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THE PATENT TRIAL AND APPEAL BOARD AFTER 10 YEARS, PART II: IMPLICATIONS OF ADJUDICATING IN AN AGENCY SETTING

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE INTERNET

OF THE

COMMITTEE ON THE JUDICIARY

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

THURSDAY, JULY 21, 2022

Serial No. 117–75

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THE PATENT TRIAL AND APPEAL BOARD AFTER 10 YEARS, PART II: IMPLICATIONS OF ADJUDICATING IN AN AGENCY SETTING

Thursday, July 21, 2022

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE INTERNET

COMMITTEE ON THE JUDICIARY

Washington, DC

The Subcommittee met, pursuant to call, at 10:03 a.m., in Room 2141, Rayburn House Office Building, Hon. Hank Johnson [Chair of the Subcommittee] presiding.

Members present: Representatives Johnson of Georgia, Stanton, Ross, Issa, Jordan, Gohmert, Gaetz, Tiffany, Massie, Bishop, Fischbach, and Bentz.

Staff present: John Doty, Senior Advisor and Deputy Staff Director; David Greengrass, Senior Counsel; Moh Sharma, Director of Member Services and Outreach & Policy Advisor; Cierra Fontenot, Chief Clerk; Gabriel Barnett, Professional Staff Member; Casey Lee, Staff Assistant; Jamie Simpson, Chief Counsel for Courts & IP; Atarah McCoy, Professional Staff Member/Legislative Aide for Courts & IP; David Brewer, Minority Deputy Staff Director; Ella Yates, Minority Member Services Director; Andrea Woodard, Minority Professional Staff Member; and John Lee, Minority USSS Detailee.

Mr. JOHNSON of Georgia. [Presiding.] The Subcommittee will come to order.

Without objection, the Chair is authorized to declare recesses of the Subcommittee at any time.

Welcome to this morning's hearing on "The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting."

Before we begin, I would like to remind the Members that we have established an email chain and distribution list dedicated to circulating exhibits, motions, or other written materials that the Members might want to offer as part of our hearing today. If you would like to submit materials, please send them to the email address that has been previously distributed to your offices, and we will circulate the materials to Members and staff as quickly as we can.

I would like to ask all Members to please mute your microphones when you are not speaking. This will help prevent feedback and other technical issues, and you may unmute yourself anytime you seek recognition.

I will now recognize myself for an opening statement.

Welcome again to this morning's hearing on the PTAB. This hearing is called Part II because it is the second in a series of hearings this Committee is conducting on the PTAB. In our first hearing we held last month, we explored the impact of the PTAB on innovation and small businesses.

Today, we will hear testimony about the decision-making processes of the PTAB and whether the PTAB's placement within a larger organizational structure of the United States Patent and Trademark Office affects its decision-making processes. In particular, we will explore whether parties that appear before the PTAB are provided with a forum that has the due process protections normally associated with adjudicatory decision-making.

As we heard at our previous hearing, the PTAB is one of the busiest forums in the United States for litigating the validity of a patent. The PTAB conducts trial-like proceedings pursuant to the 2011 Leahy-Smith America Invents Act, or the AIA. The most popular proceeding is called an inter partes review. Congress intended for inter partes review to be faster and more efficient than district court litigation to address the technical question of whether a patent claims a new and non-obvious advance over the prior art.

AIA proceedings before the PTAB could involve patents that are worth sometimes billions of dollars. For this reason, it is imperative that the parties who go before the PTAB are ensured due process and transparent treatment. Parties can get a fair hearing only if the judges presiding over that hearing are themselves free from bias and undue influence.

The judges who preside over AIA proceedings before the PTAB are called Administrative Patent Judges, or APJs. APJs have expertise not only in patent law, but also in various technologies. This makes APJs well-situated to handle the technical aspects of patent validity.

We have heard, however, troubling reports that APJs are not always free to make decisions in an independent manner, based on the evidentiary record and relevant legal authority. Instead, as I anticipate today's hearing will show, APJs are often subject to influence in their decision-making from higher-ups at the USPTO.

In my view, such influence is in tension with Congress' intent in creating the PTAB, where the decision-making was explicitly assigned to a three-judge panel meant to be insulated from outside influence. This type of influence would also violate several norms usually assumed to apply in an adjudicatory context, such as a prohibition on ex parte communication and a party's right to know the decisionmaker's identity.

About a year ago, Ranking Member Issa and I asked the Government Accountability Office to investigate allegations of interference in PTAB decision-making. Today, we will hear the GAO's preliminary findings for the first time. I anticipate that the GAO's testimony will confirm that some of our concerns about due process and transparency before the PTAB are warranted.

In *United States* v. *Arthrex*, the Supreme Court held that the structure of the PTAB violated the Constitution's Appointments Clause. The Court concluded that the constitutional violation could be remedied by giving the Director the authority to change the outcome of any proceeding by striking the portion of the Patent Act granting exclusive ability to grant rehearings to the PTAB. The Court did so because it concluded that the Appointments Clause requires a transparent decision for which a politically accountable officer must take responsibility.

I recognize that, in the 10 years since the AIA has been enacted, the PTAB had to grow quickly to handle the onslaught of cases that were being filed. I understand that it is difficult from a managerial perspective to obtain consistency among so many judges on important questions relating to the new AIA laws. Nevertheless, as the Supreme Court observed in *Arthrex*, a director's unfettered political control over the pre-issuance decisions of APJs is problematic, and although the Court appeared to fix the Appointments Clause problem, it left open the question of whether director control violates the Constitution's requirements for due process.

Thus, I believe it is Congress' responsibility to consider whether a legislative fix to the PTAB's structure, one that preserves both due process and transparency for the parties and freedom from influence for APJs, is needed. This hearing will provide us with facts, so that we can Act to provide a sensible solution.

I am pleased that we have a panel of government experts, legal scholars, and distinguished practitioners. Thank you all for being here today, and I look forward to your testimony.

It is now my pleasure to recognize the Ranking Member of the Subcommittee, the gentleman from California, Mr. Issa, for his opening statement.

Mr. ISSA. Thank you, Mr. Chair. Thank you for holding this important hearing today.

Members of the Subcommittee and participants do understand that no matter where you are on other portions of current patent law, it is undeniable and agreed by all us that PTAB has a major role, not only in what a patent means when it comes before the court, but the very existence of that court has changed the prosecution process. When someone is looking at asking for claims, they think about their claim construction relative to what would happen if they asserted it and went before the PTAB.

All of this is affecting the quality in a positive way of patents being issued as we speak, but it continues to be very concerning that this was intended to be an open and transparent process. Its predecessor, which still exists, the ex parte reexam, was never open and transparent. An opponent would submit to the Patent Office what they believed was information that could and should strike portions of the patent or all of it, based on allegations often made by the patent owner. Then, behind closed doors, in literally an unrecorded meeting in some cases, the patent holder would come in and say, "No, that isn't the case," and that would be the end of it.

As a result, ex parte reexaminations often were not used because an adverse outcome, even one that was incorrect, was neither appealable nor could you get into an Article III case and not be stuck

with the fact that there was a presumption that the Patent Office, basically, got it right.

So, in an ex parte reexamination, at its best, it must be open and transparent. The arguments must be heard by both sides, and the decision must, in fact, be based on the facts presented. Unfortunately, it has now come to our attention that, during the entire last administration, and perhaps even before, there was a behind-closed-doors process, one in which preliminary decisions would be brought to the administrator and decisions would be reversed without ever having a public hearing—without the light of day.

This process has created a host of questions, and the Chair alluded to them. We want due process. We want transparency. To get both, we are going to have to make changes in the current system. There are a lot of possibilities, not the least of which is to prohibit the reviewing officer from working in an ex parte fashion and make all their correspondence in real time available. That may be unwieldy, but certainly we have to consider it.

I think, additionally, when I joined with the Chair last year in asking for the GAO to conduct an investigation, we did so because we had had allegations, but not substantiation. In looking at the preliminary report, I find the GAO's investigation to be disturbing. They indicate that bureaucrats in the agency leadership, led by the Director himself, have improperly influenced or altered decisions by PTAB Judges in secret—without transparency and, in my opinion, without due process.

In those cases, the parties involved had no idea that the Director or others were meddling in their case. There was no process to know that it went through a director review. The parties were given no explanation and had no opportunity to address the Director or anyone else in the decision process. The parties could not even point out and go to court to appeal the Director's decision, even if it was wrong and done in secret. In fact, one of the challenges with administrative review of this sort is that it does not have the ordinary appeal process.

I have before me—and I apologize, it is a partial stack; we ran out of paper in the printer—I have before me just some of the Director's decisions that were made that we now have as what I would call improper rulemaking. I want to talk about that just briefly.

We have a process for making rules. Those rules are subject to review by Congress. The fact is we make the laws; they make the rules. We review the rules to make sure they are consistent with the law. None of this and more is subject to that because it evaded the rulemaking process.

As we go through the GAO study, it is likely that we will speak to the new Director specifically on reversing some of these or setting them aside, simply because they violated the current law on rulemaking. That is unfortunate. You should not have decisions made one way under one administration and reversed on the other. You should not rely on rules that have been made, and then, see them set aside. Unless the process is open and transparent, you will have that.

I want to personally thank more than 200 Administrative Law Judges at PTAB for the hard work they do. They are qualified and

their decisions have stood the test of review at the Federal Circuit, and even at the Supreme Court, far more than even Article III Judges.

So, today, I know we will hear people that are for and against the existence of PTAB, but I think what we have to concentrate on is those people who are doing their job need to either be supported by the process or, if opposed, it has to be in an open and transparent way.

So, Mr. Chair, I would ask unanimous consent that these documents be placed in the record. Additionally, would ask unanimous consent that an article, "The Origins of Judicial Deference to Executive Interpretation" in *The Yale Law Journal* also be placed in, as a document that I believe will help us in understanding why this deference needs to be properly administered or, in the alternative, that we set them aside.

Mr. JOHNSON of Georgia. Without objection.

[The information follows:]

MR. ISSA FOR THE RECORD

Precedential Decisions Under Andrei Iancu

1. **Adello Biologics LLC v. Amgen Inc.**, Case PGR2019-00001, Paper 11 (Feb. 14, 2019) (designated: Apr. 16, 2019) [AIA § 322(a)(2), pre-institution update to Mandatory Notices to add RPI]
2. **Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH**, Case IPR2019-01469, Paper 6 (Feb. 13, 2020) (designated: March 24, 2020) [AIA § 325(d) – setting forth two-part framework; denies institution]
3. **Amazon.com, Inc. v. Uniloc Luxembourg S.A.**, Case IPR2017-00948, Paper 34 (Jan. 18, 2019) (designated: Mar. 18, 2019) [AIA § 316(d), grounds that can be raised against substitute claims]
4. **Apple Inc. v. Fintiv, Inc.**, Case IPR2020-00019, Paper 11 (Mar. 20, 2020) [AIA § 314(a) - authorizing supplemental briefing to address the factors related to a co-pending parallel proceeding]
5. **Apple Inc. v. Uniloc 2017 LLC**, IPR2020-00854, Paper 9 (Oct. 28, 2020) (designated Dec. 4, 2020) – [AIA §§ 314(a), 315(c), denying institution and joinder motion – analysis of General Plastic factors based on follow-on copycat petition]
6. **Becton, Dickinson & Co. v. B. Braun Melsungen AG** (§ III.C.5, first paragraph), Case IPR2017-01586, Paper 8 (Dec. 15, 2017) (designated: Aug. 2, 2019) [AIA § 325(d) – applying and delineating discretionary factors; examination]
    a. This was a decision that was designated under Iancu, but the case is from 2017; just flagging this for you
7. **Cisco Systems, Inc. v. Chrimar Systems, Inc.**, Case IPR2018-01511, Paper 11 (Jan. 31, 2019) [AIA § 315(a)(1) – applying Click-to-Call to petitioner's action and denying institution]
8. **DePuy Synthes Prods., Inc. v. Medidea, L.L.C.**, Case IPR2018-00315, Paper 29 (Jan. 23, 2019) (designated: Mar. 18, 2019) [AIA, live testimony at oral argument]
9. **DTN, LLC v. Farms Technology, LLC**, Case IPR2018-01412, Paper 21 (June 14, 2019) [AIA § 317(b) – requirements for filing collateral agreements]
10. **Focal Therapeutics, Inc. v. SenoRx, Inc.**, Case IPR2014-00116, Paper 19 (July 21, 2014) (designated: July 10, 2019) [AIA § 316(a)(5), deposition conduct]
    a. Same as my comment, above.
11. **General Electric Co. v. United Techs. Corp.**, Case IPR2017-00491, Paper 9 (July 6, 2017) [AIA 37 C.F.R. § 42.107(e), pre-institution disclaimer of all challenged claims]
12. **GoPro, Inc. v. 360Heros, Inc.**, Case IPR2018-01754, Paper 38 (Aug. 23, 2019) (designated: Aug. 23, 2019) (Paper 38) [AIA § 315(b), one-year time bar triggered after the service of a complaint, regardless of whether the serving party lacked standing to sue or the pleading was otherwise deficient]
13. **Ex parte Grillo-López**, 2018-006082 (Jan. 31, 2020) [printed publication]
14. **Huawei Device Co., Ltd. v. Optis Cellular Tech., LLC**, Case IPR2018-00816, Paper 19 (Jan. 8, 2019) (designated: Apr. 5, 2019) [AIA, procedure and standard for submitting new evidence on rehearing, 37 C.F.R. § 42.71(d)]

15. **Hulu, LLC v. Sound View Innovations, LLC**, Case IPR2018-01039 (PTAB Dec. 20, 2019) (Paper 29) [AIA § 311(b), for purposes of institution, a petitioner must show a reasonable likelihood that an asserted reference qualifies as a printed publication] (Precedential Opinion Panel decision)
16. **Hunting Titan, Inc. v. DynaEnergetics Europe GmbH**, Case IPR2018-00600, Paper 67 (July 6, 2020) [AIA § 316(d), Board may raise a ground of unpatentability that a petitioner did not advance against substitute claims under certain rare circumstances] (Precedential Opinion Panel decision)
17. **Infiltrator Water Techs., LLC, v. Presby Patent Trust**, Case IPR2018-00224, Paper 18 (Oct. 1, 2018) (designated: Sep. 9, 2019) [AIA § 315(b) – applying Click-to-Call to a complaint dismissed without prejudice for lack of personal jurisdiction]
18. **K-40 Elecs., LLC v. Escort, Inc.**, Case No. IPR2013-00203, Paper 34 (May 21, 2014) (designated: Mar. 18, 2019) [AIA, live testimony at oral argument]
    a. Same comment as above
19. **Lectrosonics, Inc. v. Zaxcom, Inc.**, Inc., Case IPR2018-01129, 01130, Paper 15 (Feb. 25, 2019) (designated: Mar. 7, 2019) [AIA § 316(d), motions to amend - requirements and burden]
20. **Lectrosonics, Inc. v. Zaxcom, Inc.**, Case IPR2018-01129, Paper 33 (Jan. 24, 2020) [addressing Fox Factory and nexus to objective indicia of non-obviousness]
21. **NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.**, Case No. IPR2018-00752, Paper 8 (Sept. 12, 2018) (designated: May 7, 2019) [AIA §§ 314(a), 325(d), deny institution – prior art previously considered, co-pending district court proceeding nearing completion]
22. **Oticon Medical AB v. Cochlear Limited (§ II.B and II.C)**, Case IPR2019-00975, Paper 15 (Oct. 16, 2019) (designated: March 24, 2020) [AIA §§ 314(a), 325(d) – declining to exercise § 325(d) discretion based on prosecution activity, or § 314(a) discretion, distinguishing NHK]
23. **Proppant Express Investments, LLC v. Oren Techs., LLC**, Case No. IPR2018-00914, Paper 38 (Mar. 13, 2019) [AIA § 315(c), same party and issue joinder]
24. **Proppant Express Investments, LLC v. Oren Techs., LLC**, Case No. IPR2017-01917, Paper 86 (Feb. 13, 2019) [AIA §§ 312(a)(2), 315(b), 322(a)(2) – RPI, bar due to patent owner's action - post-institution update to Mandatory Notices to add RPI]
25. **RPX Corp. v. Applications in Internet Time, LLC**, IPR2015-01750, Paper 128 (Oct. 2, 2020) (designated Dec. 4, 2020) [AIA §§ 312(a)(2), 315(b) – unnamed party is an RPI and Petition was time-barred]
26. **SharkNinja Operating LLC v. iRobot Corp.**, IPR2020-00734, Paper 11 (Oct. 6, 2020) (designated Dec. 4, 2020) – [AIA § 312(a)(2), instituting review – no RPI analysis necessary at institution absent allegation of time bar or estoppel based on unnamed RPI]
27. **Snap, Inc. v. SRK Technology LLC** (§ II.A), IPR2020-00820, Paper 15 (Oct. 21, 2020) (designated Dec. 17, 2020) [AIA § 314(a), instituting review – Fintiv analysis, district court proceeding stayed]

28. **Sotera Wireless, Inc. v. Masimo Corporation** (§ II.A), IPR2020-01019, Paper 12 (Dec. 1, 2020) (designated Dec. 17, 2020) [AIA § 314(a), instituting review – Fintiv analysis, Petitioner filed broad stipulation to limit grounds in district court]
29. **Valve Corp. v. Elec. Scripting Prods., Inc.**, Case No. IPR2019-00062, -00063, -00084, Paper 11 (Apr. 2, 2019) (designated: May 7, 2019) [AIA § 314(a), deny institution - General Plastic factors apply to different Petitioner]
30. **Valve Corp. v. Elec. Scripting Prods., Inc.**, Case No. IPR2019-00064, -00065, -00085, Paper 10 (May 1, 2019) (designated: Aug. 2, 2019) [AIA § 314(a), deny institution - General Plastic factor 1 applies to joined Petitioner]
31. **Ventex Co., Ltd. v. Columbia Sportswear N. Am., Inc.**, Case No. IPR2017-00651, Paper 152 (Jan. 24, 2019) (designated: Apr. 16, 2019) [AIA §§ 312(a)(2), 315(b), terminating proceeding where Petition failed to name time-barred RPI and privy]

Informative Decisions Under Andrei Iancu

1. **Adaptics Ltd. v. Perfect Co.**, Case No. IPR2018-01596, Paper 20 (Mar. 6, 2019) (designated: Aug. 2, 2019) [AIA §§ 312(a)(3), 314(a) - requirements of petition - deny institution, failure to identify grounds with particularity]
2. **Apple Inc. v. Fintiv, Inc.**, IPR2020-00019, Paper 15 (May 13, 2020) [AIA § 314(a), deny institution – *Fintiv* factors weighed in favor of exercising discretion to deny institution]
3. **Chevron Oronite Co. LLC v. Infineum USA L.P.**, Case IPR2018-00923, Paper 9 (Nov. 7, 2018) (designated: Apr. 5, 2019) [AIA § 314(a), insufficient number of proposed grounds/challenges to claims meet reasonable likelihood standard]
4. **Colas Sols. Inc. v. Blacklidge Emulsions, Inc.**, Case No. IPR2018-00242, Paper 9 (Feb. 27, 2018) [AIA - bar due to petitioner's action, 35 U.S.C. § 315(a) - deny institution and joinder - prior declaratory judgment action]
5. **Deeper, UAB v. Vexilar, Inc.**, Case No. IPR2018-01310, Paper 7 (Jan. 24, 2019) (designated: Apr. 5, 2019) [AIA § 314(a), insufficient number of proposed grounds/challenges to claims meet reasonable likelihood standard]
6. **Ex parte Ditzik**, No. 2018-000087 (Mar. 2, 2018) [Issue preclusion - precluded by prior district court adjudication]
7. **Ex parte Fautz**, No. 2019-000106 (May 15, 2019) (designated July 1, 2019) [§ 101, statutory subject matter - applying 2019 revised guidance]
8. **Ex parte Hannun (formerly Ex parte Linden)**, 2018-003323 (Apr. 1, 2019) [applying 2019 revised guidance]
9. **Hulu, LLC v. Sound View Innovations, LLC**, Case IPR2018-00582, Paper 34 (Aug. 5, 2019) [no claims unpatentable – insufficient reason to combine references]

10. **In-Depth Geophysical, Inc. v. ConocoPhillips Company** (§ I.E), Case IPR2019-00849, Paper 14 (Sept. 6, 2019) [AIA § 311(b) – determining, for purposes of institution, Petitioner failed to make a sufficient showing that a reference qualifies as a printed publication]
11. **Johns Manville Corp. v. Knauf Insulation, Inc.**, Case IPR2018-00827, Paper 9 (Oct. 16, 2018) [denying institution – insufficient reason to combine references]
12. **Kayak Software Corp. v. Int'l Bus. Mach. Corp.**, CBM2016-00075, Paper 16 (Dec. 15, 2016) (designated Mar. 21, 2018) [AIA - multiple proceedings, 35 U.S.C. § 325(d) - deny institution - examination]
    a. Same comment as above
13. **Ex parte Kimizuka**, No. 2018-001081 (May 15, 2019) (designated July 1, 2019) [35 U.S.C. § 101 – statutory subject matter - applying 2019 revised guidance]
14. **Kokusai Electric Corporation v. ASM IP Holding B.V.**, Case IPR2018-01151, Paper 38 (Aug. 20, 2019) [granting joint motion to terminate, not deciding motion to amend]
15. Longi Green Energy Tech. Co., v. Hanwha Solutions Corp., Case IPR2019-01072, Paper 33 (Aug. 18, 2020) [AIA, addressing remote hearings and demonstrative exhibits]
    a. No hyperlink for this one
16. **Ex parte Olson**, No. 2017-006489 (Mar. 25, 2019) (designated July 1, 2019) [35 U.S.C. § 101 – statutory subject matter - applying 2019 revised guidance]
17. **PUMA North America, Inc. v. NIKE, Inc**., Case IPR2019-01042, Paper 10 (Oct. 31, 2019) (designated: March 24, 2020) [AIA § 325(d) – denying institution based on prosecution activity]
18. **Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC**, IPR2019-01393, Paper 24 (June 16, 2020) [AIA § 314(a), instituting review – *Fintiv* factors weighed against exercising discretion to deny institution]
19. **Sandoz Inc. v. AbbVie Biotechnology Ltd.** (§ III.C.1), IPR2018-00156, Paper 11 (June 5, 2018) [AIA § 311(b) – determining, for purposes of institution, Petitioner made a sufficient showing that a reference qualifies as a printed publication]
20. **Sattler Tech Corp. v. Humancentric Ventures, LLC**, Case PGR2019-00030, Paper 9 (July 26, 2019) [AIA § 321 - instituting review, design patent, alleged lack of ornamentality]
21. **Ex parte Savescu**,2018-003174 (Apr. 1, 2019) (designated July 1, 2019) [35 U.S.C. § 101 - statutory subject matter - applying 2019 revised guidance]
22. **Ex parte Smith**, 2018-000064 (01 February 2019) (Feb. 1, 2019) (designated: Mar. 19, 2019) [35 U.S.C. § 101 - statutory subject matter - applying 2019 revised guidance]
23. **Ex parte Spangler**, 2018-003800 (Feb. 20, 2019) (designated Oct. 15, 2019) [Obviousness - rationales - design choice]

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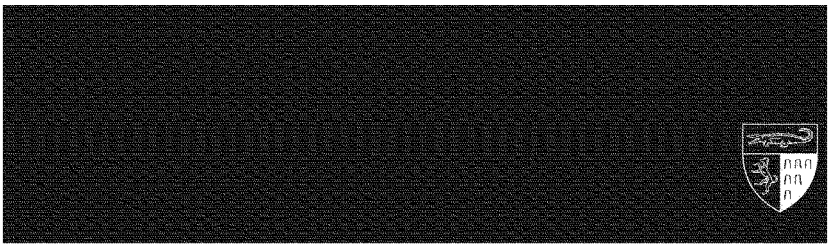
The Origins of Judicial Deference to Executive Interpretation

ABSTRACT. Judicial deference to executive statutory interpretation—a doctrine now commonly associated with the Supreme Court's decision in *Chevron v. Natural Resources Defense Council*—is one of the central principles in modern American public law. Despite its significance, however, the doctrine's origins and development are poorly understood. The Court in *Chevron* claimed that the roots of judicial deference stem from statutory interpretation cases dating to the early nineteenth century. Others, by contrast, have sought to locate *Chevron*'s doctrinal roots in judicial review's origins in the writ of mandamus. According to the standard narrative, courts in the pre-*Chevron* era followed a multifactor and ad hoc approach to issues of judicial deference; there was little theory that explained the body of cases; and the holdings and reasoning of the cases were often contradictory and difficult to rationalize.

