n.10]

With the exception of patent Rule 56 (which should be regarded as substantive rather than procedural), I am aware of no instance of either patent or trademark substantive rule making. Given that the PTO, with most others, [n.11] seems to regard 5 U.S.C. § 553 (or notice-and-comment) rule making as preferable to alternatives, this suggests that the PTO, itself, has not believed that it had substantive rule making authority. [n.12]

2. Adjudication

Rules, of course, can be made in adjudication as well as in "rule making." [n.13] Although district courts sometimes defer, [n.14] the CAFC shows little inclination to regard the PTO's view of the law as the law when announced in a BPAI or TTAB decision. [n.15] Still, the PTO seems to believe that its views are entitled to deference [n.16] in light of the Chevron case. [n.17] My considered opinion is to the contrary; I believe that Chevron involved a situation quite different from anything likely to arise in the PTO.

First, Chevron must be read in light of the fact that the Environmental Protection Agency (EPA) has clear policy making authority going well beyond that inherent in an agency's being called upon merely to enforce or otherwise implement a statute. [n.18]

Second, the rule controverted in Chevron appears to have been promulgated under 5 U.S.C. § 553. As mentioned above, [n.19] such rules should receive more deference than notices exempt from APA rule making requirements. [n.20]

Third, while the approach set forth in Chevron may reduce the burden of non-uniformity where several circuits have jurisdiction to review, the CAFC has exclusive appellate jurisdiction in patent cases.

Finally, of course, claims to PTO expertise are amply offset by a similar, if not equal, CAFC claims [n.21]--this was not true for the decision being reviewed in Chevron.

Thus, the PTO seems to lack ultimate power to resolve statutory ambiguities. Moreover, PTO insistence on better guidance from the CAFC [n.22] reinforces this view.

III. INDEPENDENCE OF THE BPAI AND TTAB

A. The Commissioner's responsibility

The Commissioner is responsible for registering trademarks and granting patents--regardless of whether the CAFC chooses to or must defer to PTO decisions, and the power to influence the composition of the BPAI [n.23] and TTAB [n.24] is consistent with that responsibility.

B. Improper bias in quasi-adjudicatory decisions

Courts have long been concerned about, e.g., party or economic bias, or prejudgment in adjudicatory decisions. [n.25] The outcome of particular cases cannot be nor should they appear to be influenced by such things. However, adjudicators need not be free of policy bias likely to be reflected in ad hoc rule making. [n.26]

C. Strict decisional independence of the Boards seems unwarranted

The statutes show that Congress contemplated that the Boards would be subject to close control (even packing). Moreover, it is difficult to see how the Commissioner's deliberately influencing Board decisions would impermissibly taint PTO adjudication. If nothing else, one should consider that petitions are also quasi-adjudicatory. I am aware of no complaint that the Commissioner resolves them on impermissible grounds or is otherwise unfit because broad policy (or political) considerations might influence the outcome. [n.27]

Whatever their early history, [n.28] current Boards as a whole (in contrast with individual members as addressed below) should be regarded as exercising subdelegated authority [n.29]--i.e., the Boards should be designed with the objective of relieving the Commissioner of an otherwise impossible burden [n.30] and, in the case of the BPAI, provide technical expertise that otherwise might be supplied by unidentified PTO staff, not to disperse policy making authority among several entities within a single agency.

Lacking substantive § 553 rule making authority, substantive issues can be resolved within the PTO only in Board adjudications and appeals (such resolutions are called "ad hoc rules") or through notices in the O.G. Ad hoc rules seems preferable to notices failing to afford interested outsiders a right to argue or comment. [n.31] While briefs in ex parte appeals are no substitute for broad public comment, ad hoc rules influenced by such briefs are apt to be better than notices binding, at most, the PTO. [n.32]

While its final authority may be uncertain, the PTO, of necessity, must resolve novel questions of law in the context of adjudications and appeals. Until overturned on appeal or reversed by another decision, those ad hoc rules must be followed or good reasons must be given for not following them. [n.33] To deny the Commissioner's capacity to

affect patent and trademark policy through the Boards is to deny him an effective mechanism for exercising his responsibilities.