This Article challenges the standard account. It argues that the Supreme Court in *Chevron*, and scholarly commentators since, have misidentified nineteenth-century statutory interpretation cases applying canons of construction "respecting" contemporaneous and customary interpretation as cases deferring to executive interpretation as such. It further argues that, although the standard for obtaining a writ of mandamus was central to judicial review in the early Republic, statutory developments in the latter half of the nineteenth century (significantly, the enactment of general federal-question jurisdiction in 1875) ultimately mooted the relevance of that standard. Finally, it discusses the intellectual challenges to the traditional interpretive framework beginning in the early twentieth century; the Supreme Court's embrace of these intellectual challenges in the early 1940s; and Congress's attempt in the Administrative Procedure Act's (APA) standard-of-review provision to reject the Court's interpretive experimentation and corresponding deviation from the traditional canons. The Article thus seeks to establish—contrary to the suggestion in *Chevron* and recent cases—that there was no rule of statutory construction requiring judicial deference to executive interpretation *qua* executive interpretation in the early American Republic. And it contends that the governing statute of administrative law—the APA—was intended to codify the traditional interpretive approach and to reject the experimentation of the 1940s Court. Taken together, these conclusions cast doubt on much of the received wisdom on the doctrinal basis for the rule announced in *Chevron*.



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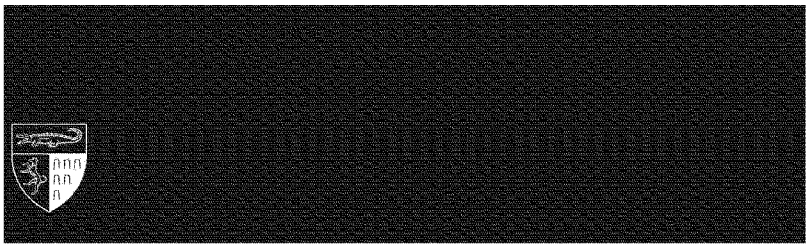

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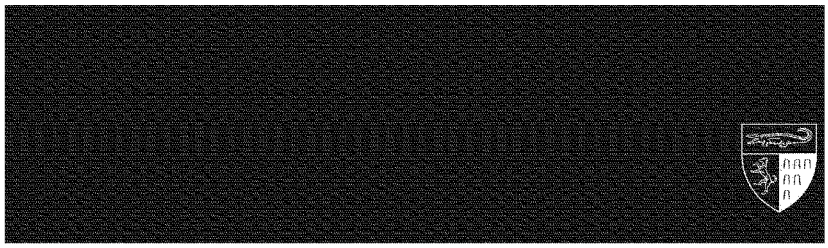

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INTRODUCTION

The doctrine of judicial deference to executive interpretation casts a long shadow over the entire field of American public law. That doctrine—now commonly associated with the Supreme Court's opinion in *Chevron v. Natural Resources Defense Council*—provides that a reviewing court must "defer" to an administrative agency's reasonable interpretation of the organic statute that it administers.[1] It does not stretch the imagination to believe that, on every single working day of the year, there exists in the employ of the federal government a judge, an executive officer, or a legislator who expressly invokes or formulates policy premised on *Chevron*.

From where did the concept of judicial deference to executive interpretation originate? At first blush, the concept may appear inconsistent with Chief Justice Marshall's assertion, in *Marbury v. Madison*, that "[i]t is emphatically the province and duty of the judicial department to say what the law is"[2]—a tension that has prompted some to characterize *Chevron* as the "counter-*Marbury*" of the administrative state.[3] But *Chevron* itself claimed provenance in a series of precedents stretching back to the Marshall Court that demonstrated that the Court had "long recognized that considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer."[4] The perspective that *Chevron*'s origins date to the nineteenth century seems also to be a majority view among commentators, at least judging from the regular (though offhand) statements, even by critics of *Chevron*, conceding that there is a "long tradition of deference to agency interpretations."[5]

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1. 467 U.S. 837 (1984).

2. 5 U.S. (1 Cranch) 137, 177 (1803); *see, e.g.*, Richard A. Posner, *The Rise and Fall of Judicial Self-Restraint*, 100 CALIF. L. REV. 519, 538 & n.71 (2012) (describing *Chevron* as an "exception" to the proposition that "deferential review . . . does not extend to decisions on pure issues of law").

3. Cass R. Sunstein, *Law and Administration After* Chevron, 90 COLUM. L. REV. 2071, 2074-75 (1990).

4. 467 U.S. at 844 & n.14.

5. Jack M. Beermann, *End the Failed* Chevron *Experiment Now: How* Chevron *Has Failed and Why It Can and Should Be Overruled*, 42 CONN. L. REV. 779, 791 (2010) (citing Edward's Lessee v. Darby, 25 U.S. (12 Wheat.) 206, 210 (1827)); *see also* Jonathan T. Molot, *The Rise and Fall of Textualism*, 106 COLUM. L. REV. 1, 18 n.69 (2006) (claiming that "there are ample nineteenth-century examples of such [judicial] deference to executive officials within their areas of administration and expertise"); Peter M. Shane, Chevron *Deference, the Rule of Law, and Presidential Influence in the Administrative State*, 83 FORDHAM L. REV. 679, 687 (2014) ("The consistency of the judicial function with some institutional deference in legal interpretation is a very old idea.").

A separate doctrinal justification for judicial deference is set forth in Justice Scalia's dissent in *United States v. Mead Corp.*,[6] and, almost a half century earlier, in Justice Douglas's majority opinion in *Panama Canal Co. v. Grace Line, Inc.*[7] Judicial deference, on this view, can be understood as "in accord with the origins of federal-court judicial review."[8] That is because, to borrow Justice Scalia's words, "[j]udicial control of federal executive officers was principally exercised through the prerogative writ of mandamus" before the enactment of general federal-question jurisdiction in 1875, and mandamus "generally would not issue unless the executive officer was acting plainly beyond the scope of his authority."[9] Based on this history, statutory ambiguities should be "left to reasonable resolution by the Executive," as they ordinarily would have been when an Article III tribunal reviewed a writ of mandamus directed against an executive official.[10] As Justice Douglas put the point, the "principle at stake" in judicial deference cases "is no different than if mandamus were sought—a remedy long restricted, in the main, to situations where ministerial duties of a nondiscretionary nature are involved."[11]

In contrast to these two justifications seeking to situate judicial deference in nineteenth-century historical practice, a diametrically opposed perspective is offered by those who, like Cass Sunstein, believe that *Chevron* is best "understood as a natural outgrowth of the twentieth-century shift from judicial to agency lawmaking."[12] On this view, as Mark Tushnet explains, early twentieth-century "administrative law unquestioningly accepted" that "courts would have

6. 533 U.S. 218 (2001) (Scalia, J., dissenting); *see also* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1212 (2015) (Scalia, J., concurring in the judgment) (repeating the point that *Chevron* "was in conformity with the long history of judicial review of executive action" by mandamus); *cf.* Michigan v. EPA, 135 S. Ct. 2699, 2713 (2015) (Thomas, J., concurring) (referring to this aspect of the *Mead* dissent and noting that "[p]erhaps there is some unique historical justification for deferring to federal agencies").

7. 356 U.S. 309 (1958).

8. *Mead*, 533 U.S. at 241-42 (Scalia, J., dissenting).

9. *Id.* at 242.

10. *Id.* at 243. Remarkably, this analogy between the *Chevron* and mandamus standards has escaped serious attention in the years following *Mead*, notwithstanding the fact that it represents an intriguing attempt (not to mention one of the few attempts by anyone) "to reconcile *Chevron* with the text of the [Administrative Procedure Act]." John F. Manning, Chevron *and the Reasonable Legislator*, 128 HARV. L. REV. 457, 465 & n.68 (2014).

11. *Panama Canal Co.*, 356 U.S. at 318 (citations omitted); *see also id.* ("[W]here the duty to act turns on matters of doubtful or highly debatable inference from large or loose statutory terms, the very construction of the statute is a distinct and profound exercise of discretion.").

12. Cass R. Sunstein, Chevron *Step Zero*, 92 VA. L. REV. 187, 205-06 (2006).

full power to review agencies' decisions interpreting the law those agencies were administering."[13] That perspective accords with the view, expressed by Ann Woolhandler, that "[t]he de novo model in its various manifestations, which left the final say to the judiciary rather than the executive, was the predominant form of judicial review of executive action in the early Republic."[14] *Chevron* (or at least, its twentieth-century precursors), on this perspective, is not an outgrowth of, but rather a break from, what came before it.

There is an element of truth to each of these competing perspectives about the development of the doctrine of judicial deference to executive interpretation. But there is an element of imprecision in each as well. If judicial deference to executive interpretation is rooted in eighteenth- and nineteenth-century approaches to interpretive theory, what explains the perspective that de novo, rather than deferential, review was the traditional model of interpretation? By contrast, if judicial deference is a phenomenon of the mid-twentieth century, what explains the holdings of the nineteenth-century cases on which *Chevron* relied? And where does judicial review's origins in the writ of mandamus fit within the historical picture? The fact that a wide spectrum of historical interpretation is possible—even at this late date, more than thirty years after the Court's decision in *Chevron*—suggests that the roots of the doctrine announced in that opinion remain poorly understood.

Layered on top of these varying interpretations of the case law are varying interpretations of the text of the Administrative Procedure Act (APA), which represented (in part) Congress's attempt in 1946 to codify and clarify the scope of judicial review of agency legal interpretations. The relevant text of the APA seems simple enough: it provides that a "reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action."[15] Yet, here too, disagreement over meaning reigns. Some argue that the text of the APA is too simple—deceptively simple. It was intended, in the words of the influential *Attorney General's Manual on the Administrative Procedure Act*, to "re-

13. Mark Tushnet, *Administrative Law in the 1930s: The Supreme Court's Accommodation of Progressive Legal Theory*, 60 DUKE L.J. 1565, 1584 (2011).

14. Ann Woolhandler, *Judicial Deference to Administrative Action—A Revisionist History*, 43 ADMIN. L. REV. 197, 206 (1991).

15. 5 U.S.C. § 706 (2012); *see also id.* § 706(2)(A), (C) (authorizing the reviewing court to "set aside agency action, findings, and conclusions found to be . . . not in accordance with law" or "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right"); Sunstein, *supra* note 3, at 2080 (describing section 706 as "legislative endorsement" of "[t]he idea that courts, and not administrators, [a]re responsible for discerning the meaning of statutes").

stat[e] the [then-]present law as to the scope of judicial review"[16] and as a "general restatement of the principles of judicial review embodied in many statutes and judicial decisions."[17] The APA, on this view, incorporated the approach of pre-1946 cases expressing principles of judicial deference and, thereby, incorporated a doctrine akin to *Chevron*.

Courts and commentators tend to agree on at least one issue: prior to *Chevron*, there was widespread confusion over the proper scope of review.[18] That confusion could be seen in the various approaches that courts took in the years immediately preceding *Chevron*, and it dated back to the very earliest days of the nation.[19] The confusion is well expressed in a 1976 opinion by Judge Friendly that announced it was "time to recognize . . . two lines of Supreme Court decisions on th[e] subject" of judicial deference "which are analytically in conflict, with the result that a court of appeals must choose the one it deems more appropriate for the case at hand."[20] In his opinion, Judge Friendly contrasted a series of Supreme Court cases "supporting the view that great deference must be given to the decisions of an administrative agency applying a statute to the facts and that such decisions can be reversed only if without rational basis" with a separate and "impressive body of law sanctioning free substitution of judicial for administrative judgment when the question involves the meaning of a statutory term."[21] Indeed, on one view, *Chevron* – if it had no oth-

16. U.S. DEP'T OF JUSTICE, ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 108 (1947).

17. *Id.* at 93.

18. *See, e.g.*, Thomas W. Merrill, *Judicial Deference to Executive Precedent*, 101 YALE L.J. 969, 972 (1992) ("Prior to 1984, the Supreme Court had no unifying theory for determining when to defer to agency interpretations of statutes."); Sunstein, *supra* note 3, at 2082 ("Before 1984, the law . . . reflected a puzzling and relatively ad hoc set of doctrines about when courts should defer to administrative interpretations of law.").

19. That perspective on the nineteenth century's approach to judicial deference echoes the broader view that, in general, administrative law was undeveloped until the twentieth century. *See* Jerry L. Mashaw, *Administration and "The Democracy": Administrative Law from Jackson to Lincoln, 1829-1861*, 117 YALE L.J. 1568, 1688 (2008) (asserting that "[n]ot much administrative law that reflects our contemporary understandings was to be found in the courts" between the Jackson and Lincoln presidencies); *cf.* Woolhandler, *supra* note 14, at 198-99 (describing the nineteenth century as "something of a dark age" for administrative law, noting that the "work that has been done suggests that administrative law was incoherent," but seeking to "show[] that early administrative law was at once more coherent and less deferential than is commonly realized").

20. Pittston Stevedoring Corp. v. Dellaventura, 544 F.2d 35, 49 (2d Cir. 1976), *aff'd sub nom.* Ne. Marine Terminal Co. v. Caputo, 432 U.S. 249 (1977).

21. *Id.*

er beneficial aspects—at the very least cleared up the intellectual and jurisprudential disarray that had existed for over a century prior to 1984.[22]

Or did it? In this Article, I argue that commentators have misunderstood the pre-*Chevron* state of affairs. Although *Chevron* can claim an analog of sorts in early nineteenth-century cases about interpretive methodology, those cases addressed the "respect" that was due to executive interpretation *because of* the interpretation's nature—specifically, its articulation contemporaneous with the enactment of the controlling legal text or its ability to demonstrate a customary practice under that text. In this respect, four critical and hitherto neglected points are necessary to understand the intellectual and jurisprudential development of judicial deference to executive interpretation.

First, the charge of longstanding and uniform analytical disarray is mistaken. Far from being under-theorized, proper interpretive methodology in the seventeenth and eighteenth centuries received ample intellectual and judicial attention. Eighteenth-century England and America were no intellectual wastelands when it came to political theory. It should be unsurprising that they were not wastelands when it came to considering the proper relationship between the judiciary and executive in construing legal texts.

Second, the prevailing interpretive methodology of nineteenth-century American courts was not a form of judicial deference, as it has come to be understood in the post-*Chevron* era. Under the traditional interpretive approach, American courts "respected" longstanding and contemporaneous *executive* interpretations of law as part of a practice of deferring to longstanding and contemporaneous interpretation *generally*. It was the pedigree and contemporaneity of the interpretation, in other words, that prompted "respect"; the fact that the interpretation had been articulated by an actor within the executive branch was relevant, but incidental.

Nor was nineteenth-century mandamus practice based on any *interpretive* methodology that required judicial deference to the executive *qua* executive. While the modern reader may hear echoes of *Chevron* in mandamus—because the mandamus standard precluded judicial intervention when an executive official engaged in an "executive duty" (including statutory interpretation) that required the exercise of judgment and discretion[23]—the analogy is mistaken. As the Court put it in the foundational case of *Decatur v. Paulding*, if an issue of statutory construction were to arise outside of the mandamus context—where the standards for obtaining the writ did not apply—"the Court certainly would

22. *See, e.g.*, Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 DUKE L.J. 511, 517 (arguing that "*Chevron* is unquestionably better than what preceded it").

23. *See, e.g.*, Decatur v. Paulding, 39 U.S. (14 Pet.) 497, 508 (1840).

not be bound to adopt the construction given by the head of a department."[24] Courts, in other words, applied the mandamus standard *only* because they were confronting a writ of mandamus (or another extraordinary writ). Where there was no writ of mandamus, there would be no comparable interpretive deference.

A window into nineteenth-century interpretive methodology can be found in a neglected passage from Justice Story's *Commentaries on the Constitution*. In the course of discussing how best to interpret legal texts, Justice Story explains that "the most unexceptionable source of collateral interpretation is from the practical exposition of the government itself in its various departments upon particular questions discussed and settled upon their own single merits."[25] The modern reader, reviewing this language and finding it familiar, might believe that he has stumbled upon an old and venerable friend – namely, the canon described in *Chevron*. That gloss on Justice Story's *Commentaries*, however, would be mistaken. Justice Story made these remarks in the context of an extended discussion on the proper role of "practical exposition" in construing the federal *Constitution*. Understanding the import of this passage, its intellectual antecedents, and the reason why Justice Story would have borrowed techniques of statutory construction to construe the Constitution will allow us to understand the respective roles of the executive and the judiciary in nineteenth-century interpretive methodology.

Third, when the modern trend toward generalized judicial deference to executive interpretation began during the fifth decade of the twentieth century, the Court did not rely primarily on the principle that courts "respected" contemporaneous and customary executive constructions, nor on the principle that the mandamus standard required deference to executive action. Instead, the Court invoked longstanding precedents addressing judicial deference to agency *factual* determinations and analogized questions of law requiring agency expertise to questions of fact. In doing so, the Court drew on preexisting scholarship suggesting that a formal distinction between "law" and "fact" in administrative review was illusory.[26] By embracing this legal-realist perspective on the law-fact distinction, and thereby blurring the line between factual determinations

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24. *Id.* at 515.

25. 1 JOSEPH STORY, COMMENTARIES ON THE CONSTITUTION OF THE UNITED STATES § 408, at 392 (Leonard W. Levy ed., Da Capo Press 1970) (1833).

26. JOHN DICKINSON, ADMINISTRATIVE JUSTICE AND THE SUPREMACY OF LAW IN THE UNITED STATES 50-55, 312 (1927). Dickinson, as explained below, later became a critic of the Court's decisions expanding the scope of judicial deference to executive interpretation. *See infra* notes 367-370 and accompanying text.

and legal questions, the Court incrementally expanded the domain of agency discretion in a manner that ultimately led to the *Chevron* doctrine.[27]

Fourth, Congress enacted the APA in 1946 in part to stop this deviation from the traditional interpretive rules and to recapture the interpretive methodology that prevailed before the Court's experimentation with the law-fact distinction during the 1940s. The APA's text, drafting history, and early scholarly interpretations all point in this direction: they suggest that Congress sought to cabin the discretion that the Court had recently granted administrative agencies.[28] But the APA's text and drafting history were quickly forgotten. In the time between the APA's adoption and *Chevron*, courts relied interchangeably on cases applying the mandamus standard, cases applying the traditional contemporary and customary canons, and cases applying the 1940s approach breaking down the distinction between judicial review of questions of law and questions of fact. The result was, as Judge Friendly observed in *Pittston Stevedoring Corp. v. Dellaventura*, a bewildering and often contradictory set of rules to govern judicial review of agency statutory interpretation.[29] *Chevron* cleared up this confusion by departing from, rather than seeking out, the meaning of the APA's text and the traditional interpretive methodology.

The lacuna in the scholarship on the roots and historical development of judicial deference is no academic issue – for the validation of a legal rule, such as the interpretive rule announced in *Chevron*, is rightly viewed to be its pedigree.[30] Judicial deference's pedigree, moreover, is doubly relevant because Congress specified the proper scope of judicial review of executive legal interpretations when it provided in section 706 of the APA that a "reviewing court shall decide all relevant questions of law" and "interpret constitutional and statutory provisions."[31] The canon of construction that *Chevron* announced can be justi-

27. *See, e.g.*, NLRB v. Hearst Publ'ns, Inc., 322 U.S. 111 (1944); Gray v. Powell, 314 U.S. 402 (1941); *see also* Jerry L. Mashaw, *Rethinking Judicial Review of Administrative Action: A Nineteenth Century Perspective*, 32 CARDOZO L. REV. 2241, 2243 (2011) ("The *Chevron* opinion's explicit merger of issues of policy with statutory interpretation is of a piece with the *Hearst* Court's fictional treatment of legal conclusions as questions of fact.").

28. *See infra* Section III.B.

29. *See* Pittston Stevedoring Corp. v. Dellaventura, 544 F.2d 35 (2d Cir. 1976), *aff'd sub nom.* Ne. Marine Terminal Co. v. Caputo, 432 U.S. 249 (1977); *infra* Section III.C (discussing Judge Friendly's view).

30. *See* Burnham v. Superior Court of Cal., 495 U.S. 604, 621 (1990) (plurality opinion); *see also* Woolhandler, *supra* note 14, at 199 ("[T]he background assumption that the first hundred years were an age of judicial deference to agencies implicitly undergirds current claims that the executive agencies can more legitimately exercise delegated lawmaking power than the courts.").

31. 5 U.S.C. § 706 (2012).

fied only if it is an appropriate gloss on Congress's articulation of the proper standard of review in section 706 of the APA.

Finally, judicial deference's pedigree is particularly salient today, in the wake of recent opinions addressing the doctrine's scope. In a recent case, Chief Justice Roberts remarked that "[t]he rise of the modern administrative state has not changed" *Marbury*'s directive that courts "say what the law is,"[32] nor has it altered the Court's "duty to police the boundary between the Legislature and the Executive," which is "firmly rooted in our constitutional structure" and is "as critical as [the] duty to respect that [boundary] between the Judiciary and the Executive."[33] And Justice Scalia, in another recent case, called for a rejection of another branch of the doctrine of judicial deference because the "purpose of interpretation is to determine the fair meaning of the rule – to 'say what the law is.'"[34] A consideration of *precisely* what history tells us about the proper relationship between courts and the executive on matters of statutory interpretation is therefore necessary and timely.

This Article traces the intellectual and jurisprudential origins and development of judicial deference to executive interpretation. Part I addresses recent opinions that have called into question the doctrine of judicial deference from a historical perspective. Part II describes the theory and practice of interpretation that prevailed in American courts throughout the nineteenth century. It also describes two associated doctrines that later proved relevant to the evolution of the doctrine of judicial deference – the standard for extraordinary writs, such as mandamus, and Article III review of agency factual determinations. Part III explains how the interpretive framework unraveled over the course of the twentieth century; how Congress sought in the APA to codify the prevailing interpretative approach; and how the attempted codification was unsuccessful, leading ultimately to the Court's decision in *Chevron*.

I. JUDICIAL DEFERENCE AT THE COURT AND THROUGH THE LENS OF HISTORY

Over the past three terms, a series of Supreme Court opinions have sought to address the relevance of historical practice to the legality of judicial deference to executive interpretation from a variety of perspectives, some invoking *Mar-*

32. City of Arlington v. FCC, 133 S. Ct. 1863, 1880 (2013) (Roberts, C.J., dissenting) (quoting Marbury v. Madison, 5 U.S. (1 Cranch) 137, 177 (1803)).

33. *Id.* at 1886.

34. Decker v. Nw. Envtl. Def. Ctr., 133 S. Ct. 1326, 1340 (2013) (Scalia, J., concurring in part and dissenting in part) (quoting *Marbury*, 5 U.S. (1 Cranch) at 177).

bury, other eighteenth-century sources, and the text of the Administrative Procedure Act. But the opinions have yet to grapple with relevant doctrine and the cases cited in *Chevron* itself. In Section I.A, I address the role that precedent played in the *Chevron* opinion. Section I.B then demonstrates that the Justices have since failed to engage seriously with that precedent on which *Chevron* relies, and Section I.C seeks to bring attention to the corresponding gap in the scholarly treatment of *Chevron*'s origins.

A. The Role of Precedent in the Chevron *Opinion*

A close review of *Chevron* shows the central role that preexisting law played in the Court's holding. *Chevron*, it may be remembered, announced a now-canonical interpretive methodology for judicial review of an "agency's construction of the statute which it administers."[35] First, "employing traditional tools of statutory construction," the reviewing court must determine whether "Congress has directly spoken to the precise question at issue."[36] If it has, "that is the end of the matter" and the court "must give effect to the unambiguously expressed intent of Congress."[37] Second, if "Congress has not directly addressed the precise question at issue" because "the statute is silent or ambiguous," a reviewing court's task is to determine "whether the agency's answer is based on a permissible construction of the statute."[38] As a result, the "court need not con-

35. Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 842 (1984).

36. *Id.* at 842, 843 n.9. This language could be read to require courts to apply all tools of statutory construction, as "in an ordinary statutory interpretation case, with no agency involved," where "the court would proceed by applying whatever tools it thought appropriate to arrive at the best understanding of the statute – an understanding that the court would then ascribe to Congress." JOHN F. MANNING & MATTHEW C. STEPHENSON, LEGISLATION AND REGULATION: CASES AND MATERIALS 776-77 (2d ed. 2013). Because, however, that interpretation "would render *Chevron* practically meaningless," the common approach is to understand *Chevron* instead to "mean that a reviewing court should defer to the agency if the application of the traditional tools of statutory construction fails to supply a *sufficiently clear* answer to the interpretive question." *Id.* at 777.

37. *Chevron*, 467 U.S. at 842-43.

38. *Id.* at 843. The *Chevron* opinion is somewhat inconsistent on the precise rule that it is announcing. In language reminiscent of *Marbury*, the Court remarked that "[t]he judiciary is the final authority on issues of statutory construction and must reject administrative constructions which are contrary to clear congressional intent." *Id.* at n.9. In language suggesting that the Court's holding turned on a balancing of factors, the Court observed that, in the case before it, "the regulatory scheme [was] technical and complex, the agency considered the matter in a detailed and reasoned fashion, and the decision involve[d] reconciling conflicting policies." *Id.* at 865 (footnotes omitted). Finally, some of the language in the Court's opinion suggests that the Court believed the statute was ambiguous, not in the sense that

clude that the agency construction was the only one it permissibly could have adopted to uphold the construction."[39]

In reaching this conclusion, the Court relied on two rationales. The first was sound policy in the allocation of responsibilities among the branches of government. Article III judges, the Court noted, "have no constituency" and "are not experts in the field" or "part of either political branch."[40] Second, *Chevron* sought to ground the rule that it announced in precedent.[41] The Court asserted that it had "long recognized that considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer."[42] To support that proposition, the Court cited, though it did not analyze, several dozen cases[43] dating back to the Court's 1827 opinion in *Edward's Lessee v. Darby*.[44]

Under the rule announced by these precedents, the Court reasoned, it would be a "basic legal error . . . to adopt a static judicial definition" of a statutory term when "Congress itself had not commanded that definition."[45] Even if the agency's interpretation "represent[ed] a sharp break with prior interpreta-

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the agency selected an imperfect (but permissible) construction over a better (but not required) one, but rather in the sense that there was no superior reading of the statute that the Court could have adopted. *See id.* at 866 ("When a challenge to an agency construction of a statutory provision, fairly conceptualized, really centers on the wisdom of the agency's policy, rather than whether it is a reasonable choice within a gap left open by Congress, the challenge must fail."); *see also id.* (arguing that judges "have a duty to respect legitimate policy choices made by those who do [have a constituency]," because "[t]he responsibilities for assessing the wisdom of such policy choices and resolving the struggle between competing views of the public interest are not judicial ones"). In the text, I have tried to set forth the standard interpretation of the opinion, though there remains confusion on the precise test that *Chevron* establishes. *See* Barnhart v. Walton, 535 U.S. 212, 220 (2002) (clarifying that reenactment of language subject to longstanding agency interpretation reinforces interpretation); Solid Waste Agency v. Army Corps of Eng'rs, 531 U.S. 159, 168 (2001) (giving priority to original interpretation); FDA v. Brown & Williamson Tobacco Corp., 529 U.S. 120, 146, 151, 156-57 (2000) (crediting, but not relying on, an agency's longstanding interpretation of a statute to bolster the Court's conclusion that Congress had spoken on a given issue).

39. *Chevron*, 467 U.S. at 843 n.11.

40. *Id.* at 865-66 (stating that judges are not competent to "resolv[e] the competing interests which Congress itself either inadvertently did not resolve, or intentionally left to be resolved by the agency charged with the administration of the statute in light of everyday realities").

41. *See id.* at 843-44, 843 nn.9 & 11, 844 nn.12-14, 865-66, 865 nn.39-41.

42. *Id.* at 844.

43. *See id.* at 844-45 (quoting United States v. Shimer, 367 U.S. 374, 382, 383 (1961)); *id.* at 844 n.14 (listing the cases).

44. 25 U.S. (12 Wheat.) 206 (1827).

45. *Chevron*, 467 U.S. at 842.

tions of the Act," that break did not necessarily mean "that no deference should be accorded the agency's interpretation of the statute."[46] "An initial agency interpretation," according to the Court, "is not instantly carved in stone."[47] To the contrary, the Court embraced the claim that the "fact that the agency has adopted different definitions in different contexts adds force to the argument that the definition itself is flexible."[48] The key point, according to the Court, was that, in a "technical and complex arena," the agency had "consistently interpreted [the Act] flexibly" rather than "in a sterile textual vacuum" and had properly considered "varying interpretations and the wisdom of its policy on a continuing basis."[49]

B. The Current Debate over Judicial Deference

In a number of recent concurrences and dissents, Justices on the Court have highlighted their interest in confronting judicial deference from a historical or separation-of-powers perspective, relying on an array of different sources from *Marbury* to James Madison to Montesquieu. But none of these opinions has addressed the cases that *Chevron* itself relied on to justify judicial deference as a matter of precedent.

The first avenue through which Justices have raised these issues is in a critique of *Chevron* itself. The Chief Justice's dissent (joined by Justices Kennedy and Alito) in *City of Arlington v. FCC*,[50] for example, attempted to re-evaluate *Chevron* in light of separation-of-powers first principles. While nominally accepting the *Chevron* framework,[51] the *City of Arlington* dissent stressed that its

46. *Id.* at 862; *see also id.* at 862-63 (canvassing a series of rules in which the agency had adopted "varying interpretations" of the statutory term).

47. *Id.* at 863. Although some passages from *Chevron* suggest that it was somehow relevant that the inconsistency in the agency's position was not directly attributable to the agency itself (but rather to earlier unfavorable court of appeals decisions), *see id.* at 864, later cases have stressed that "[a]gency inconsistency is not a basis for declining to analyze the agency's interpretation under the *Chevron* framework," Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs., 545 U.S. 967, 981 (2005); *cf.* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1223 (2015) (Thomas, J., concurring) (noting that the Court has "granted *Seminole Rock* deference to agency interpretations that are inconsistent with interpretations adopted closer in time to the promulgation of the regulations").

48. *Chevron*, 467 U.S. at 864.

49. *Id.* at 863-64.

50. 133 S. Ct. 1863 (2013).

51. *See id.* at 1886 (Roberts, C.J., dissenting) (conceding that *Chevron* "guards against the Judiciary arrogating to itself policymaking properly left, under the separation of powers, to the Executive"); *id.* at 1880 (accepting that courts act consistently with the separation of powers

"disagreement" with the majority is "fundamental"[52] and premised on the notion that the "duty to police the boundary between the Legislature and the Executive" is "firmly rooted in our constitutional structure" and is "as critical as [the] duty to respect that [boundary] between the Judiciary and the Executive."[53] Fixing "the boundaries of delegated authority," according to the dissent, "is not a task" that courts can "delegate to the agency" because "[w]e do not leave it to the agency to decide when it is in charge."[54] Deference under *Chevron* is appropriate only if the court decides "whether Congress . . . has in fact delegated to the agency lawmaking power over the ambiguity at issue."[55] Accordingly, a congressional delegation of interpretive authority can support *Chevron* deference only when the delegation "extend[s] to the specific statutory ambiguity at issue," because the question *Chevron* requires a court to ask "is whether the delegation covers the 'specific provision' and 'particular question' before the court."[56] More recently, the Chief Justice revisited the proper application and

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"when [they] afford an agency's statutory interpretation *Chevron* deference . . . *because* Congress has delegated to the agency the authority to interpret those ambiguities").

52. *Id.* at 1877.

53. *Id.* at 1886.

54. *Id.*

55. *Id.* at 1880; *see id.* at 1886 (stating that the judicial branch may "reconcile [its] competing responsibilities" under *Chevron* only after determining "that Congress has given interpretive authority to the agency"); *id.* at 1877 ("Courts defer to an agency's interpretation of law when and because Congress has conferred on the agency interpretive authority over the question at issue."); *see also id.* at 1875-76 (Breyer, J., concurring in part and concurring in the judgment) (agreeing that "[t]he question whether Congress has delegated to an agency the authority to provide an interpretation that carries the force of law is for the judge to answer independently"; arguing that "context-specific[] factors will on occasion prove relevant" to whether an agency receives deference; and listing, among the factors, "the interstitial nature of the legal question, the related expertise of the Agency, the importance of the question to administration of the statute, the complexity of that administration, and the careful consideration the Agency has given the question over a long period of time" (quoting Barnhart v. Walton, 535 U.S. 212, 222 (2002))).

56. *Id.* at 1883 (Roberts, C.J., dissenting) (quoting Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 844 (1984)); *see also id.* ("A congressional grant of authority over some portion of a statute does not necessarily mean that Congress granted the agency interpretive authority over all its provisions."). For its part, the majority opinion claimed that the Chief Justice's dissent would work a "massive revision of our *Chevron* jurisprudence," *id.* at 1874 (majority opinion) with the "ultimate target [being] *Chevron* itself," *id.* at 1873. Echoing the *City of Arlington* dissent (which he did not join), Justice Thomas recently argued that "*Chevron* deference raises serious separation-of-powers questions" by "preclud[ing] judges from exercising [independent] judgment" and "forcing them to abandon what they believe is the best reading of an ambiguous statute in favor of an agency's construction." Michigan v. EPA, 135 S. Ct. 2699, 2712 (2015) (Thomas, J., concurring) (quotation marks omitted); *see also* Tex. Dep't of Hous. & Cmty. Affairs v. Inclusive Cmtys. Project, Inc., 135 S. Ct. 2507, 2528-30

scope of judicial deference in his majority opinion in *King v. Burwell*, which casually dismissed the government's argument that the Internal Revenue Service should receive deference for its construction of the Affordable Care Act's tax-credit provisions. As the majority put it, the Court "often" applies *Chevron* in assessing statutory issues of this nature, but not in "extraordinary cases" of "deep 'economic and political significance' . . . central to th[e] statutory scheme."[57] Accordingly, it was the Court's—not the agency's—"task to determine the [statute's] correct reading."[58]

The second avenue through which the Justices have questioned judicial deference to the executive is through a critique of *Chevron*'s sister doctrine—commonly attributed to the Supreme Court's opinions in *Bowles v. Seminole Rock & Sand Co.*[59] and *Auer v. Robbins*[60]—under which courts "defer to an agency's interpretation of its own regulations."[61] In his partial dissent in *Decker v. Northwest Environmental Defense Center*, Justice Scalia relied on separation-of-powers first principles to argue that this doctrine should be abandoned and replaced with the rule that courts must give regulations their most "natural" and "fairest" construction, "using the familiar tools of textual interpretation," notwithstanding the agency's advocacy of a plausible but "unnatural reading."[62]

(2015) (Thomas, J., dissenting). For a recent court of appeals opinion that expresses similar concerns, see *Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1149 (10th Cir. 2016) (Gorsuch, J., concurring) (explaining that "*Chevron* and *Brand X* permit executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers' design").

57. King v. Burwell, 135 S. Ct. 2480, 2488-89 (2015) (quoting Util. Air Regulatory Grp. v. EPA, 134 S. Ct. 2427, 2444 (2014)).

58. *Id.* at 2489; *cf.* Mellouli v. Lynch, 135 S. Ct. 1980, 1989 (2015) ("Because it makes scant sense, the [Board of Immigration Appeals]'s interpretation, we hold, is owed no deference under the doctrine described in *Chevron* . . . .").

59. 325 U.S. 410 (1945).

60. 518 U.S. 452 (1997).

61. Talk Am., Inc. v. Mich. Bell Tel. Co., 131 S. Ct. 2254, 2265 (2011) (Scalia, J., concurring); *see also* Decker v. Nw. Envtl. Def. Ctr., 133 S. Ct. 1326, 1339 (2013) (Scalia, J., concurring in part and dissenting in part) ("In practice, *Auer* deference is *Chevron* deference applied to regulations rather than statutes.").

62. 133 S. Ct. at 1339, 1342 (Scalia, J., concurring in part and dissenting in part); *see also* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1225 (2015) (Thomas, J., concurring) ("By my best lights, the entire line of precedent beginning with *Seminole Rock* raises serious constitutional questions and should be reconsidered in an appropriate case."); *Decker*, 133 S. Ct. at 1338-39 (Roberts, C.J., concurring) (expressing an interest in revisiting *Auer* and *Seminole Rock* in a later case in which the issue has been more fully briefed and argued).

More recently, in a separate concurrence in *Perez v. Mortgage Bankers Ass'n*, Justice Scalia observed that the APA "contemplates that courts, not agencies, will authoritatively resolve ambiguities in statutes and regulations" and that the Court's "elaborate law of deference to agencies' interpretations of statutes and regulations" was "[h]eedless of the original design of" section 706.[63] Despite this observation, however, Justice Scalia did not call for *Chevron*'s abandonment because interpretive deference on statutory questions "was in conformity with the long history of judicial review of executive action" under a writ of mandamus.[64] *Seminole Rock* and *Auer* should be rejected, he argued, because there was no "such history justifying deference to agency interpretations of its own regulations."[65] Justice Thomas likewise questioned the "legitimacy" of *Seminole Rock*, which (according to him) "effect[ed] a transfer of the judicial power to an executive agency" and "raise[d] constitutional concerns" by "undermin[ing]" the Court's "obligation to provide a judicial check on the other branches."[66] That was so because, according to Justice Thomas, "the judicial power, as originally understood, requires a court to exercise its independent judgment in interpreting and expounding upon the laws."[67] In language that could apply just as easily to *Chevron* as to *Seminole Rock*, he claimed that

63. 135 S. Ct. at 1211 (Scalia, J., concurring in the judgment); *see also id.* at 1211-12 (arguing that the Court had "supplement[ed] the APA with judge-made doctrines of deference," thereby "revolutioniz[ing]" the APA's provision on interpretive rules, and claiming that this "problem is . . . perhaps insoluble if *Chevron* is not to be uprooted, with respect to interpretive rules setting forth agency interpretation of statutes").

64. *Id.* at 1212 (citing United States v. Mead Corp., 533 U.S. 218, 243 (2001) (Scalia, J., dissenting)). That position is in some tension with the Court's statement in an opinion (also authored by Justice Scalia) holding that the Supremacy Clause does not create a cause of action. The Court said that it had "long held" that federal courts may grant injunctive relief "with respect to violations of federal law by federal officials" – consistent with the traditional relief "given in a court of equity," which "reflects a long history of judicial review of illegal executive action, tracing back to England." Armstrong v. Exceptional Child Ctr., Inc., 135 S. Ct. 1378, 1384 (2015) (citing Am. Sch. of Magnetic Healing v. McAnnulty, 187 U.S. 94, 110 (1902)); *see also* LOUIS L. JAFFE, JUDICIAL CONTROL OF ADMINISTRATIVE ACTION 152-96 (1965)); *infra* Section II.C (addressing this issue). The Court gave no explanation to square this tradition of (seemingly de novo) equitable relief against government officers with the opposing tradition of deferential mandamus review.

65. *Perez*, 135 S. Ct. at 1212 (Scalia, J., concurring in the judgment); *see also id.* at 1210 (Alito, J., concurring) (claiming that separate opinions "offer substantial reasons why the *Seminole Rock* doctrine may be incorrect").

66. *Id.* at 1213 (Thomas, J., concurring in the judgment).

67. *Id.* at 1217.

"[w]hen courts refuse to decide what the best interpretation is under the law, they abandon the judicial check."[68]

What is notable about these recent opinions, taken together, is not merely the anti-deference position that they advocate, but also their failure to engage with the nineteenth-century cases on which *Chevron* relied. To be sure, the Justices have cited Chief Justice Marshall's directive in *Marbury* that courts must "say what the law is";[69] the text of the Vesting Clauses of Articles I and III;[70] James Madison's and Alexander Hamilton's statements on the importance of the separation of powers in *The Federalist*;[71] similar general statements by Montesquieu, William Blackstone, and other pre-Founding authors;[72] and the

68. *Id.* at 1221.

69. *See* City of Arlington v. FCC, 133 S. Ct. 1863, 1880 (2013) (Roberts, C.J., dissenting) (quoting Marbury v. Madison, 5 U.S. (1 Cranch) 137, 177 (1803)); *see also* Michigan v. EPA, 135 S. Ct. 2699, 2712 (2015) (Thomas, J., concurring) (quoting *Marbury* while contending that judicial deference "wrests from Courts the ultimate interpretive authority to 'say what the law is,' and hands it over to the Executive" (citation omitted)); *Perez*, 135 S. Ct. at 1222 (Thomas, J., concurring in the judgment) (citing *Marbury* for the proposition that "[j]udges are at least as well suited as administrative agencies to engage in [the interpretive] task"); Decker v. Nw. Envtl. Def. Ctr., 133 S. Ct. 1326, 1340 (2013) (Scalia, J., concurring in part and dissenting in part) (contending that the "purpose of interpretation is to determine the fair meaning of the rule – to 'say what the law is,'" and "to determine what policy has been made and promulgated by the agency, to which the public owes obedience" (quoting *Marbury*, 5 U.S. (1 Cranch) at 177)).