IV. INDEPENDENCE OF BPAI AND TTAB MEMBERS

A. Administrative Law Judges

Administrative Law Judges (ALJs) have considerable independence conferred by statute even though their decisions are subject to intramural de novo review. [n.34] Moreover, it seems that ALJs are subject to at least minimal performance review and must follow agency policy. [n.35]

B. The autonomy and expertise of Board members should be respected

Although BPAI and TTAB members, unlike ALJs, have no statutory provisions designed to ensure their decisional independence, members, particularly in inter partes cases, function much the same as ALJs.

It seems unwise (as well as a waste of money) to ignore members' expertise and familiarity with the law. Although Board members must apply agency policy and rules, [n.36] they should nevertheless be free to criticize agency policy. No member should ever be coerced into appearing to agree with the "party line." Dissenters often have a major influence in shaping the law, and, even in circumstances where their views have never prevailed, well-written dissents often provide a framework for understanding exactly what the the majority has held.

C. Performance evaluation should as closely as possible follow the ALJ model

There is no reason that the quantity and quality of Board members' output should be subject to less scrutiny than that of patent and trademark examiners. Respect for members' autonomy and expertise should not shield incompetent members--or those who fail to carry their share of the load, follow agency policy or otherwise earn their pay.

V. CONCLUSION

Balancing competing objectives in ensuring Board Member integrity and Commissioner control over matters of PTO policy when the latter is reflected mostly in Board decisions is challenging. However, the same challenge is faced in dealing with ALJs. It is recommended that the PTO study current practices in evaluating ALJs, and to the extent feasible, follow that model.

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[n.a]. Slightly revised comments sent to the PTO per the federal register notice cited below.

[n.1]. 57 Fed.Reg. 34123 (Aug. 3, 1992).

[n.2]. 15 U.S.C. § 1057.

[n.3]. 35 U.S.C. § 153.

[n.4]. Rules of practice are explicitly exempted from the rule making provisions of the Administrative Procedure Act (APA), 5 U.S.C. § § 551 et seq., in § 553(b), exception A. However, as pointed out in Herbert C. Walmsley, The Rulemaking Power of the Commissioner of Patents, 64 J.P.T.O.S. 490, 539, and 604 (1982), since its enactment, the Office has nevertheless tended to follow APA rulemaking procedure.

[n.5]. Informal rule making, also known as "notice and comment rule making," follows the procedure set forth in 5 U.S.C. § 553. In Pittston Stevedoring Corp. v. Dellaventura, 544 F.2d 35 (2d. Cir.1976), Judge Friendly attempted to reconcile two lines of authority in which the published positions of administrative agencies on points of law sometimes were and sometimes were not given deference by the courts. In doing so, he concluded that deference turned on not only whether Congress had attempted to address the issue and whether it had delegated policy-making authority to the agency, but also on the type of process that the agency had used; id. at 4950.

[n.6]. This does not appear to be specifically addressed in the statute, but see 35 U.S.C. § 41(a)(7)(8).

[n.7]. Jurisdiction is under 28 U.S.C. § 1331, but such matters as the scope of review are governed by 5 U.S.C. § § 701706.

[n.8]. Vermont Nuclear Power Corp. v. Natural Resources Defense Council, Inc., 435 U.S. 519 (1978). While that case was addressing only rulemaking procedure, its basic rationale would apply to adjudication.

[n.9]. Animal Legal Defense Fund v. Quigg, 18 U.S.P.Q.2d 1677 (1991). Although the court found the petitioners to lack standing, it nevertheless appears to treat the issues on the merits. Whether such observations will be followed in the future remains to be seen. At 1685, the Court mentions that the Commissioner denied that O.G. notices bind examiners. If that's true, what's the point of publishing them? See also Morton v. Ruiz, 415 U.S. 199 (1974), holding that agencies are obligated to follow their own published positions on the law--whether or not they bind anyone else. Rule 56 would probably be an exception insofar as it also states the extent to which it will be used in the PTO.

[n.10]. Animal Legal Defense Fund, 18 U.S.P.Q. at 1686.

[n.11]. See, e.g., National Labor Relations Board v. Wyman-Gordon Co., 394 U.S.759 (1969).

[n.12]. However, this may not be controlling. See, e.g., National Petroleum Refiners Assn. v. Federal Trade Commission, 482 F.2d 672 (D.C.Cir.1973).