70. *See Michigan*, 135 S. Ct. at 2712-13 (Thomas, J., concurring) (citing U.S. CONST. art. I, § 1; *id.* art. III, § 1).

71. *See Perez*, 135 S. Ct. at 1217 (Thomas, J., concurring in the judgment); *City of Arlington*, 133 S. Ct. at 1877-78 (Roberts, C.J., dissenting) (contending that, contrary to Madison's claim that the "accumulation of all powers, legislative, executive, and judiciary, in the same hands . . . may justly be pronounced the very definition of tyranny," the modern administrative state has allowed agencies to "exercise legislative power, by promulgating regulations with the force of law; executive power, by policing compliance with those regulations; and judicial power, by adjudicating enforcement actions and imposing sanctions on those found to have violated their rules" (internal quotation marks omitted) (quoting THE FEDERALIST NO. 47, at 324 (James Madison) (J. Cooke ed., 1961))); *Decker*, 133 S. Ct. at 1341 (Scalia, J., concurring in part and dissenting in part) (contending that deference under *Auer* contradicts Hamilton's explanation for the Constitution's decision not to mimic British practice by using a House of Lords as a court of last resort, "due in part to the fear that he who has 'agency in passing bad laws' might operate in the 'same spirit' in their interpretation" (quoting THE FEDERALIST NO. 81, at 543-44 (Alexander Hamilton) (J. Cooke ed., 1961))).

72. *See Perez*, 135 S. Ct. at 1220 (Thomas, J., concurring in the judgment) (arguing that "[j]udges have long recognized their responsibility to apply the law" and appealing to Chief Justice Coke); *Decker*, 133 S. Ct. at 1341 (Scalia, J., concurring in part and dissenting in part) (arguing that allowing agencies to both "prescribe" and "interpret" regulations violates the principle that "the power to write a law and the power to interpret it cannot rest in the same hands"; by appealing to Montesquieu's caution against uniting "the legislative and executive

text of section 706 of the APA.[73] But *Chevron*'s reliance on early nineteenth-century cases raises the possibility that each of these sources can, at the end of the day, be reconciled with the broad principle of judicial deference that the Court believed that it was rearticulating.

Cases like *Edward's Lessee*, on which *Chevron* itself relied, are completely missing from the recent opinions questioning judicial deference. In other words, though *Chevron* was premised on a jurisprudential tradition, that tradition plays no part in the current debate. That omission is a serious one, because (assuming *Chevron* properly understood the cases) their age suggests that separation of powers poses no barrier to judicial deference to executive interpretation. The import of those cases is thus key to assessing the recent judicial critiques of the *Chevron* opinion.[74]

C. The Scholarly Treatment of the Precedents Cited in Chevron

Scholars have previously addressed the cases on which *Chevron* relied, but here too the debate remains incomplete. In an article almost contemporaneous with the Court's opinion in *Chevron*, Henry Monaghan relied on the same basic set of precedents to conclude that "[h]istory, if not logic, is . . . squarely against the wide assertion . . . that article III courts can never yield to administrative

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powers . . . in the same person" for fear that "the same monarch or senate should enact tyrannical laws, to execute them in a tyrannical manner"; and by appealing to Blackstone's condemnation of the ancient practice of resolving doubts about "the construction of the Roman laws" by "stat[ing] the case to the emperor in writing, and tak[ing] his opinion upon it" (quoting MONTESQUIEU, SPIRIT OF THE LAWS bk. XI, at 151-52 (O. Piest ed., T. Nugent trans., 1949) (1748); and 1 WILLIAM BLACKSTONE, COMMENTARIES *58)).

73. *See Perez*, 135 S. Ct. at 1211-12 (Scalia, J., concurring in the judgment); *City of Arlington*, 133 S. Ct. at 1880 (Roberts, C.J., dissenting).

74. The debate within the courts has been supplemented recently by legislative debate on the wisdom of judicial deference. Two Senate committees have held hearings with testimony questioning the continued role of judicial deference to agencies' statutory interpretations. *See Examining Agency Use of Deference, Part II: Hearing Before the Subcomm. on Regulatory Affairs and Fed. Mgmt. of the S. Comm. on Homeland Sec. and Governmental Affairs*, 114th Cong. (2016), http://www.hsgac.senate.gov/hearings/examining-agency-use-of-deference-part-ii [http://perma.cc/934T-2QLF]; *Examining the Federal Regulatory System To Improve Accountability, Transparency and Integrity: Hearing Before the S. Comm. on the Judiciary*, 114th Cong. (2015), http://www.judiciary.senate.gov/meetings/examining-the-federal-regulatory-system-to-improve-accountability-transparency-and-integrity [http://perma.cc/AZV6-5KVJ]. And the House of Representatives recently passed legislation, entitled the "Separation of Powers Restoration Act of 2016," that would add to section 706 an explicit requirement that courts review "de novo" all questions of law. *See* H.R. 4768, 114th Cong. (2016).

constructions of law."[75] He contended that "the Marshall court itself gave early sanction to deference principles," with "judicial expressions of deference increas[ing]" over the course of the nineteenth century and *Marbury* proving "no barrier to the development."[76]

Adopting a slightly different perspective, Thomas Merrill identified a tradition of deference that was "pragmatic and contextual" and based on "an eclectic cluster of considerations," such as the relative expertise of the agency, the consistency or contemporaneity of the agency's interpretation, and the depth of the agency's analysis.[77] In a similar vein, Peter Strauss observed that a court interpreting a statute referred to "the meanings attributed to it by prior (administrative) interpreters, their stability, and the possibly superior body of information and more embracive responsibilities that underlay them."[78] Like Strauss and Merrill, the most prominent administrative law scholars in the decades following the APA's passage, Kenneth Culp Davis and Louis Jaffe, both described the doctrine of judicial deference as turning on a host of factors.[79] According to Merrill, however, this pre-*Chevron* tradition "had no unifying theory for de-

75. Henry Monaghan, Marbury *and the Administrative State*, 83 COLUM. L. REV. 1, 17 (1983). Notwithstanding the thirty-year passage of time, both the dissent and majority in *City of Arlington* cited Monaghan's article. Chief Justice Roberts quoted the article for the proposition that a "court is not abdicating its constitutional duty to 'say what the law is' by deferring to agency interpretations of law: it is simply applying the law as 'made' by the authorized lawmaking entity." 133 S. Ct. at 1880 (Roberts, C.J., dissenting) (quoting Monaghan, *supra*, at 27-28). Justice Scalia's majority opinion cited it for the proposition that "[a]dministrative application of law is administrative formulation of law whenever it involves elaboration of the statutory norm." *Id.* at 1870 (majority opinion) (quoting Monaghan, *supra*, at 29).

76. Monaghan, *supra* note 75, at 14-15.

77. Merrill, *supra* note 18, at 972-73. In a subsequent article, Merrill and his coauthor Kathryn Watts have suggested that Congress signals that judicial deference is appropriate when it grants an agency rulemaking authority with the "force of law" and that, conversely, agencies that lack such rulemaking authority ought not be given *Chevron* deference. Thomas W. Merrill & Kathryn Tongue Watts, *Agency Rules with the Force of Law: The Original Convention*, 116 HARV. L. REV. 467 (2002). Although their article uncovers significant evidence that the APA intended to tether its notice-and-comment requirements to the phrasing of rulemaking grants, I am not persuaded that the language of the grants was intended to trigger application (or non-application) of judicial deference.

78. Peter L. Strauss, *"Deference" Is Too Confusing—Let's Call Them* "Chevron *Space" and* "Skidmore *Weight,"* 112 COLUM. L. REV. 1143, 1156 (2012); *see also* Peter L. Strauss, *In Search of* Skidmore, 83 FORDHAM L. REV. 789, 789 (2014) ("Ever since 1827, the U.S. Supreme Court has repeatedly observed that when a court is interpreting a statute that falls within the authority of an administrative agency, the court in reaching its own judgment about the statute's meaning should give substantial weight to the agency's view.").

79. *See* KENNETH CULP DAVIS, ADMINISTRATIVE LAW § 257, at 927 (1951); JAFFE, *supra* note 64, at 576 (1965).

termining when to defer"; had "no explicit rationale linking the various factors together," which "tended to be invoked unevenly"; and "did not comprise, either individually or collectively, what could be described as a coherent doctrine."[80] "No attempt," as he puts it, "was made to connect the various factors together or to explain their relevance in terms of a model of executive-judicial relationship."[81]

With respect to the argument that *Chevron* may be justified as consistent with "the origins of federal-court judicial review" in the writ of mandamus, scholars have had little to say.[82] Since *Chevron*, there has been no in-depth scholarly or jurisprudential attention to this issue, despite acknowledgement that it is one of the few attempts "to reconcile *Chevron* with the text of the APA."[83]

The failure to engage with *Chevron*'s precedential origins and the nature of mandamus review has left an important gap in the administrative law literature. In the remainder of this Article, my goal is not only to fill this gap, but also to provide a richer and deeper understanding of the doctrinal underpinnings of judicial deference and an explanation of how the *Chevron* Court misinterpreted the precedents on which it relied.

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80. Merrill, *supra* note 18, at 972, 974.

81. *Id.* at 974; *see also* Colin S. Diver, *Statutory Interpretation in the Administrative State*, 133 U. PA. L. REV. 549, 562 (1985) (describing various "divergent strains in the Court's administrative review jurisprudence"); Richard W. Murphy, *Judicial Deference, Agency Commitment, and Force of Law*, 66 OHIO ST. L.J. 1013, 1025-26 (2005) ("[T]he judicial deference doctrine of the pre-*Chevron* era did not constitute a coherent body of law, and one must treat generalizations about it with care."); Woolhandler, *supra* note 14, at 234 ("The Court's deference to long-standing constructions of statutes by the executive seems to have been similarly influenced by the need for reliability in land patents to avoid obstructions on the sale and use of land.").

82. *See* United States v. Mead Corp., 533 U.S. 218, 241-42 (Scalia, J., dissenting). Justice Scalia refers to, and derives his view from, Jaffe's observation that the standard for mandamus can "be taken to mean that if the applicable rule of law is disputable (in the opinion of the judge), then the court will not make an independent determination of the law upon which to base a command to the officer," which Jaffe analogizes to a deferential "theory of judicial review generally." JAFFE, *supra* note 64, at 183.

83. Manning, *supra* note 10, at 465 & n.68. Two recent (albeit fleeting) treatments of mandamus' relevance to judicial deference can be found in PHILIP HAMBURGER, IS ADMINISTRATIVE LAW UNLAWFUL? 293-94, 308-09 (2014), and JERRY L. MASHAW, CREATING THE ADMINISTRATIVE CONSTITUTION: THE LOST ONE HUNDRED YEARS OF AMERICAN ADMINISTRATIVE LAW 212-13, 302 (2012).

II. THE THEORY AND PRACTICE OF INTERPRETATION FROM THE EARLY AMERICAN REPUBLIC TO THE END OF THE NINETEENTH CENTURY

Interpretive theorists of the seventeenth and eighteenth centuries routinely applied two interpretive canons to eliminate the problem of ambiguity: a reliance on the contemporaneous understanding of a text (what was called the "*contemporanea expositio*") and a reliance on the customary understanding of that text (the "*interpres consuetudo*"). The nineteenth-century cases on which *Chevron* relied apply these two canons of construction, which form the critical theoretical underpinnings for the case law and the interpretive methodology of the era. In this Part, I explore the interpretive methodology used by nineteenth-century courts and commentators, beginning in Section II.A with a review of the intellectual foundations of the interpretive approach, before turning in Section II.B to an examination of how American courts applied the interpretive methodology in practice. I then turn in Section II.C to two related issues: the articulation of the standard for obtaining a writ of mandamus, and the proper scope for reviewing factual issues previously adjudicated by executive branch officers. These issues illuminate how nineteenth-century courts viewed the proper relationship between the judicial and executive branches. They were also instrumental in the development of doctrines of deference during the twentieth century. Finally, in Section II.D, I offer a "view from 1900" through the lens of nineteenth-century treatises.

A. *The Theory of Interpretation: The* Contemporanea Expositio *and* Interpres Consuetudo *Canons of Construction*

In a recent opinion respecting the denial of certiorari, Justice Scalia remarked that King James I, England's monarch at the turn of the seventeenth century, "did not have the benefit of *Chevron* deference."[84] James I governed a nation with an administrative apparatus far different in kind and scope from the American administrative state. But the smaller size and dissimilar ambitions of the seventeenth-century English state did not eliminate the need for English judges to interpret ambiguous legal text. Rather than adopting a *Chevron*-like framework, however, judges adhered to customary canons of construction in the face of statutory ambiguity. Two of those canons – the *contemporanea*

84. Whitman v. United States, 135 S. Ct. 352, 353 (2014) (Scalia, J., concurring in the denial of certiorari). James I was the primary royal antagonist of Sir Edward Coke, whose views shaped English law and the legal perspective of eighteenth- and nineteenth-century American lawyers. *See infra* notes 99-101 and accompanying text.

expositio and *interpres consuetudo*—were central to the development of judicial deference.

1. The Problem of Ambiguity

It takes no genius to recognize that legal text can, for a variety of reasons, be difficult to interpret. Not surprisingly, seventeenth- and eighteenth- century legal theorists (some of whom could fairly be described as geniuses) identified the problems that ambiguity, in its various guises, posed for an ordered legal system.[85]

Writ large, the goal of interpretation was straightforward: understanding the meaning and intention of the text's "speaker." In the words of John Selden, a well-known seventeenth-century scholar and parliamentarian, "a mans wryting has" the "sense" that "the Author meant when he write it."[86] Or as John Locke put the same point, a man speaks so "that he may be understood" and to "make known his ideas to the hearer."[87] The "signification" of the speaker's words, therefore, "is limited to his ideas, and they can be signs of nothing else"—lest they end up "hav[ing] no signification at all."[88]

That commonsense approach, however, could break down in significant cases. One difficulty was the inherent ambiguity of human language and the constant concern that an author had expressed himself imprecisely—a problem only exacerbated by the fact that legal documents were often created for application to future circumstances not fully anticipated.[89] The amount of time between the text's creation and the text's application often meant, as Blackstone pointed out, that the precise issue to be adjudicated "probably . . . did not occur

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85. *Cf.* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1217 (2015) (Thomas, J., concurring in the judgment) ("Those who ratified the Constitution knew that legal texts would often contain ambiguities.").

86. THE TABLE TALK OF JOHN SELDEN 12-13 (Frederick Pollock ed., 1927).

87. JOHN LOCKE, AN ESSAY CONCERNING THE HUMAN UNDERSTANDING bk. III, ch. II, § 2, at 204 (Raymond Wilburn ed., 1947) (1689).

88. *Id.*; *id.* § 8, at 206.

89. *See* 1 EDWARD COKE, THE FIRST PART OF THE INSTITUTES OF THE LAWS OF ENGLAND § 21, at 24 b (photo. reprt. 2008) (Francis Hargrave & Charles Butler eds., 1809) (observing that "the law-makers could not possibly set downe all cases in expresse terms"); THOMAS WOOD, AN INSTITUTE OF THE LAWS OF ENGLAND 8 (3d ed. 1724) (observing that "[l]aw-makers cannot comprehend all Cases"); *cf.* Edrich's Case (1603) 77 Eng. Rep. 238 (CP) 239 (holding that the words of a statute are followed "when the meaning of the makers doth not appear to the contrary, and when no inconvenience will thereupon follow").

to the legislators when they framed the . . . Act."[90] A second difficulty was the change in the conventional usages of language over time—otherwise known as semantic drift. Even where a legal text's meaning was unambiguously known and established at the time of its adoption, the passage of years could change and obscure the sense of the words used. "Laws operate at a distance of time," wrote the English cleric and academic Thomas Rutherforth in an influential treatise—a distance that could hinder the search for "true meaning" by interpreters "who live many years, after the laws were made."[91]

And a third difficulty arose in the case of legal texts created by more than one party.[92] In such cases, the various "authors" may not have intended to express the same idea in creating the text, and asking them for their meaning after the fact could be problematic because their perspectives could become unreliable. At the time when judicial interpretation was generally necessary—after a dispute between parties could not be resolved outside of the courts—a fair-minded interpreter could not simply ask the parties what they meant to say, because each party's interpretation of the text was likely colored by present interests.[93] For that reason, Blackstone argued that "[t]o interrogate the legislature

90. Gerard's Case (1777) 96 Eng. Rep. 663 (CP) 665 (opinion of Blackstone, J.).

91. 2 THOMAS RUTHERFORTH, INSTITUTES OF NATURAL LAW 336 (1756); *see also* 3 EMMERICH DE VATTEL, THE LAW OF NATIONS 202 (Charles G. Fenwick trans., Carnegie Inst. 1916) (1758) ("Languages are constantly varying in form; the force and meaning of terms change in the course of time.").

92. A DISCOURSE UPON THE EXPOSICION & UNDERSTANDINGE OF STATUTES WITH SIR THOMAS EGERTON'S ADDITIONS 151 (Samuel E. Thorne ed., 1942) [hereinafter EXPOSICION & UNDERSTANDINGE OF STATUTES] (describing the problem as involving the existence of "so manie heades as there were, so many wittes; so manie statute makers, so many myndes").

93. *See* 3 DE VATTEL, *supra* note 91, at 200 ("[I]f I am allowed to explain my promises after my own pleasure I shall have it in my power to render them meaningless and of no effect by giving them a meaning quite different from that they had for you when you accepted them."); *see also* 1 JEAN DOMAT, THE CIVIL LAW IN ITS NATURAL ORDER TOGETHER WITH THE PUBLICK LAW xlix (William Strahan trans., 2d ed. 1737) (1722) (advising that, in the formation of contracts, "the Intention of the one Party, ought to answer to that of the other, and it is necessary that they understand each other, and that they agree together," lest one party "hath made use of an ambiguous Expression"); HUGO GROTIUS, THE RIGHTS OF WAR AND PEACE 352 (Jean Barbeyrac ed., Innys et al. 1738) (1625) (reasoning that "there would be no Obligation at all by Promises, if every Man were left to his Liberty, to put what Construction he pleased upon them"); 1 JOHN JOSEPH POWELL, ESSAY UPON THE LAW OF CONTRACTS AND AGREEMENTS 372-73 (Garland 1978) (1790) ("[W]hatever difference there may be between a man's internal sentiments and external expression, he must, in his ordinary transactions with mankind, be concluded to use signs according to their common acceptation . . . . Therefore he, in whose favor an obligation is incurred, has a right to compel him, from whom it is due, to perform it in that sense, which the ordinary interpretation of the signs made use of import."); SAMUEL VON PUFENDORF, THE LAW OF NATURE AND NATIONS: OR, A

to decide particular disputes, is not only endless, but affords great room for partiality and oppression."[94] Like parties to a contract, legislators could give biased testimony, perhaps as a result of influence by persons interested in and capable of corrupting the bargain struck in the statute's text.[95]

2. *Solutions to the Problem of Ambiguity*

The goal of interpretation was to mitigate these difficulties through the application of neutral rules—the canons of construction—that approximated, in Blackstone's words, the legislature's "intentions at the time when the law was made, by signs the most natural and probable."[96] Many of these canons were nothing more than rules of thumb for good English. Others were of a more legal bent and remain familiar to us today, such as the canon that an interpreter should "construe one part of the statute by another part of the same statute, for that best expresseth the meaning of the makers."[97]

Two of those canons are central to the development of judicial deference. The first canon was distilled in the Latin maxim *contemporanea expositio est optima et fortissima in lege*—or "a contemporaneous exposition is the best and most powerful in law." The rule had deep-rooted origins. As early as the

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GENERAL SYSTEM OF THE MOST IMPORTANT PRINCIPLES OF MORALITY, JURISPRUDENCE, AND POLITICS 534 (Bonwicke et al. eds., Basil Kennet trans., 5th ed. 1749) (1672) ("[T]here would be no such Thing as *Obligation*, if any one might free himself, by affixing what Sense he pleased to his *Signs*, and by pretending that he meant different from their true Signification.").

94. 1 WILLIAM BLACKSTONE, COMMENTARIES *58.

95. *Cf.* 2 RUTHERFORTH, *supra* note 91, at 308 (reasoning that it would be unfair to require a person "to comply with [a legislator's] will" when he did "not know what [that] will is," but could see only an "outward sign or mark [namely, the enacted law], by which this will is expressed or declared").

96. 1 BLACKSTONE, *supra* note 94, at *59 (emphasis omitted); *see also* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1217 (2015) (Thomas, J., concurring in the judgment) (observing that during the ratification debate, Federalists expected courts to apply "principles of interpretation that had been set out by jurists for centuries"); Simon v. Metivier or Motivos (1766) 96 Eng. Rep. 347 (KB) 347 (opinion of Mansfield, C.J.) ("[W]hat the Legislature meant, is the rule both at law and equity; for, in this case, both are the same. The key to the construction of the Act is the intent of the Legislature . . . ."). In discussing the interpretive approach of this era, I do not mean to suggest that all theorists shared a common vision on all legal matters. Far from it. *See, e.g.*, Emily Kadens, *Justice Blackstone's Common Law Orthodoxy*, 103 NW. U. L. REV. 1553, 1598-1604 (2009) (describing Blackstone as the anti-Mansfield because of the former's advocacy of common-law orthodoxy and the latter's advocacy of change). My summary of the interpretive methodology is intended to canvass the shared legal ground upon which the various authors conducted their legal debates.

97. 2 COKE, *supra* note 89, § 728, at 381 a.

fifteenth century, Chief Justice Frowyck claimed that, in the absence of legislators' "declaracion of theire myndes" in statutory text, the "authoritye" of those who "were mooste neerest the statute" would "persuade us."[98]

For the generation of the Constitution's Framers, the canon's most famous proponent was the eminent Elizabethan-era jurist Edward Coke. "Great regard," he is believed to have explained,

> [O]ught, in construing a statute, to be paid to the construction which the sages of the law, who lived about the time, or soon after it was made, put upon it; because they were best able to judge of the intention of the makers at the time when the law was made.[99]

Early expositors of legal text were often "best able to judge of the intention" of the text's drafters, thereby allowing a later interpreter to approximate the drafters' meaning. For that reason, Coke explained in the *Magdalen College Case* that "Acts of Parliament . . . are to be construed according to the intent and meaning of the makers of them, the original intent and meaning is to be observed."[100] In particular, "ancient acts and graunts," like the Magna Carta, "must be construed and taken as the law was holden at that time when they were made."[101] Other legal scholars advocated the same general approach.[102] Rutherforth, for exam-

98. EXPOSICION & UNDERSTANDINGE OF STATUTES, *supra* note 92, at 152; *see also* THEODORE F.T. PLUCKNETT, STATUTES & THEIR INTERPRETATION IN THE FIRST HALF OF THE FOURTEENTH CENTURY 49-50 (1st ed. 1922) (describing an early case in which the judge, who also served as a member of the legislature, proclaimed, "[d]o not gloss the statute for we know better than you; we made it").

99. 2 FORTUNATUS DWARRIS, A GENERAL TREATISE ON STATUTES 562 (2d ed. 1848) (ascribing this language to Coke).

100. The Case of the Master and Fellows of Magdalen Coll. in Cambridge (1615) 77 Eng. Rep. 1235, 1245; 11 Co. Rep. 66 b, 73 b.

101. 1 EDWARD COKE, THE SECOND PART OF THE INSTITUTES OF THE LAWS OF ENGLAND 1 (photo. reprt. 2008) (1797); *see also* Rex v. Bishop of London (1694) 89 Eng. Rep. 714, 715; 1 Show. K.B. 493, 495 ("[I]n any construction of Acts of Parliament, the original intent and meaning of the makers of the law is to be observed . . . .").

102. *See, e.g.*, S.B. CHRIMES, ENGLISH CONSTITUTIONAL IDEAS IN THE FIFTEENTH CENTURY 293 (1936) (stating that the "rule of reference to the intention of the legislators . . . was certainly established by the second half of the fifteenth century"). The point was made repeatedly by the authors of legal treatises. *See* GROTIUS, *supra* note 93, at 353 ("The best Rule of Interpretation is to guess at the Will by the most probable Signs . . . ."); SIR CHRISTOPHER HATTON, A TREATISE CONCERNING STATUTES, OR ACTS OF PARLIAMENT: AND THE EXPOSITION THEREOF 14 (1677) (asserting that "when the intent is proved, that must be followed"); VON PUFENDORF, *supra* note 93, at 535 ("The true End and Design of Interpretation is, to gather the Intent of the Man from most probable Signs."); 2 RUTHERFORTH, *supra* note 91, at 309 ("The end, which interpretation aims at, is to find out what was the intention of the writer;

ple, advocated that, to "remov[e] any doubts about the sense" of a law "owing only to our remoteness from its original establishment," an interpreter should "look[] back into the contemporary practice . . . which the law produced in the first instance" to "see in what sense it was then understood."[103]

Jurists applied the *contemporanea expositio* rule of thumb in a wide variety of cases. In 1591, for example, the King's Bench observed that "when [an] ancient grant is general, obscure, or ambiguous, it shall not be now interpreted as a charter made at this day, but it shall be construed as the law was taken at the time when such ancient charter was made, and according to the ancient allowance on record."[104]

And the canon was not directed at statutes alone: it was viewed as a generalized method of proper interpretation, applicable to all manner of legal instruments. Vattel, for example, argued that, in seeking the meaning of a treaty's words at the time it "was entered into and its terms drawn up," the interpreter should consult "deeds of the same period and . . . contemporary writers, by a careful process of comparison."[105]

Precisely how to implement the canon was the subject of debate. On the one hand, in what may be one of the early uses in the common-law tradition of some sort of "legislative history" to arrive at the *contemporanea expositio*, Chief Justice Frowycke wrote in the fifteenth century that "those that were the penners & devisors of statutes [have] bene the grettest lighte for exposicion of statutes."[106] That suggested that the interpretation expressed by the authors of

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to clear up the meaning of his words . . ."); 3 DE VATTEL, *supra* note 91, at 201 (asserting that the rules for interpreting treaties and contracts should be "adapted to determining the meaning of the contract as it was naturally understood by the parties when drawn up and accepted" (emphasis omitted)). For examples of sources using the Latin formulation of the canon, see 4 MATTHEW BACON, A NEW ABRIDGMENT OF THE LAW 648 (5th ed. 1786); HERBERT BROOM, A SELECTION OF LEGAL MAXIMS 683 (8th ed. 1882); 2 DWARRIS, *supra* note 99, at 562; and WOOD, *supra* note 89, at 8.

103. 2 RUTHERFORTH, *supra* note 91, at 336-37.

104. The Case of the Abbot of Strata Mercella (1591) 77 Eng. Rep. 765, 772; 9 Co. Rep. 24 a, 28 a (footnotes omitted).

105. 3 DE VATTEL, *supra* note 91, at 202.

106. EXPOSICION & UNDERSTANDINGE OF STATUTES, *supra* note 92, at 151-52. It may be that Chief Justice Frowycke's perspective on the appropriateness of referring to the personal knowledge and intent of a law's draftsman predated (and was hence superseded by) the separation of judicial and governmental functions in the King's Council. *See* S.E. Thorne, *The Equity of a Statute and* Heydon's Case, 31 ILL. L. REV. 202, 203 (1936) ("It is only after the middle of the fourteenth century, when judges find themselves no longer able to draw either upon the actual intention of the legislator or upon the royal dispensing power, that they are forced to construct a body of rules of statutory interpretation . . ."); *see also* John O. McGinnis & Michael B. Rappaport, *Original Methods Originalism: A New Theory of Interpretation and the Case*

the statute—albeit intentions not expressed in the statute itself—would be somehow privileged above the interpretation of others. A number of cases, such as Chief Justice Mansfield's opinion in *Atcheson v. Everitt*, "looked into the debates of th[e] days" during which a law was enacted.[107] On the other hand, the English majority view appeared to preclude the use of legislative debates to aid statutory construction. As Christopher Hatton, Lord Chancellor under Elizabeth I, observed, parliamentarians had no special authority over the interpretation of legal text because "their Authority is returned to the Electors so clearly" even "if they were altogether assembled again for interpretation by a voluntary meeting."[108] More to the point, other judges asserted that "[t]he sense and meaning of an Act of Parliament must be collected from what it says when passed into a law; and not from the history of changes it underwent in the house where it took its rise."[109] As a result, "[p]arliamentary doubts, debates, or conferences, ought to have no weight in directing judicial determinations."[110]

But whether the interpreter was permitted to use sources akin to what we now call legislative history—or only other sources indicating the author's intent, such as contemporaneous dictionaries or scholarly works—the ultimate

Against Construction, 103 NW. U. L. REV. 751, 790, 791 n.135 (2009) (reasoning that, in the eighteenth and nineteenth centuries, an "increasing emphasis on statutory text was due in part to the emergence of a stricter separation of legislative and judicial powers" and in part to the appearance of "more careful drafting" by legislators).

107. Atcheson v. Everitt (1775) 98 Eng. Rep. 1142, 1147; 1 Cowp. 382, 390; *see also* Earl of Leicester v. Heydon (1571) 75 Eng. Rep. 582, 602; 1 Plowden 384, 398 (citing legislative history that was "well known, the affair happening but of late time" and that may "discover to us the intent of the makers of the Act"); Partridge v. Strange (1553) 75 Eng. Rep. 123, 130; 1 Plowden 77, 82 (reasoning that, because "words" are "no other than the verberation of the air," they are only "the image" of the statute; that "the life of the statute rests in the minds of the expositors of the words"; and that if those expositors "are dispersed, so that their minds cannot be known, then those who may approach nearest to their minds shall construe the words"); CHRIMES, *supra* note 102, at 293-95 (discussing judicial reference to legislative intent in the fifteenth century).

108. HATTON, *supra* note 102, at 29-30.

109. Millar v. Taylor (1769) 98 Eng. Rep. 201, 217; 4 Burr. 2303, 2332 (Willes, J., concurring) (reasoning that the legislative "history is not known to the other house, or to the Sovereign"); *cf. id.* at 256 (opinion of Mansfield, C.J.) (relying on legislative history by observing that "[a]n alteration was made in the committee"); *id.* at 248 (Yates, J., dissenting) (relying on legislative history). During the course of the nineteenth century, the British courts' aversion to relying on legislative history hardened. *See* Regina v. Hertford Coll., [1878] 3 QB 693 at 707 (Eng.) ("The statute is clear, and the parliamentary history of a statute is wisely inadmissible to explain it . . . .").

110. Evans v. Harrison (1762) 97 Eng. Rep. 51, 62; Wilm. 130, 159.

point was the same: the faithful interpreter of an ambiguous statute resorted to contemporaneous sources to determine the *contemporanea expositio*.[111]

The second rule of thumb was also distilled into a Latin phrase—*optimus interpres legum consuetudo*, or "usage is the best interpreter of laws."[112] The *interpres consuetudo* canon, as I will call it, had equally deep-rooted origins. The Roman jurist Julius Paulus Prudentissimus—the praetorian prefect to the Emperor Alexander Severus and the most excerpted authority in Justinian's *Digest*—had expressed the point as early as the third century.[113] Like the *contemporanea expositio* canon, the *interpres consuetudo* canon was routinely applied by courts.[114] Coke applied it in *Lord Cromwel's Case*.[115] John Vaughan, the Chief Justice of the Court of Common Pleas and a friend of John Selden's, remarked in *Sheppard v. Gosnold* that "[w]here the penning of a statute is dubious, long usage is a just medium to expound it by"—because "the meaning of things spoken or written must be, as it hath constantly been receiv'd to be by common acceptation."[116]

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111. In short, the timeworn question of whether "legislative history," or the expressed subjective "intention" of the authors of a legal text, may properly be used as a tool to interpret statutes is outside the scope of this Article. For recent treatments of the historical practice, see PHILIP HAMBURGER, LAW AND JUDICIAL DUTY 54 (2008) (arguing that common lawyers started with "an initial presumption that the intent could be discerned from the words," but "recogni[zed] that when the words remained unclear it was necessary to inquire more broadly about the act's intent"); and Robert G. Natelson, *The Founders' Hermeneutic: The Real Original Understanding of Original Intent*, 68 OHIO ST. L.J. 1239, 1259-73 (2007) (concluding that the English rule precluding reliance on legislative history did not appear until the nineteenth century).

112. *See* 1 COKE, *supra* note 101, at 18, 282 (setting forth the canon); *see also id.* at 25 (contending that "the best expositors of this and all other statutes are our bookes and use or experience"); EDWARD COKE, THE FOURTH PART OF THE INSTITUTES OF THE LAWS OF ENGLAND 75 (5th ed., Streater et al. 1671) (1644); 2 JOHN LILLY, THE PRACTICAL REGISTER: OR A GENERAL ABRIDGMENT OF THE LAW 649 (2d ed. 1745) (stating that "long Usage is a just Medium to expound [an Act of Parliament] by").

113. THE DIGEST OF JUSTINIAN 1.3.37 (Paulus, Quaestiones 1) ("[O]ptima enim est legum interpres consuetudo."); *see also* DIG. 1.3.23 (Paulus, Ad Plautium 4) ("Minime sunt mutanda, quae interpretationem certam semper habuerunt."); DIG. 1.3.26 (Paulus, Quaestiones 4) ("Non est novum, ut priores leges ad posteriores trahantur.").

114. The maxim appeared in a variety of formulations. *See, e.g.*, Stevens v. Duckworth (1664) 145 Eng. Rep. 486, 487; Hardres 338, 340 ("[U]sus optimus magister & interpres." ("Use is an excellent teacher and interpreter.")); Molyn's Case (1590) 77 Eng. Rep. 261, 261; 6 Co. Rep. 5 b, 6 a ("[C]onsuetudo est optima interpres legum.").

115. Lord Cromwel v. Andrews (1601) 76 Eng. Rep. 574, 597; 2 Co. Rep. 69 b, 81 a.

116. Sheppard v. Gosnold (1672) 124 Eng. Rep. 1018, 1023; Vaugh. 159, 169; *see also* 4 BACON, *supra* note 102, at 653 (repeating Chief Justice Vaughan's language). Custom did not trump plain legal text. As Vaughan explained, usage that was "against the obvious meaning of an

Nobody harbored the illusion that reference to contemporary or customary practices allowed the interpreter to capture perfectly the meaning of the speaker. But as the British judge and politician James Mansfield observed, "It is of greater consequence that the law should be as uniform as possible, than that the equitable claims of an individual should be attended to."[117] There was, in other words, utility in not disturbing the expectations of parties who had come to rely on the customary interpretation. If the "uniformity" produced by the customary interpretation did not reflect the legislature's wishes – perhaps because "the subtle and nice Wits of learned Lawyers" had obscured parliamentary intent – the legislators, "who best knew their own Sense and Meaning," could enact explanatory statutes "to direct and guide the Judges."[118]

3. American Perspectives

American lawyers at the time of the Constitution's adoption were familiar with these theoretical debates and the resulting interpretive framework.[119] For example, in the widely circulated *The Federalist*, James Madison and Alexander Hamilton analyzed how these interpretive principles would be applied to construe a newly adopted Federal Constitution and concluded that constitutional

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Act of Parliament" and was practiced solely "by the vulgar and common acceptation of the words" was "an oppression," rather than an "exposition of the Act." *Sheppard*, 124 Eng. Rep. at 1023; Vaugh. at 170; *see also* Molyn's Case, 77 Eng. Rep. at 262 ("Quod licet consuetudo est magnae authoritatis nunquam tamen praejudicat veritati." ("While custom is of great authority, it never . . . prejudices the truth.")); 4 BACON, *supra* 102, at 653 ("But if the Usage have been, to construe the Words of a Statute contrary to their obvious Meaning, such Usage is not to be regarded . . . .").

117. Hammond v. Anderson (1804) 1 Bos. & Pul. 69, *reprinted in* 2 LEADING CASES IN THE COMMERCIAL LAW OF ENGLAND AND SCOTLAND 148, 150 (George Ross ed., 1855).

118. WILLIAM PEYT, JUS PARLIAMENTARIUM 55 (2d ed. 1741).

119. *See, e.g.*, Julius Goebel, *Constitutional History and Constitutional Law*, 38 COLUM. L. REV. 555, 563 (1938) ("It is the tradition of Coke's time that passes over to the American colonies, for it is upon the methods and constitutional views of Coke that the colonial lawyers were nurtured."). Thomas Jefferson, to take just one example, told Madison that "a sounder whig" than Coke "never wrote, nor of profounder learning in the orthodox doctrines of the British constitution, or in what were called English liberties." Letter from Thomas Jefferson to James Madison (Feb. 17, 1826), *in* 12 THE WORKS OF THOMAS JEFFERSON 455, 456 (Paul Leicester Ford ed., 1905). It should be noted, however, that as a nineteen-year-old law clerk, Jefferson rendered a somewhat less favorable verdict of Coke's scholarship. *See* Letter from Thomas Jefferson to John Page (Dec. 25, 1762), *in* 3 THE PAPERS OF THOMAS JEFFERSON, 1760-1776, 3, 5 (Julian P. Boyd ed., 1950) ("Well, Page, I do wish the Devil had old Cooke, for I am sure I never was so tired of an old dull scoundrel in my life.").

interpretation should mimic ordinary statutory interpretation.[120] Thus, Hamilton equated the task that Article III judges would have in interpreting the Constitution with their ordinary role in applying tools of statutory construction to congressional enactments. Without suggesting a bright demarcation between deferential statutory review and de novo constitutional review, he observed that the judiciary would "ascertain [the Constitution's] meaning, as well as the meaning of any particular act proceeding from the legislative body."[121]

Second, in articulating that generalized interpretive approach, Madison acknowledged the pervasive problem of legal ambiguity, and the specific criticisms of the anti-Federalists that the language of the Constitution was ambiguous,[122] in terms that would have been familiar to legal theorists of the seventeenth and eighteenth centuries. Madison observed that "no language is so copious as to supply words and phrases for every complex idea, or so correct as not to include many equivocally denoting different ideas."[123] Due to inherent deficiencies in language, "new laws, though penned with the greatest technical skill and passed on the fullest and most mature deliberation, are considered as more or less obscure and equivocal."[124]

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120. *See* H. Jefferson Powell, *The Original Understanding of Original Intent*, 98 HARV. L. REV. 885, 948 (1985) ("Early interpreters usually applied standard techniques of statutory construction to the Constitution."); *see also* Donaldson v. Harvey, 3 H. & McH. 12, 19 (Md. 1790) ("In expounding the [F]ederal [C]onstitution, the same rules will be observed which are attended to in the exposition of a statute.").

121. THE FEDERALIST NO. 78, at 467 (Alexander Hamilton) (Clinton Rossiter ed., 1961).

122. *See* Philip A. Hamburger, *The Constitution's Accommodation of Social Change*, 88 MICH. L. REV. 239, 307 n.254 (1989) (citing examples of anti-Federalist complaints about the Constitution's vagueness). *But see id.* at 308 nn.260-61 (citing examples of Federalist contention that "the Constitution was clear or at least as clear as possible in light of both linguistic and political difficulties").

123. THE FEDERALIST NO. 37, at 229 (James Madison) (Clinton Rossiter ed., 1961).

124. *Id.* Madison's private correspondence further reveals that he was generally aware of then-current European debates on proper interpretive methodology and specifically aware of the special problems posed by semantic drift. *See* Caleb Nelson, *Originalism and Interpretive Conventions*, 70 U. CHI. L. REV. 519, 521, 525 (2003) (observing that "James Madison and other prominent founders did not consider the Constitution's meaning to be fully settled at the moment it was written," but rather "recognized that it contained ambiguities"); *see also id.* at 551 n.137 (touching briefly on the connection between early interpretive methodology and *Chevron* by making the "limited" analogy that the "canon of statutory construction reflected in [*Chevron*] illustrates how legal texts that do not explicitly delegate interpretive authority to anyone might nonetheless be understood to include an implicit delegation as part of . . . their 'meaning,'" but stressing that *Chevron* and founding-era interpretive principles are not "identical" given that "the terms of the delegation inferred by *Chevron* give administrative agencies substantially more freedom to depart from settled understandings than the Madisonian concept of 'liquidation'").

Third, Hamilton considered, but rejected, the possibility that the political branches would fill in the ambiguities in the Constitution's text. He addressed the likelihood that the "[l]egislative body [would] themselves [be] the constitutional judges of their own powers," making the "construction they put upon them . . . conclusive upon the other departments."[125] He rejected that view as not being "the natural presumption, where it is not to be collected from any particular provisions in the Constitution."[126] In light of the Constitution's separation of powers, Hamilton noted, it would be "far more rational to suppose that the courts were designed to be an intermediate body between the people and the legislature, in order, among other things, to keep the latter within the limits assigned to their authority," with "[t]he interpretation of the laws [as] the proper and peculiar province of the courts."[127]

Fourth, both Madison and Hamilton adopted the proposed solutions to the problem of legal ambiguity advocated by seventeenth- and eighteenth-century legal theorists. They stressed, in other words, the role of custom and contemporaneity in construing those parts of the Constitution's text that may otherwise be susceptible to a range of permissible interpretations. In the words of Hamilton, customary practice that developed over time would "liquidate the meaning" of the Federal Constitution.[128] Or as Madison put it, the meaning of constitutional provisions would be "liquidated and ascertained by a series of particular discussions and adjudications."[129]

Commentators of the era echoed Madison's and Hamilton's views in polemics, scholarly works, and legislative debates. Law professor and jurist Theophilus Parsons, for example, declared that the people would have "no permanent security of . . . person and property" if "the executive and judicial powers be united," because "[t]he executive power would interpret the laws and bend them to his will; and, as he is the judge, he may leap over them by artful constructions, and gratify, with impunity, the most rapacious passions."[130] In a more sober vein, James Wilson declared that "[t]he first and governing maxim in the interpretation of a statute is, to discover the meaning of those, who made it."[131] Similarly, writing under the pseudonym Brutus, the well-known anti-

125. THE FEDERALIST NO. 78, *supra* note 121, at 467.

126. *Id.*

127. *Id.*

128. THE FEDERALIST NO. 82, at 491 (Alexander Hamilton) (Clinton Rossiter ed., 1961).

129. THE FEDERALIST NO. 37, *supra* note 123, at 229.

130. THEOPHILUS PARSONS, MEMOIR OF THEOPHILUS PARSONS 374 (1859).

131. James Wilson, *Of the Study of the Law in the United States* (1804), *reprinted in* 1 THE WORKS OF JAMES WILSON 69, 75 (Robert Green McCloskey ed., 1967).