[n.13]. Wyman Gordon, 394 U.S. 759.

[n.14]. See, e.g., Westwood Pharmaceutical v. Quigg, 13 U.S.P.Q.2d 2067, 2069 (Dist.D.C.1989).

[n.15]. See generally, e.g., R. Carl Moy, Judicial Deference to the PTO's Interpretations of the Patent Law, 74 J.P.T.O.S. 407, 407 (1992). See also In re Budge Mfg. Co., Inc., 8 U.S.P.Q.2d 1259 (CAFC 1988).

[n.16]. Moy, supra note 15, at 4078.

[n.17]. Chevron, U.S.A., Inc. v. Natural Resources Defense Council, 467 U.S. 837 (1984).

[n.18]. This is discussed at some length by Moy, supra note 15.

[n.19]. See, e.g., Metropolitan School Dist. of Wayne Township v. Davila 969 F.2d 485 (7th Cir.1992). See also Pittston, supra note 5.

[n.20]. § 553(b), exception A, in addition to rules of practice and procedure, "interpretative rules" and "general statements of policy" are also exempt. But see 1 C.F.R. § § 305.765 and 305.895.

[n.21]. See, e.g., Moy, supra note 15, at 434.

[n.22]. See Wesley W. Whitmeyer, Jr., The Patent and Trademark Office's Refusal to Follow In Re Bond, 74 J.P.T.O.S. 397 (1992).

[n.23]. 35 U.S.C. § 7

[n.24]. 15 U.S.C. § 1067.

[n.25]. See, e.g., Humphrey's Executor v. U.S., 295 U.S. 602 (1935). For a more recent expression of concern, see Buckley v. Valeo, 424 U.S. 1 (1976).

[n.26]. See, e.g., Morgan v. U.S., 304 U.S. 1 (1938). See also Assn. National Advertisers, Inc. v. Federal Trade Commission, 627 F.2d 1151 (D.C.Cir.1979). Indeed the responsibility of agencies (as contrasted with courts) to accommodate political considerations played a major role in Chevron. While Harold C. Wegner, Comment: Stripping Politics from the Board, J.P.T.O.S. 770 (1992) eschews this, those views seem difficult to reconcile with the Commissioner's responsibilities as discussed earlier.

[n.27]. See supra note 25 and accompanying text.

[n.28]. See, e.g., In re Wiechert, 152 U.S.P.Q. 247, 26571 (Smith dissenting) (CCPA 1967). At one point decisions of the Patent Office appear not to have been subject to court review. Review was afforded instead by high-level executive appointees with life tenure. However, given that actual judicial review is now available, the functional equivalent in the executive branch seems, at best, unnecessary.

[n.29]. But see Animal Legal Defense Fund, 18 U.S.P.Q. 1684 (BPAI is not the "alter ego or agent of the Commissioner"). However, it is difficult to determine the exact implications of the statement, e.g., in light of explicit authority to determine Board composition. Perhaps it means, as suggested below, that the Commissioner cannot tell any particular member what to write.

[n.30]. The PTO request for comment indicates that the Boards dispose of about 8000 cases annually.

[n.31]. See also the position attributed to the Commissioner, as discussed supra note 8.

[n.32]. See supra note 8; see also supra, at notes 4 and 1421.

[n.33]. Consider how long it took for the CAFC to have a chance to rule that the PTO had misconstrued the meaning of "commerce" as defined in 15 U.S.C. 1127. See, e.g., Peter C. Christensen and Teresa C. Tucker, "The Use in Commerce" Requirement of Trademark Registration after Larry Harmon Pictures, 32 IDEA 327 (1992).

[n.34]. 5 U.S.C. § 557(b): "On appeal from or review of the initial decision, the agency has all the powers that it would have in making the initial decision...."

[n.35]. See generally Debra Cassens Moss, Judges Under Fire, A.B.A.J. 56, Nov. 1991. See also Nash v. Bowen, 869 F.2d 675 (2d Cir.1989); Ex parte Holt, 19 U.S.P.Q.2d 1211, 1214 (BPAI 1991).

[n.36]. In this vein, see Martin v. Occupational Safety and Health Review Commission, 111 S.Ct. 1171 (1991).