Federalist Robert Yates assumed that the Supreme Court would "fix[], by a course of decisions" the "meaning and construction of the constitution."[132] During the First Congress, various congressmen repeatedly referenced the contemporaneous and customary interpretation given to constitutional provisions in advancing their positions in debates over the Bill of Rights, the removal of federal officers, and the First National Bank.[133] As Madison put it during the consideration of the First National Bank, the participants of these debates shared the assumption that "[c]ontemporary and concurrent expositions" of the Constitution were "reasonable evidence of the meaning of the parties."[134]

B. The Interpretive Theory in Practice

Looking from the vantage point of the Framers and early theorists, one can better understand the nineteenth-century cases on which *Chevron* relied. In particular, these sources highlight that courts' repeated assertions that certain executive interpretations of legal text should receive "respect" were in fact applications of the theory that an ambiguous legal text should be given its contemporaneous and customary meaning. The courts' assertions were, in both constitutional and statutory cases alike, applications of the *contemporanea expositio* and *interpres consuetudo* canons, not of judicial deference to the executive as such. A look into early American practice demonstrates courts' use of the can-

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132. *Brutus XII*, N.Y.J., Feb. 7, 1788, *reprinted in* 16 THE DOCUMENTARY HISTORY OF THE RATIFICATION OF THE CONSTITUTION 72, 73 (John P. Kaminski et al. eds., 1986). This notion was repeated throughout the early Republic. *See, e.g.*, NATHANIEL CHIPMAN, PRINCIPLES OF GOVERNMENT: A TREATISE ON FREE INSTITUTIONS INCLUDING THE CONSTITUTION OF THE UNITED STATES 254 (1833) (observing that the "meaning of words or terms" may change over time, but the "meaning of the constitution is not therefore changed"); GULIAN C. VERPLANCK, SPEECH WHEN IN COMMITTEE OF THE WHOLE, IN THE SENATE OF NEW-YORK, ON THE SEVERAL BILLS AND RESOLUTIONS FOR THE AMENDMENT OF THE LAW AND THE REFORM OF THE JUDICIARY SYSTEM 28 (1839) (noting that the meaning of legal text is unclear "until usage and precedent have fixed it").

133. *See* Natelson, *supra* note 111, at 1298-1305.

134. 2 ANNALS OF CONG. 1946 (1791). Once again, the precise contemporaneous sources that could be consulted, and the circumstances under which consultation would be appropriate, was the subject of debate. *See, e.g.*, Ex'rs of Rippon v. Ex'rs of Townsend, 1 S.C.L. (1 Bay) 445, 449 (1795) (observing that "it would be wrong for us to give [a] different meaning than the law affixes to a legal technical term . . . merely from an idea that the legislature meant to do so, which perhaps they did not, though some particular member might have had such an intention"); *see also* ALEXANDER HAMILTON, *Final Version of an Opinion on the Constitutionality of an Act To Establish a Bank* (Feb. 23, 1791), *in* 8 THE PAPERS OF ALEXANDER HAMILTON 97, 111 (Harold C. Syrett ed., 1965) ("[W]hatever may have been the intention of the framers of a constitution, or of a law, that intention is to be sought for in the instrument itself . . . .").

ons in both constitutional and statutory interpretation, and their willingness to invalidate executive action on the basis of the canons.

1. The Generality of the Canons in American Practice

Early courts routinely invoked the two canons to construe the Constitution's text. In the leading case, *Stuart v. Laird* (decided the same year as *Marbury*),[135] the Supreme Court addressed the constitutionality of the practice of Supreme Court Justices "riding circuit" without distinct commissions as circuit judges. The Court explained that, because the "objection" to circuit riding was of "recent date," it was "sufficient to observe, that practice and acquiescence under [the Constitution] for a period of several years, commencing with the organization of the judicial system, affords an irresistible answer, and has indeed fixed the construction."[136] "This practical exposition" was, the Court reasoned, "a contemporary interpretation of the most forcible nature" that was "too strong and obstinate to be shaken or controlled."[137]

A number of seminal cases followed this mode of analysis by giving weight to early and longstanding constructions of ambiguous constitutional provisions. In *McCulloch v. Maryland*, Chief Justice Marshall reasoned that "[a]n exposition of the constitution, deliberately established by legislative acts, on the faith of which an immense property has been advanced, ought not to be lightly disregarded."[138] In *Cohens v. Virginia*, Marshall observed that "[g]reat weight has always been attached, and very rightly attached, to contemporaneous exposition."[139] And in *Field v. Clark*, the Court reasoned that "the practical construction of the Constitution, as given by so many acts of Congress, and embracing almost the entire period of our national existence, should not be overruled, unless upon a conviction that such legislation was clearly incompatible with the supreme law of the land."[140]

Opinions in somewhat more obscure cases tied the formulations of the canons to the justifications given for them by Madison and other interpretive theorists. In *The Passenger Cases*, Chief Justice Taney's dissent (echoing Madi-

135. 5 U.S. (1 Cranch) 299 (1803).

136. *Id.* at 309.

137. *Id.*; *see also* The Laura, 114 U.S. 411, 416 (1885) (quoting *Stuart*, 5 U.S. (1 Cranch) at 309).

138. 17 U.S. (4 Wheat.) 316, 401 (1819).

139. 19 U.S. (6 Wheat.) 264, 418 (1821); *see also id.* at 420 (reasoning that the act at issue in the case was constitutional in part because "in the Congress which passed that act were many eminent members of the Convention which framed the constitution").

140. 143 U.S. 649, 691 (1892).

son) noted that "[i]f in this court we are at liberty to give old words new meanings when we find them in the Constitution, there is no power which may not, by this mode of construction, be conferred on the general government and denied to the States."[141] In *Burrow-Giles Lithographic Co. v. Sarony*, the Court said that "[t]he construction placed upon the Constitution by the first act of 1790, and the act of 1802, by the men who were contemporary with its formation, many of whom were members of the convention which framed it, is of itself entitled to very great weight, and when it is remembered that the rights thus established have not been disputed during a period of nearly a century, it is almost conclusive."[142] And in *Boyd v. United States*, the Court expressly tied its interpretive approach to the Latin formulations of the interpretive canons, observing that "long usage, acquiesced in by the courts, goes a long way to prove that there is some plausible ground or reason for [an interpretation] in the law," because "[i]t is a maxim that, *consuetudo est optimus interpres legum*; and another maxim that, *contemporanea expositio est optima et fortissima in lege*."[143]

Cases interpreting statutes applied precisely the same canons of construction as constitutional cases. Judges "deferred" to or "respected" executive statutory constructions because they were contemporaneous to enactment or customary, not because they were executive as such. The leading case for many years was *Edwards' Lessee v. Darby*,[144] which *Chevron* cited as the earliest example of a case holding that "considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer."[145] *Edwards' Lessee* addressed a statute enacted by the North Carolina legislature to settle disputes over certain land boundaries. The Court held that it would not disturb the construction of the statute previously given by appointed land commissioners because "[i]n the construction of a doubtful and ambiguous law, the cotemporaneous construction of those who were called upon to act under the law, and were appointed to carry its provisions into effect, is entitled to very great respect."[146] The Court observed that the North Carolina statute "was not only thus construed by the commissioners, but that construc-

141. 48 U.S. (7 How.) 283, 478 (1849).

142. 111 U.S. 53, 57 (1884); *see also* Ogden v. Saunders, 25 U.S. (12 Wheat.) 213, 290 (1827) (Johnson, J., concurring) (invoking the contemporaneity canon and justifying reference to Framing-era materials on the theory that the contemporaries of the Constitution "had the best opportunities of informing themselves of the understanding of the framers . . . and of the sense put upon it by the people when it was adopted by them").

143. 116 U.S. 616, 622 (1886).

144. 25 U.S. (12 Wheat.) 206 (1827).

145. Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 844 & n.14 (1984).

146. *Edwards' Lessee*, 25 U.S. (12 Wheat.) at 210.

tion seems to have received, very shortly after, the sanction of the legislature" in a later enactment that "must be construed as recognising the validity of, and as ratifying the surveys which had been made by the commissioners."[147]

2. The Use of the Canons To Invalidate Executive Action

The clearest sign that *Edwards' Lessee* announced a doctrine of deference to *contemporaneous* and *customary* interpretations, not a doctrine of deference to *executive* interpretations, is that the principle in the case was repeatedly invoked to reject the executive branch's changed construction of a statute and to require that statutory interpretation be consistent and uniform – and, hence, customary or contemporaneous with enactment. In *Merritt v. Cameron*, for example, the Court reasoned that "a construction of a statute by a department charged with its execution [is not] held conclusive and binding upon the courts of the country, unless such construction has been continuously in force for a long time."[148] The Court's precedents "go to that extent and no further."[149] Along the

147. *Id.* at 210-11. There is voluminous jurisprudence applying this principle to uphold a continuous and longstanding practice. *See, e.g.*, United States v. Philbrick, 120 U.S. 52, 59 (1887) (upholding the Secretary of the Navy's longstanding construction of a naval benefits statute because the Secretary's interpretation was not clearly erroneous and had been relied upon for decades); Brown v. United States, 113 U.S. 568, 571 (1884) ("This contemporaneous and uniform interpretation is entitled to weight in the construction of the law, and in a case of doubt ought to turn the scale."); Hahn v. United States, 107 U.S. 402, 406 (1883) (noting that "congress had not interfered with [a preexisting] construction"); United States v. Burlington & Mo. River R.R. Co., 98 U.S. 334, 341 (1878) ("This uniform action is as potential, and as conclusive of the soundness of the construction, as if it had been declared by judicial decision. It cannot at this day be called in question."); Garfielde v. United States, 93 U.S. 242, 246 (1876) (agreeing with an agency interpretation because it was "in conformity to the usages . . . for many years past"); Atkins v. Fibre Disintegrating Co., 85 U.S. (18 Wall.) 272, 306 & n.60 (1873) (citing *Edward's Lessee* and finding it "significan[t]" that a particular legal proposition "does not seem to have occurred to any one" in a series of prior cases, and declaring that this silence was "hardly less effectual than an express authoritative negation upon the subject"); Harrington v. Smith, 28 Wis. 43, 68 (1871) ("Long and uninterrupted practice under a statute, especially by the officers whose duty it was to execute it, is good evidence of its construction, and such practical construction will be adhered to, even though, were it res integra, it might be difficult to maintain it.").

148. 137 U.S. 542, 552 (1890).

149. *Id.* The Court noted that because the Treasury Department's construction of the statute at issue had "not been uniform," "[t]here is no such long and uninterrupted acquiescence in a regulation of a department, or departmental construction of a statute, as will bring the case within the rule . . . that in case of a doubtful and ambiguous law the contemporaneous construction of those who have been called upon to carry it into effect is entitled to great respect." *Id.* Courts have applied this doctrine in numerous other cases. *See, e.g.*, Robertson v. Downing, 127 U.S. 607, 611, 613 (1888); United States v. Johnston, 124 U.S. 236, 253 (1888);

same line, in *United States v. Healey*, writing for the Court, Justice Harlan reasoned that, as a result of the lack of "uniform[ity]" in the "practice of the Department," the Court was obligated "to determine the true interpretation of the act of 1877, without reference to the practice in the Department."[150] Justice Harlan observed that the outcome may have been otherwise if "the Interior Department had uniformly interpreted the act," in which case the Court would have "accept[ed] that interpretation as the true one, if, upon examining the statute, we found its meaning to be at all doubtful or obscure."[151] And in *United States v. Alabama Great Southern Railroad Co.*, a unanimous Court relied on the "contemporaneous construction thus given by the executive department of the government, and continued for nine years through six different administrations of that department" in rejecting a "sudden change" in favor of the executive branch's litigating interpretation.[152] The Court previously reasoned in

Iowa v. McFarland, 110 U.S. 471, 489 (1884) (Miller, J., dissenting) (disputing that "previous construction of the government" was sufficiently longstanding); United States v. Pugh, 99 U.S. 265, 269 (1878); Dollar Savings Bank v. United States, 86 U.S. (19 Wall.) 227, 237 (1873); Peabody v. Stark, 83 U.S. (16 Wall.) 240, 242-44 (1872); United States v. Dean Linseed-Oil Co., 87 F. 453, 456 (6th Cir. 1898) ("The importance of adherence to a long-continued and reasonable construction of a statute by the officers of the department whose duty it has been to execute it, when the statute is of an ambiguous character, has been frequently commented upon by the supreme court ever since the case of *Edwards v. Darby*."); United States v. Union Pac. Ry. Co., 37 F. 551, 555 (C.C.D. Colo. 1889) (Brewer, J., riding circuit) (reasoning that "[i]nnocent parties have bought on the faith of the title" and that "at this late day something more than a mere doubt must exist to justify the divesting of titles thus sanctioned, and sanctioned for so long a time"). For internal executive branch documents applying the same principle, see War-Revenue Act—Export Bills of Lading, 23 Op. Att'y Gen. 3, 8 (1900), which notes that "[w]hen there is added to this departmental construction the subsequent readoption of the same language by Congress in another act, it is conclusive that Congress, in the absence of language to the contrary, intended the same construction and effect to be given to the words in the latter as in the former instance"; Arrears of Pension—Statutory Construction, 21 Op. Att'y Gen. 408 (1896), which reasons that "[d]epartmental practice under an act of Congress has an effect similar in this respect to Congressional practice under an ambiguous statutory provision"; and Compensation of United States Attorney at New York, 19 Op. Att'y Gen. 354, 357 (1889), which states that "I do not see how, in the face of these circulars, and of such uniform practice for so many years, any other interpretation can now be given the statutes, whatever might be said if the question were an original one."

150. 160 U.S. 136, 145 (1895).

151. *Id.*

152. 142 U.S. 615, 621 (1892). The Court also noted that "[i]t is especially objectionable that a construction of a statute favorable to the individual citizen should be changed in such manner as to become retroactive, and to require from him the repayment of moneys to which he had supposed himself entitled, and upon the expectation of which he had made his contracts with the government." *Id.*

United States v. Hill that the interpretive principle of contemporaneous construction "has been applied, as a wholesome one, for the establishment and enforcement of justice, in many cases in this court, not only between man and man, but between the government and those who deal with it, and put faith in the action of its constituted authorities, judicial, executive, and administrative."[153]

The cases, moreover, cited constitutional, statutory, and even contractual precedents applying the canons interchangeably, while nowhere suggesting that the rule varied depending on the legal instrument at issue in the case. For example, in *Schell's Executors v. Fauché*, the Court held that a past "practice" that had "grown up throughout the country" made it "too late for us to be called upon to overrule it . . . notwithstanding [a] treasury regulation," relying on both *Stuart v. Laird* (which addressed deference to legislative practice under the Constitution) and *Edwards' Lessee* (which addressed deference to administrative practice under a statute).[154] "In all cases of ambiguity," the Court claimed, "the contemporaneous construction, not only of the courts but of the departments, and even of the officials whose duty it is to carry the law into effect, is universally held to be controlling."[155]

Over a century after the American Revolution, the traditional canons of construction continued to have relevance in the interpretation of ambiguous legal text. As the Court explained in *The "City of Panama,"* when an act is ambiguous, "the contemporaneous construction of such a statute is entitled to great respect, especially where it appears that the construction has prevailed for

153. 120 U.S. 169, 182 (1887).

154. 138 U.S. 562, 572 (1891).

155. *Id.* State court cases took the same approach. *See* Commonwealth v. Lockwood, 109 Mass. 323, 339 (1872) (citing *Edward's Lessee* for the proposition that the interpretation of an ambiguous constitutional provision is "settled by the contemporaneous construction and the long course of practice in accordance therewith" and holding that government's current interpretation conflicted with the Constitution's contemporaneous construction); Barney v. Leeds, 51 N.H. 253, 265-66 (1871) (citing *Edward's Lessee*, in stating that "contemporaneous construction . . . is entitled to great respect," and applying principle to "the construction given to this form of expression, or its equivalent terms, in analogous statutes, by the courts in other jurisdictions"); Attorney Gen. v. Bank of Cape Fear, 40 N.C. (5 Ired. Eq.) 71, 72 (1847) (observing that a "cotemporary exposition practiced and acquiesced in for a period of years fixes the construction" unless it "is contrary to the obvious meaning of the words of the Act"—and that "[t]his is also a rule in the construction of contracts"); Boyden v. Town of Brookline, 8 Vt. 284, 286 (1836) (stating that "long established construction of [a] statute should now have the force of a judicial determination" because "[s]uch has always been the deference paid by courts to such an exposition of statute or constitutional law").

a long period, and that a different interpretation would impair vested rights—*contemporanea expositio est fortissima in lege*."[156]

C. *Two Related Issues: The Mandamus Standard and Questions of Fact*

Before turning from the legal framework of the nineteenth century to that of the twentieth, it is necessary to address two additional aspects of early American public law, both of which played a large role in the development of doctrines of deference. The first—the nature and scope of judicial review in cases brought using a writ of mandamus or other extraordinary writ—has been cited by Justices of the Supreme Court as a precursor to modern doctrines of deference and a possible doctrinal basis for *Chevron*.[157] As explained below, however, the nineteenth-century cases addressing the scope of the mandamus writ support the contrary proposition. Those cases distinguished between, on the one hand, the standard for obtaining the writ and, on the other, the appropriate interpretive methodology that would be applied in cases not brought using the writ. The second—the nature and scope of judicial review of *factual* determinations by executive branch officials—would prove to be critical in the early intellectual justifications for, and the subsequent development of, the doctrine of judicial deference in the mid-twentieth century.

1. *Mandamus Review*

The immediately preceding discussion of the nineteenth-century Court's use of a de novo standard of review for statutory questions (accompanied by application of the *contemporanea expositio* and *interpres consuetudo* canons) may suggest that judges were routinely involved in directly reviewing the interpretive decisions of executive branch officials. But judicial review of executive action was for a portion of the nineteenth century often accomplished using a writ of mandamus (or other extraordinary writ), which carried with it a deferential standard of review. That standard of review witnessed a significant shift from the Marshall Court to the Taney Court, then began to lose its salience with the advent of federal-question jurisdiction in 1875. More importantly, the

156. 101 U.S. 453, 461 (1879) (citing THEODORE SEDGWICK, A TREATISE ON THE RULES WHICH GOVERN THE INTERPRETATION AND CONSTRUCTION OF STATUTORY AND CONSTITUTIONAL LAW 213 (2d ed. 1874)).

157. *See* United States v. Mead Corp., 533 U.S. 218, 242 (2001) (Scalia, J., dissenting) (noting that "[j]udicial control of federal executive officers was principally exercised through the prerogative writ of mandamus"); Panama Canal Co. v. Grace Line, Inc., 356 U.S. 309, 318 (1958) (noting that "[t]he principle at stake is no different than if mandamus were sought").

standard was a function of the writ used—and the remedy sought—rather than the interpretive theory that the Court was applying.

Because federal courts lacked general federal-question jurisdiction until 1875, parties arguing that an executive official violated federal law had to find another source of jurisdiction to challenge the executive branch's interpretation and application of law. In the absence of general federal-question jurisdiction—and where a claim did not "arise under" one of the specific grants of federal-question jurisdiction that Congress enacted during this period[158]—parties normally had two options: (1) common-law actions in which the interpretation of a statute was an ancillary step in the analysis; and (2) extraordinary writs, such as the writ of mandamus, against the executive branch official charged with enforcing the action.[159] The interpretive method applied in cases involving either of these two bases for jurisdiction tells us much about the proper role that courts and executive officers played in construing statutes.[160]

Some statutory issues were reviewable in the context of tort or contract actions against the responsible executive officer or another party.[161] In such cases, as demonstrated above, the Court's interpretive role was essentially de novo.[162] Not all statutory issues, however, could readily be adjudicated in the context of a common-law action.[163] Where a common-law action was unavailable, plaintiffs sometimes resorted to seeking a writ of mandamus directed at the respon-

158. *See* Ann Woolhandler & Michael G. Collins, *Federal Question Jurisdiction and Justice Holmes*, 84 NOTRE DAME L. REV. 2151, 2157-68 (2009) (describing early pockets of "arising under" jurisdiction).

159. *Cf.* JAFFE, *supra* note 64, at 155 (noting that nineteenth-century courts generally controlled administrative action "by the prerogative writs—certiorari, mandamus, etc.—or by permitting common-law actions against officers alleged to have exceeded their authority"); Thomas W. Merrill, *Article III, Agency Adjudication, and the Origins of the Appellate Review Model of Administrative Law*, 111 COLUM. L. REV. 939, 947 (2011) ("[T]he key to understanding nineteenth-century judicial review starts with the observation that administrative action could be reviewed only through certain forms of action."); Antonin Scalia, *Sovereign Immunity and Nonstatutory Review of Federal Administrative Action: Some Conclusions from the Public-Lands Cases*, 68 MICH. L. REV. 867, 885-86 (1970) (observing that nineteenth-century judges had "greater reverence for the integrity of the pleadings," such that "[i]f the sovereign was not named, the sovereign was not sued").

160. *Cf.* Merrill, *supra* note 159, at 947 ("The form of action dictated the nature of the 'review.'").

161. *See id.* (noting that "[c]ustoms, revenue, and prize cases tended to be reviewed by tort actions against the officer responsible for the taking").

162. *See supra* Section II.B.

163. *See, e.g.*, Nicholas Bagley, *The Puzzling Presumption of Reviewability*, 127 HARV. L. REV. 1285, 1299 (2014) ("[T]he erroneous deprivation of a government benefit—a military pension, for instance—was not considered a common law wrong and thus gave rise to no cause of action.").

sible executive officer.[164] But the writ imposed its own standard for obtaining relief. As Chief Justice Marshall explained in *Marbury*, mandamus would issue only if the claimant could show that he had a vested right and that the executive official had violated a nondiscretionary, ministerial legal duty.[165] Other comparable writs were subject to similar limitations.[166]

The application of that abstract standard to concrete cases ebbed and flowed significantly over the course of the early nineteenth century beginning with *Marbury* and the interventionist impulses of the Marshall Court. While *Marbury* recognized that "there may be such cases" in "which[] the injured individual has no remedy" (because the statutory duty called for the exercise of discretion),[167] the opinion tended to disregard the mandamus standard in order to elevate the right-remedy connection. As Chief Justice Marshall put it, "[t]he very essence of civil liberty certainly consists in the right of every indi-

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164. The only court authorized to issue the writ to federal officers (and only to those within the District of Columbia) was the Circuit Court for the District of Columbia. *See* Kendall v. United States *ex rel.* Stokes, 37 U.S. (12 Pet.) 524, 615-26 (1838). The Marshall Court had previously held that state courts did not have authority to issue mandamus to federal officials, *see* McClung v. Silliman, 19 U.S. (6 Wheat.) 598, 604-05 (1821), and that "the power of the Circuit Courts to issue the writ of mandamus, [was] confined exclusively to those cases in which it may be necessary to the exercise of their jurisdiction," McIntire v. Wood, 11 U.S. (7 Cranch) 504, 506 (1813).

165. Marbury v. Madison, 5 U.S. (1 Cranch) 137, 170-71 (1803). For an exploration of the relationship between this aspect of *Marbury* and *Chevron*, see Aditya Bamzai, Marbury v. Madison *and the Concept of Judicial Deference*, 84 MO. L. REV. (forthcoming 2017). *See also* JAFFE, *supra* note 64, at 332 (noting that a "series of [English] cases in the years 1700-1740 developed the principle that mandamus would not lie when the respondent's function was 'judicial' but only when it was 'ministerial'" and characterizing this distinction as meaning that there was "an area of 'discretion' free from control by the King's Bench").

166. *See* Litchfield v. Register, 76 U.S. (9 Wall.) 575, 577 (1869) (declining to issue a writ of injunction because the officer's action was discretionary); Gaines v. Thompson, 74 U.S. (7 Wall.) 347, 352-53 (1868) (holding that prohibition on review of discretionary acts "is as applicable to the writ of injunction as it is to the writ of mandamus" and that an injunction would not issue where the Secretary's discretion rested on "a question which requires the careful consideration and construction of more than one act of Congress"); Mississippi v. Johnson, 71 U.S. (4 Wall.) 475, 501 (1866) (holding that the Court "has no jurisdiction of a bill to enjoin the President in the performance of his official duties"). For an explanation of the difference between the "writ of injunction" and the equitable remedy of an injunction, see James E. Pfander & Nassim Nazemi, Morris v. Allen *and the Lost History of the Anti-Injunction Act of 1793*, 108 NW. U. L. REV. 187, 229-34 (2014). For a contrary view, see DICKINSON, *supra* note 26, at 65 n.82, which surmises that *Gaines* and *Litchfield* are in part "a legacy from cases like *Decatur v. Paulding* . . . embodying the Jeffersonian doctrine that the principle of separation of powers forbids judicial interference with the duties of the other departments by means of mandamus."

167. *Marbury*, 5 U.S. (1 Cranch) at 164.

vidual to claim the protection of the laws, whenever he receives an injury."[168] Statutory remedies, in other words, were to be implied when there were statutory wrongs, consistent with the Blackstonian notion that "where there is a legal right, there is also a legal remedy"—language quoted with approval in *Marbury* itself.[169] Elaborating on a similar theme some thirty years later, the Chief Justice claimed that "[i]t would excite some surprise if, in a government of laws and of principle," a person would be left with "no remedy, no appeal to the laws of his country, if he should believe the claim to be unjust."[170] "[T]his anomaly does not exist," Chief Justice Marshall claimed, because "this imputation cannot be cast on the legislature of the United States."[171]

Chief Justice Marshall's conception of rights and remedies had a sound intellectual pedigree—as his citation of Blackstone suggests. What it lacked, however, was a sound basis in positive law. In the wake of the Jeffersonian victory in 1800, Congress repealed the general grant of federal-question jurisdiction, leaving mandamus review as one of the limited avenues by which private parties could compel executive officials to comply with statutory duties.[172] That repeal necessarily meant that not every executive violation of a statute would have a remedy. Contrary to the Chief Justice's assertion, the "anomaly" (as he saw it) *did* exist—unless, that is, the mandamus standard was interpreted to be the functional equivalent of de novo review.

The high-water mark for Chief Justice Marshall's robust vision of mandamus review occurred in *Kendall v. United States ex rel. Stokes*,[173] a case argued

168. *Id.* at 163.

169. *Id.* (quoting 3 WILLIAM BLACKSTONE, COMMENTARIES *23).

170. United States v. Nourse, 34 U.S. (9 Pet.) 8, 28-29 (1835). Years later, the Court cited *Nourse* in support of the presumption of reviewability of statutory questions. *See* Bowen v. Mich. Acad. of Family Physicians, 476 U.S. 667, 670 (1986); Bagley, *supra* note 163, at 1291-92 (arguing that *Bowen* confirmed the "presumption of reviewability"); *cf.* Abbott Labs. v. Gardner, 387 U.S. 136, 140 (1967) (applying the principle that an aggrieved individual is entitled to judicial review of an agency's actions).

171. 34 U.S. (9 Pet.) at 29.

172. *See* An Act to Repeal Certain Acts Respecting the Organization of the Courts of the United States; and for Other Purposes, ch. 8, 2 Stat. 132 (1802); *see also* David E. Engdahl, *Federal Question Jurisdiction Under the 1789 Judiciary Act*, 14 OKLA. CITY U. L. REV. 521, 532-38 (1989) (documenting the history of changing federal jurisdiction and explaining the motivations behind the repeal of the Judiciary Act of 1801); Alison L. LaCroix, *Federalists, Federalism, and Federal Jurisdiction*, 30 LAW & HIST. REV. 205, 208 (2012) (observing that the post-election repeal had "utterly stymied" "the Federalists' drive to expand the scope of federal cases over which the inferior federal courts could exercise original jurisdiction").

173. 37 U.S. (12 Pet.) 524 (1838).

and decided three years after his death.[174] *Kendall* reaffirmed the ministerial/executive distinction drawn in *Marbury*. Granting mandamus where the executive officer acted in a ministerial capacity, the Court concluded in *Kendall*, would not "interfere[] . . . with the rights or duties of the executive" or "involve[] any conflict of powers between the executive and judicial departments of the government."[175] That was because the mandamus did not "direct or control the [executive officer] in the discharge of any official duty, partaking in any respect of an executive character," but rather "enforce[d] the performance of a mere ministerial act."[176]

After *Kendall*, however, the interventionist tide receded. Only two years later, in *Decatur v. Paulding*,[177] Chief Justice Taney (who was, of course, Chief Justice Marshall's replacement) authored an opinion for the Court's majority denying a writ of mandamus. In *Decatur*, the Court considered the cumulative effect of two pension provisions enacted on the same day in 1837: a general statute conferring on the widow of a naval officer killed in service a pension at half the pay to which the officer would have been entitled, and a specific resolution granting a pension to the widow of Stephen Decatur, a naval hero. The question was whether Decatur's widow could recover two pensions. The Secretary of Navy, on the Attorney General's advice, said she could not recover twice, and Decatur sought mandamus relief.[178]

Chief Justice Taney concluded that mandamus was inappropriate because the Secretary's interpretation of the two statutory provisions was an "executive duty" requiring the exercise of judgment and discretion, not a mere "ministerial act."[179] That particular holding—applying the mandamus standard to the facts of the case—may have been unexceptional, but Chief Justice Taney's reasoning was broad. He observed that executive officials are "continually required

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174. *Cf.* JAFFE, *supra* note 64, at 178-79 (observing that the "Taney Court was much more guarded" on this issue than the Marshall Court); Woolhandler, *supra* note 14, at 216 ("[T]he judicially activist de novo method of review was at its height during the Marshall years, whereas the deferential res judicata model of review was at its height during the Taney years.").

175. 37 U.S. (12 Pet.) at 610.

176. *Id.*

177. 39 U.S. (14 Pet.) 497 (1840). The story of the famous naval hero Stephen Decatur's exploits and death, and his widow Susan's attempts to obtain a federal spousal benefit are told more fully in JAMES TERTIUS DE KAY, A RAGE FOR GLORY: THE LIFE OF COMMODORE STEPHEN DECATUR, USN 209-10 (2004), and Kristin A. Collins, *"Petition Without Number": Widows' Petitions and the Early Nineteenth-Century Origins of Public Marriage-Based Entitlements*, 31 LAW & HIST. REV. 1, 15-20 (2013).

178. 39 U.S. (14 Pet.) at 513-14.

179. *Id.* at 515.

to exercise judgment and discretion," including "in expounding the laws and resolutions of Congress."[180] Such interpretive decisions, according to the Chief Justice, were "[i]n general . . . not mere ministerial duties."[181] Interpretation, from this perspective, *generally* involved discretion not subject to mandamus.

Chief Justice Taney's opinion made clear, however, that the standard for mandamus applied in *Decatur* was distinct from the appropriate methodology for interpreting statutes in non-mandamus cases: "If a suit should come before this Court, which involved the construction of any of these laws," the Chief Justice reasoned, "the Court certainly would not be bound to adopt the construction given by the head of a department."[182] To the contrary, in such cases, the Justices would be bound to determine whether the executive official's "decision" was "wrong" and "of course, so pronounce their judgment."[183] That explained why, in common-law cases, the Court gave de novo review to legal questions: a judgment "upon the construction of a law" in a common-law suit would occur "in a case in which [the Court] ha[d] jurisdiction, and in which it is their duty to interpret the act of Congress, in order to ascertain the rights of the parties in the cause before them."[184] Article III judges could not "*by mandamus*, act directly upon the officer, and guide and control his judgment or discretion in the matters committed to his care, in the ordinary discharge of his official duties."[185]

Decatur's underlying reasoning, in other words, rested on the standard for mandamus actions: the case did not purport to turn on appropriate interpretive methodology. The Court's holding in the case made that point crystal clear. The Court held it lacked "jurisdiction over the acts of the Secretary," while at

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180. *Id.*

181. *Id.*

182. *Id.* Dickinson, Jaffe, and Monaghan allude to this aspect of *Decatur*, but each in passing. *See* DICKINSON, *supra* note 26, at 42 n.13 (observing that the Court applied deference because "these were cases of application for mandamus" and "[t]he fact that the courts will not issue a writ of mandamus in a given situation hardly means that they would not review the executive action taken if the question could be got before them in some other way"); JAFFE, *supra* note 64, at 179 ("The Secretary's construction of the law, argued Taney, would not bind the Court in a case in which it had jurisdiction . . . ."); Monaghan, *supra* note 75, at 17 n.97 ("Note, however, that even if direct review were not permissible, it appears that the legal issue could have been litigated in a private action where the [C]ourt would not have been bound by prior administrative decisions on law.").

183. *Decatur*, 39 U.S. (14 Pet.) at 515.

184. *Id.*; *see also id.* (characterizing a mandamus action as akin to "an appeal from the decision of one of the Secretaries" or a revision of "his judgment in any case where the law authorized him to exercise discretion, or judgment").

185. *Id.* (emphasis added).

the same time "forbear[ing] to express any opinion upon the construction of the resolution in question."[186]

Chief Justice Taney's reasoning in *Decatur* effectively closed any avenue for mandamus relief against executive officials for four decades. The Court repeatedly denied mandamus relief against executive branch officials on the ground that the officials were performing discretionary, rather than ministerial, duties.[187] The next time that the Court approved the issuance of a writ of mandamus to a federal executive officer was in 1880.[188]

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186. *Id.* at 517. Parts of *Decatur* suggest a broader sweep based on Chief Justice Taney's notions of sound policy. The Chief Justice reasoned, for example, that "[t]he interference of the Courts with the performance of the ordinary duties of the executive departments of the government, would be productive of nothing but mischief; and we are quite satisfied that such a power was never intended to be given to them." *Id.* at 516. Later cases repeated this sentiment, either in the context of extraordinary writs, such as, for example, *Gaines v. Thompson*, 74 U.S. (7 Wall.) 347, 352-53 (1868); and *Mississippi v. Johnson*, 71 U.S. (4 Wall.) 475 (1866); or where a statute or constitutional provision was best read as conferring discretion upon an executive officer, such as, for example, *Keim v. United States*, 177 U.S. 290, 292-93, 296 (1900), which quotes language from *Decatur* and reasons, with respect to removal of officers, that "[t]hese are matters peculiarly within the province of those who are in charge of and superintending the departments, and until Congress by some special and direct legislation makes provision to the contrary, we are clear that they must be settled by those administrative officers"; *Bartlett v. Kane*, 57 U.S. 263, 272-73 (1853); and JAFFE, *supra* note 64, at 178, which states that "[i]n some of the mandamus cases in the middle of the [nineteenth] century, particularly the federal, one senses a question whether mandamus is consistent with the American doctrine of separation of powers." As *Decatur* demonstrates, however, even the Taney Court, which "was clearly committed to protecting executive action from judicial interference," sought to protect executive discretion by relaxing the standard for issuing the writs of mandamus and injunction, rather than by altering proper interpretive methodology. Mashaw, *supra* note 19, at 1683.

187. *See* 4 WILLIAM WAIT, A TREATISE UPON SOME OF THE GENERAL PRINCIPLES OF THE LAW 365-66 (1878) (summarizing case law as providing that, where a federal executive official possesses discretion concerning the action sought to be enforced by mandamus, the remedy will be denied); *see also* Bagley, *supra* note 163, at 1298 & nn.78-79 (observing that "[a]fter *Decatur*, it took another forty years for the Court to find a federal officer who had failed to discharge a ministerial duty," and that, "[i]n the meantime, the Court repeatedly found administrative action – even action that appeared to thwart straightforward legal commands – to be discretionary in nature and outside the purview of mandamus"). For examples of Supreme Court decisions discussing mandamus, see *United States ex rel. International Contracting Co. v. Lamont*, 155 U.S. 303, 308 (1894); *United States ex rel. Carrick v. Lamar*, 116 U.S. 423, 426 (1886); *United States v. Commissioner of General Land Office*, 72 U.S. 563 (1866); *United States ex rel. Goodrich v. Guthrie*, 58 U.S. (17 How.) 284 (1854); and *Wilkes v. Dinsman*, 48 U.S. (7 How.) 89, 129 (1849).

188. *See* United States v. Schurz, 102 U.S. 378, 395, 399 (1880) (relying on *Marbury* in issuing a writ of mandamus); *see also* Noble v. Union River Logging R.R. Co., 147 U.S. 165, 171-77 (1893) (citing *Marbury*, *Kendall*, and *Schurz* to support the issuance of a writ of injunction restraining the Secretary of Interior and the Commissioner of the General Land Office from

But even while denying the writ, the Court's cases distinguished between the jurisdictional standard for mandamus and the proper method for interpreting statutes. The Court's 1888 decision in *United States ex rel. Dunlap v. Black*,[189] to take one example, echoed Chief Justice Taney's distinction in *Decatur*. While noting that courts could "not interfere *by mandamus* with the executive officers of the government in the exercise of their ordinary official duties, even where those duties require an interpretation of the law," the Court simultaneously made clear that "[w]hether, if the law were properly before us for consideration, we should be of the same opinion [as the executive officer], or of a different opinion, is of no consequence in the decision of this case."[190] The Court's earlier decision in the non-mandamus case of *Johnson v. Towsley* made the same point.[191] There, the Court explained that, while it had "frequently and firmly refused to interfere with [executive officers] in the discharge of their duties, either by mandamus or injunction," it had "constantly asserted the right of the proper courts to inquire" into legal questions concerning private land disputes "according to the established rules of equity and the acts of Congress concerning the public lands," even where executive branch officials had previously ex-

revoking a railroad's right of way); Butterworth v. United States *ex rel.* Hoe, 112 U.S. 50, 64-68 (1884) (holding that mandamus will issue if an executive officer refuses to perform a ministerial duty); *cf.* Bd. of Liquidation v. McComb, 92 U.S. 531, 541 (1875) (issuing an extraordinary writ against a state officer).

189. 128 U.S. 40 (1888).

190. *Id.* at 48 (emphasis added); *see also* United States *ex rel.* Riverside Oil Co. v. Hitchcock, 190 U.S. 316, 324-25 (1903) (denying mandamus and reasoning that "[m]andamus has never been regarded as the proper writ to control the judgment and discretion of an officer," and observing that "[w]hether [the executive branch officer] decided right or wrong, is not the question"); *id.* at 325 ("The writ [of mandamus] never can be used as a substitute for a writ of error. Nor does the fact that no writ of error will lie in such a case as this . . . furnish any foundation for the claim that mandamus may therefore be awarded."); United States v. Lynch, 137 U.S. 280, 286 (1890) (describing *Decatur* as holding that, "while the court would not be bound to adopt the construction given, when departmental decisions are under review in a proper case, the court would not by mandamus control the exposition of statutes by direct action upon executive officers"); *cf.* Comm'r of Patents v. Whiteley, 71 U.S. (4 Wall.) 522, 534-35 (1866) ("The main question passed upon by the commissioner, and which was supposed to underlie this case, is not before us for consideration. If it were, as at present advised, we are not prepared to say that the decision of the commissioner was not correct.").

191. 80 U.S. (13 Wall.) 72 (1871). *Johnson* arose in the context of a common-law land dispute and is discussed below. *See infra* notes 222-227 and accompanying text. For a subsequent case with essentially the same reasoning, see *United States ex rel. Ness v. Fisher*, 223 U.S. 683, 691-92 (1912) ("[W]e are confronted with the question, not whether the decision of the Secretary was right or wrong, but whether a decision of that officer, made in the discharge of a duty imposed by law, and involving the exercise of judgment and discretion, may be reviewed by mandamus . . . .").

pressed a contrary view of the legal question.[192] "[T]he relations thus established between the courts and the land department," the Court explained, "are not only founded on a just view of the duties and powers of each, but are essential to the ends of justice and to a sound administration of the law."[193]

By the time many of these cases were decided, however, the relevance of the scope of the mandamus standard had begun to fade for reasons that Chief Justice Taney could not have foreseen when he wrote *Decatur* in 1840. In 1875, Congress enacted a statute containing a general federal-question jurisdiction provision. In relevant part, the provision conferred on circuit courts (subject to an amount-in-controversy requirement) jurisdiction over "all suits of a civil nature at common law or in equity . . . arising under the . . . laws of the United States."[194] During the years that followed, the Court inferred the authority to enjoin unlawful executive-branch action from the general grant of "equity" jurisdiction, a process that eliminated (in those cases) the need for plaintiffs to pigeonhole their federal claims into a common-law action or to pursue an extraordinary writ.[195]

The modern observer reviewing the 1875 Act might wonder why the enactment of federal-question jurisdiction by itself would have been interpreted to create causes of action for statutory violations.[196] In John Duffy's words, "[g]iven the structure of the law then, the 1875 grant of jurisdiction is best interpreted as an authorization for federal equity courts to . . . continue applying the preexisting federal equity law (developed prior to 1875 under other federal

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192. *Johnson*, 80 U.S. (13 Wall.) at 87.

193. *Id.*; *see also* JAFFE, *supra* note 64, at 338 (noting that in cases like *Johnson* "there are strong echoes of the reasoning in *Decatur v. Paulding* that the judiciary may not direct or control executive actions, but in a private litigation properly cognizable by the judiciary a court is not bound by prior executive decisions on the law").

194. An Act To Determine the Jurisdiction of Circuit Courts of the United States, and To Regulate the Removal of Causes from State Courts, and for Other Purposes, ch. 137, § 1, 18 Stat. 470, 470 (1875) (codified as amended at 28 U.S.C. § 1331 (2012)).

195. *See* Scalia, *supra* note 159, at 890 (noting that, by the turn of the twentieth century, "there had been hundreds of cases in the federal courts seeking mandamus or injunction against land-office officials" and that "federal jurisdiction had been easily provided in most such cases arising after 1875 by the existence of a federal question"); Woolhandler, *supra* note 14, at 239 ("The common-law tradition of de novo actions against officers received new support in the Reconstruction era with the passage of the general federal question statute in 1875, and with the passage of the 1871 Civil Rights Act." (citation omitted)).

196. *See, e.g.*, Tex. Indus., Inc. v. Radcliff Materials, Inc., 451 U.S. 630, 640-41 (1981) ("The vesting of jurisdiction in the federal courts does not in and of itself give rise to authority to formulate federal common law."); *see also* John F. Duffy, *Administrative Common Law in Judicial Review*, 77 TEX. L. REV. 113, 121-22 (1998) (observing that it "may seem incorrect today" to infer "authority to create common law" in equity from "a grant of federal jurisdiction").

jurisdictions)."[197] Earlier specific "arising-under" statutes had been interpreted to create equitable causes of action, most notably in the areas of patent and copyright law, but also for claims relating to the revenue and postal acts.[198] In addition, drawing on preexisting notions of equity and chancery, some courts had articulated a background norm in which remedies followed the violation of statutory rights.[199] As a result, the 1875 grant of jurisdiction ultimately put an end to the necessity of relying on mandamus jurisdiction, and made "equity" and "chancery" the touchstones for review of executive branch action,[200] although pockets of mandamus review would continue to exist well into the twentieth century.[201]

The canonical precedent of this era is the 1902 case of *American School of Magnetic Healing v. McAnnulty*.[202] Pursuant to a statute allowing him to block "fraudulent" schemes executed through the U.S. mails, the Postmaster General

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197. Duffy, *supra* note 196, at 122. Whether the Court's inference from the 1875 Act was correct or undisputed is a separate question. *See id.* at 125 (stating that, in the late-nineteenth and early-twentieth centuries, there were many "critic[s] of the federal equity jurisprudence" because "federal equity courts were aggressively enjoining labor strikes").

198. *See* Woolhandler & Collins, *supra* note 158, at 2158-62.

199. *See* Duffy, *supra* note 196, at 124-25.

200. *See id.* at 118-19 (noting that "statutes conferring equity jurisdiction" were interpreted to "vest the federal courts with a power to fashion and administer a judge-made law of equity" and that, consequently, "[j]udicial review in the early administrative era grew up in the federal equity jurisdiction"); Merrill, *supra* note 159, at 949 ("After Congress created federal question jurisdiction in 1875, federal courts began entertaining bills of equity that sought to enjoin allegedly unlawful administrative action. They did so on the theory that federal courts needed only a grant of jurisdiction, not a statutory cause of action, in order to exercise the powers of a court of equity in ruling on a request to enjoin agency action."); *see also* 3 KENNETH CULP DAVIS, ADMINISTRATIVE LAW TREATISE § 23.04, at 307 (1st ed. 1958) (describing action in equity as "the mainstay for review of federal administrative action"); JAFFE, *supra* note 64, at 193 (referring to action for injunction in equity as a "catchall"). *See generally* GEO. TUCKER BISPHAM & JOSEPH D. MCCOY, THE PRINCIPLES OF EQUITY: A TREATISE ON THE SYSTEM OF JUSTICE ADMINISTERED IN COURTS OF CHANCERY § 1, at 1 (10th ed. 1922) (noting that equity is "that system of justice which was administered by the High Court of Chancery in England").

201. *See* Scalia, *supra* note 159, at 870 & nn.11-13.

202. 187 U.S. 94 (1902); *see* Scalia, *supra* note 159, at 913-14 & n.215 (observing that "[n]ot until the early years of the present century does there begin the well-known line of Supreme Court cases . . . against post-office officials" seeking "to overcome their allegedly incorrect interpretation of the mail-carriage statutes" and citing *McAnnulty* as having "given the first clear expression to the 'presumption of reviewability' of administrative action"); G. Joseph Vining, *Direct Judicial Review and the Doctrine of Ripeness in Administrative Law*, 69 MICH. L. REV. 1443, 1465 (1971) ("At least since the decision in [*McAnnulty*], a petition to a district court for an injunction has been viewed as the creation of a 'case' in which an agency position could be reviewed." (footnote omitted)).

determined that the American School of Magnetic Healing's creed that the "the mind of the human race is largely responsible for its ills" (including physical illnesses) was "fraudulent" and prohibited the School from using the mails.[203] Although no statute specifically created a cause of action allowing the School to enjoin the erroneous withholding of "fraudulent" mail, the Court held that the School could sue a local postmaster to stop him from implementing the Postmaster General's order.[204] Justice Peckham's opinion for the Court reasoned that "in case an official violates the law to the injury of an individual the courts *generally* have jurisdiction to grant relief."[205] Congress had not entrusted "the administration of these statutes wholly to the discretion of" the executive branch such that the Postmaster General's "determination is conclusive upon all questions arising under those statutes."[206] To the contrary: courts "must have power in a proper proceeding to grant relief," lest "the individual [be] left to the absolutely uncontrolled and arbitrary action of a public and administrative officer, whose action is unauthorized by any law and is in violation of the rights of the individual."[207] As in the days of Chief Justice Marshall, remedies were generally assumed to accompany rights.

More to the point, in language that is often ignored, Justice Peckham analogized the case to land disputes adjudicated in common-law actions and reasoned that, although the Land Department is "administrative in its character," the Court had repeatedly "held that the decisions of the officers of the department upon questions of law do not conclude the courts, and they have power to grant relief to an individual aggrieved by an erroneous decision of a legal question by department officers."[208] The same logic applied here: the Postmaster General's "right to exclude letters, or to refuse to permit their delivery to persons addressed, must depend upon some law of Congress, and if no such law exists, then he cannot exclude or refuse to deliver them."[209] Assuming that "the evidence before the Postmaster General, in any view of the facts, failed to show a violation of any Federal law, the determination of that official that such violation existed [was] . . . a pure mistake of law on his part."[210] And the Postmaster General's determination, "being a legal error[,] does not bind the

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203. 187 U.S. at 103.

204. *Id.* at 101-02, 108.

205. *Id.* at 108 (emphasis added).

206. *Id.*

207. *Id.* at 110.

208. *Id.* at 108.

209. *Id.* at 109.

210. *Id.*

courts."[211] The ministerial-discretionary boundary went unmentioned. In important ways and crucial cases, the 1875 creation of federal-question jurisdiction had (seemingly) rendered the mandamus standard a relic of the past.[212]

The critical point of the foregoing analysis is that because federal courts lacked general federal-question jurisdiction before 1875, many statutory questions could be resolved only in the context of a mandamus action brought against an executive official. In mandamus proceedings, courts applied the mandamus standard. Following *Decatur*, the mandamus standard afforded great leeway to executive discretion in interpreting legal text—akin, in some respects, to the zone of interpretive discretion under the modern *Chevron* doctrine. But application of the mandamus standard was a consequence solely of the form of relief requested, not the consequence of the interpretive theory used. Therefore, a change in positive law on the cause of action would necessitate the abandonment of the mandamus standard. The Court's use of de novo review in non-mandamus cases made that clear, as did Chief Justice Taney's opinion in *Decatur* itself. As the Chief Justice explained, "[T]he Court certainly would not be bound to adopt the construction given by the head of a department" in non-mandamus cases over which the federal courts had jurisdiction, but rather would have the "duty to interpret the act of Congress, in order to ascertain the rights of the parties in the cause before them."[213] Thus, when the general federal-question-jurisdiction statute in 1875 gradually eliminated the need to rely on mandamus jurisdiction to challenge executive action, the mandamus standard and *Decatur* line of cases became less relevant. As then-Judge (and later President and Chief Justice) Taft put the point in 1898:

> In *Decatur v. Paulding*, it was expressly stated by the court that while, as between the United States and the pensioner, the secretary of navy was the final tribunal for the construction of the statute, yet, if the question were to arise between two litigants in such a way that the court would have jurisdiction over the controversy, the court would not feel bound to follow the construction of the secretary.[214]

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211. *Id.* at 111.

212. Seemingly, but not entirely. *See infra* Section III.A.

213. Decatur v. Paulding, 39 U.S. (14 Pet.) 497, 515 (1840).

214. D.M. Ferry & Co. v. United States, 85 F. 550, 557 (6th Cir. 1898) (citation omitted); *see also* United States v. Cornell Steamboat Co., 202 U.S. 184, 192 (1906) (citing *D.M. Ferry* but avoiding the issue). The Court in *D.M. Ferry* nevertheless denied relief (and applied the mandamus standard) because no appellate power was given to review the decision of the executive official, thereby leaving mandamus as the sole available remedy. *See* Stone & Downer Co. v. United States, 11 Ct. Cust. 484, 487 (Ct. Cust. App. 1923) (giving *D.M. Ferry* this

2. *The Distinction Between Law and Fact*

Whereas mandamus required a deferential standard of review as a matter of jurisdictional boundaries and executive discretion, a second doctrine incorporated a form of deference as a matter of interpretive theory. Specifically, courts distinguished between questions of "law," which were subject to generally de novo review, and questions of "fact," which were reviewed deferentially. The doctrine originated from the notion, expressed in the famous case of *Murray's Lessee v. Hoboken Land & Improvement Co.*, that "there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper."[215] Using the authority granted by

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gloss); *see also* Mills & Gibb v. United States, 8 Ct. Cust. 31, 52-53 (Ct. Cust. App. 1917) (De Vries, J., dissenting) (describing *Decatur* as a case "applicable solely in cases where no review is provided by law of the power granted the [executive official]," thereby leaving mandamus the sole remedy, and relying on then-Judge Taft's opinion in *D.M. Ferry*). Coincidentally, Taft's opinion in *D.M. Ferry* was joined by another future Justice of the Supreme Court, Horace Harmon Lurton, who was also then a judge on the Sixth Circuit. Later, as Chief Justice, Taft would summarize the law of mandamus as follows:

> Mandamus issues to compel an officer to perform a purely ministerial duty. It cannot be used to compel or control a duty in the discharge of which by law he is given discretion. The duty may be discretionary within limits. He cannot transgress those limits, and if he does so, he may be controlled by injunction or mandamus to keep within them. The power of the court to intervene, if at all, thus depends upon what statutory discretion he has. Under some statutes, the discretion extends to a final construction by the officer of the statute he is executing. No court in such a case can control by mandamus his interpretation, even if it may think it erroneous. The cases range, therefore, from such wide discretion as that just described to cases where the duty is purely ministerial, where the officer can do only one thing which on refusal he may be compelled to do.

Work v. United States *ex rel.* Rives, 267 U.S. 175, 177 (1925).

215. 59 U.S. (18 How.) 272, 284 (1855). I do not mean to suggest that *Murray's Lessee* originated the idea that executive bodies receive deference from courts on factual determinations. *See* Martin v. Mott, 25 U.S. (12 Wheat.) 19, 31-32 (1827) ("Whenever a statute gives a discretionary power to any person, to be exercised by him upon his own opinion of certain facts, it is a sound rule of construction, that the statute constitutes him the sole and exclusive judge of the existence of those facts."); *see also* West v. Cochran, 58 U.S. (17 How.) 403, 415-16 (1854) (upholding, prior to *Murray's Lessee*, commission determinations on claims derived from former governments in Louisiana Territory); Woolhandler, *supra* note 14, at 214 n.86 (noting that "cases giving deferential review to executive actions did not frequently rely explicitly on *Murray's Lessee*"). That issue, as well as the proper metes and bounds of when Congress may have a non-Article III body determine a factual issue, are outside the scope of this Article. *See, e.g.*, Stern v. Marshall, 564 U.S. 462 (2011). For present purposes, it is sufficient to

this doctrine, Congress created administrative bodies that "adjudicated" various factual issues in a manner that bound other parties. A notable example of such an agency was the Land Department, which disbursed various public lands to claimants. These disbursements often triggered common-law property disputes between rival claimants, particularly when the issued land patents were unclear or premised on erroneous understandings of the law or facts. When the Court heard these cases, it did not defer to the Land Department's interpretations of law, but instead reviewed those questions de novo, applying the contemporary and customary canons of construction. As for factual issues previously resolved by the Department, the Court sometimes treated certain of them as "conclusive" absent an indication that the proceeding was tainted by fraud.[216] Over time, the Court refined this standard to include review to ensure that the agency's decision was supported by "substantial evidence" in the record.[217]

The standard of judicial review, therefore, turned on whether a particular issue was characterized as one of "law" or one of "fact." As one might expect, the distinction between law and fact in this context mirrored the law-fact line traditionally drawn in the law of evidence. And as one might expect, just as in the context of the law of evidence, the distinction between "law" and "fact" could pose line-drawing problems. In an influential treatise on the law of evi-

establish that the nineteenth-century Court understood that executive branch actors could find facts, with the result that certain of those factual determinations would receive deference when a case or controversy before an Article III court later presented the same issue.

216. *See* Gardner v. Bonestell, 180 U.S. 362, 369-70 (1901) ("[T]he determination of the Land Department in a case within its jurisdiction of questions of fact depending upon conflicting testimony is conclusive, and cannot be challenged by subsequent proceedings in the courts."); Johnson v. Drew, 171 U.S. 93, 99 (1898) (stating that "the decision of the land department upon mere questions of fact is, in the absence of fraud or deceit, conclusive, and such questions cannot thereafter be relitigated in the courts"); *cf. Gardner*, 180 U.S. at 370 ("Both of these findings were matters of fact and based upon the testimony. No proposition of law controlled such findings, and no error of law is apparent.").

217. *See* Burfenning v. Chi., St. Paul, Minn. & Omaha Ry. Co., 163 U.S. 321, 323 (1896) (invalidating patent because "the action of the Land Department cannot override the expressed will of Congress, or convey away public lands in disregard or defiance thereof," while observing that the Court would not review whether "a certain tract is swamp land or not, saline land or not, mineral land or not," because those issues "present[] a question of fact"); *see also* Interstate Commerce Comm'n v. Union Pac. R.R., 222 U.S. 541, 547-48 (1912) (noting "mixed questions of law and fact" would not be "examine[d] . . . further than to determine whether there was substantial evidence to sustain the order"); E. Blythe Stason, *"Substantial Evidence" in Administrative Law*, 89 U. PA. L. REV. 1026, 1040-41 (1941) (identifying *Union Pacific* as one of the leading pre-APA cases to use the term "substantial evidence" in the administrative-law context). These cases crystallized into the "substantial evidence" standard ultimately codified in the APA.

dence, James Bradley Thayer observed that the application of a legal rule to facts had been incorrectly characterized by others as a "mixed question of law and fact," whereas the jury "always . . . must reason, and must 'judge the facts.'"[218] According to Thayer, there was no bright-line rule separating "law" from "fact" because the difference between cases involving the application of a legal term—such as "reasonableness"—to unique facts "is simply one of more or less."[219] "The reasons for leaving questions as to the meaning and construction of [contract] writing to the judges," Thayer reasoned, is not "that these are questions of law, for, mainly, they are not," but rather "ground[s] of policy."[220] The same problem could arise in administrative law. In *Marquez v. Frisbie*, for example, the Court reasoned that "where there is a mixed question of law and fact, and the court cannot so separate it as to see clearly where the mistake of law is, the decision of the tribunal to which the law has confided the matter is conclusive."[221]

The prevailing approach in Land Department cases by the turn of the twentieth century was encapsulated in the Court's opinion in *Johnson v. Towsley*.[222] In that case, the Court interpreted a statute providing that the decision of the Commissioner "shall be final, unless appeal therefrom be taken to the Secretary

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218. JAMES BRADLEY THAYER, PRELIMINARY TREATISE ON EVIDENCE AT THE COMMON LAW 249-50 (1898).

219. *Id.* at 251; *cf. id.* at 202 ("The judges have always answered a multitude of questions of ultimate fact, of fact which forms part of the issue. It is true that this is often disguised by calling them questions of law.").

220. James Bradley Thayer, *"Law and Fact" in Jury Trials*, 4 HARV. L. REV. 147, 160-61 (1890); *see also id.* at 161 (noting that "[s]uch things, so important, so long enduring, should have a fixed meaning; should not be subject to varying interpretations; should be interpreted by whatever tribunal is most permanent, best instructed, most likely to adhere to precedents"); *cf.* Nathan Isaacs, *The Law and the Facts*, 22 COLUM. L. REV. 1, 11-12 (1922) ("[W]hether a particular question is to be treated as a question of law or a question of fact is not in itself a question of fact, but a highly artificial question of law."). For a modern treatment of the same issue, see Ronald J. Allen & Michael S. Pardo, *The Myth of the Law-Fact Distinction*, 97 NW. U. L. REV. 1769, 1806 (2003), which argues that the "doctrinal distinction between 'law' and 'fact' . . . must be decided functionally rather than by reference to purported ontological, epistemological, or analytical differences between the concepts."

221. 101 U.S. 473, 476 (1879); *see also id.* ("But if it can be made entirely plain to a court of equity that on facts about which there is no dispute, or no reasonable doubt, those officers have, by a mistake of the law, deprived a man of his right, it will give relief."). While the import of the Court's use of this language was unclear—the Court ultimately held that the contention at stake was "a very forced inference from facts not found in the record," *id.* at 477—*Marquez* would subsequently be relied on by one of the foundational twentieth-century cases on judicial deference, *see infra* notes 239-249 and accompanying text.

222. 80 U.S. (13 Wall.) 72 (1871).

of the Interior"[223] as establishing only that a decision would be final *within* the Executive Branch.[224] Congress, in the Court's view, had no "intention to give to the final decision of the Department of the Interior . . . any more conclusive effect than what belonged to it without its aid."[225] The Court "fully conceded that when [executive] officers decide controverted questions of fact, in the absence of fraud, or impositions, or mistake, their decision on those questions is final, except as they may be reversed on appeal in that department," but claimed that when, "in the application of the facts as found by them they, by misconstruction of the law," affected the property rights of private parties, the courts had "power to give . . . relief."[226] In language reminiscent of *Marbury*, the Court claimed that "it is of the very essence of judicial authority to inquire whether this has been done in violation of law, and, if it has, to give appropriate remedy."[227]

D. The View from 1900

At the turn of the twentieth century, a reader of the available treatises would have concluded executive interpretations of statutes were relevant to judicial determinations only insofar as they embodied understandings made roughly contemporaneously with the statute's enactment and stably maintained and practiced since that time.

With respect to constitutional interpretation, the rule was expressed by Justice Story in his *Commentaries on the Constitution*: "The most unexceptionable source of collateral interpretation is from the practical exposition of the government itself in its various departments upon particular questions discussed,

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223. *Id.* at 82 (citing Act of June 12, 1858, ch. 154, § 10, 11 Stat. 319, 327).

224. *Id.* at 83.

225. *Id.*

226. *Id.* at 86.

227. *Id.* at 85; *see also id.* at 87-88 (observing that "but for [the executive officer's] construction of the statute," the legal issue would have turned out differently and that the Court "must therefore inquire whether the statute, rightly construed, defeated Towsley's otherwise perfect right to the patent"); *cf.* Wis. Cent. R.R. Co. v. Forsythe, 159 U.S. 46, 61 (1895) (stating that it was "doubtless true" that a "question of title has been determined in the land department adversely to the claim of the plaintiff," but finding that prior determination irrelevant because it was "not upon any question of fact, but upon a construction of the law; and such matter, as we have repeatedly held, is not concluded by the decision of the land department"); Minnesota v. Bachelder, 68 U.S. 109, 115 (1863) ("A court of equity will look into the proceedings before the register and receiver, and even into those of the land office or other offices, where the right of property of the party is involved, and correct errors of law or of fact to his prejudice."); JAFFE, *supra* note 64, at 337-38 nn.68-69.

and settled upon their own single merits."[228] Thus, in the words of a more contemporary (from the vantage point of 1900) treatise writer, G.A. Endlich, "[t]he greatest deference is shown by the courts to the interpretation put upon the constitution by the Legislature in the enactment of laws and other practical application of constitutional provisions to the legislative business, when that interpretation has had the silent acquiescence of the people, including the legal profession and the judiciary, and especially when injurious result would follow the disturbing of it."[229]

Justice Story also found a role for contemporary construction of the Constitution, which "is properly resorted to, to illustrate and confirm the text, to explain a doubtful phrase, or to expound an obscure clause."[230] Thomas Cooley expressed the same point: "Great deference has been paid in all cases to the action of the executive department, where its officers have been called upon, under the responsibilities of their official oaths, to inaugurate a new system, and where it is to be presumed they have carefully and conscientiously weighed all considerations, and endeavored to keep within the letter and the spirit of the constitution."[231]

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228. 1 STORY, *supra* note 25, § 408, at 392.

229. G.A. ENDLICH, A COMMENTARY ON THE INTERPRETATION OF STATUTES: FOUNDED ON THE TREATISE OF SIR PETER BENSON MAXWELL §§ 527-28 (1888); *see also* THOMAS COOLEY, A TREATISE ON THE CONSTITUTIONAL LIMITATIONS WHICH REST UPON THE LEGISLATIVE POWER OF THE STATES OF THE AMERICAN UNION 67 (1868) ("Where there has been a practical construction, which has been acquiesced in for a considerable period, considerations in favor of adhering to this construction sometimes present themselves to the courts with a plausibility and force which it is not easy to resist . . . . [A] strong presumption exists that the construction rightly interprets the intention. Especially where this has been given by officers in the discharge of their duty, and rights have accrued in reliance upon it, which would be divested by a decision that the construction was erroneous, the argument *ab inconvenienti* is sometimes allowed to have great weight."); *id.* at 66-71 (providing examples of judicial deference to contemporaneous and customary constructions of the Constitution).

230. 1 STORY, *supra* note 25, § 407, at 390-92; *see also id.* § 405, at 387-88 ("Much . . . may be gathered from contemporary history, and contemporary interpretation, to aid us in just conclusions."); *cf.* 2 STORY, *supra* note 25, § 1089, at 536 (relying on "contemporaneous exposition, and the uniform and progressive operations of the government itself" to interpret the Commerce Clause).

231. COOLEY, *supra* note 229, at 69 (observing that, "[i]f the question involved is really one of doubt, the force of their judgment, especially in view of the injurious consequences that may result from disregarding it, is fairly entitled to turn the scale of the judicial mind"); *see* J.G. SUTHERLAND, STATUTES AND STATUTORY CONSTRUCTION § 307 (1891) ("A construction of a constitution, if nearly contemporaneous with its adoption, and followed and acquiesced in for a long period of years afterwards, is never to be lightly disregarded, and is often conclusive.").

With respect to statutory interpretation, Theodore Sedgwick observed that "[i]n seeking aid to construe an obscure or doubtful statute, considerable weight is attached to the opinions in regard to it entertained, by persons learned in the law, at the time of its passage."[232] "Of a similar value," Sedgwick stated, "in regard to the construction of statutes is usage, or the construction which custom or practice has put on them."[233] Likewise, Endlich emphasized that "usage," including "acts done under" a statute, "may determine the meaning of the language, at all events when the meaning is not free from ambiguity."[234]

These passages addressing constitutional and statutory interpretation sound similar, and use the same terminology, for a simple reason: they express the same interpretive methodology, which was used in constitutional and statutory cases alike. There was no stark distinction drawn between de novo constitutional and deferential statutory interpretation. An ambiguous constitutional provision would be given the meaning that early Congresses had given it in practice.[235] And courts "respected" agency interpretations for the same reasons James Madison had believed that a series of "adjudications" in the political branches would "liquidate[]" the meaning of constitutional provisions.[236] As J.G. Sutherland explained, "[t]he uniform legislative interpretation of doubtful

232. THEODORE SEDGWICK, A TREATISE ON THE RULES WHICH GOVERN THE INTERPRETATION AND APPLICATION OF STATUTORY AND CONSTITUTIONAL LAW 250-51 (1857).

233. *Id.* at 255.

234. ENDLICH, *supra* note 229, § 34; *see also id.* §§ 49, 357, 360 (discussing usage as it relates to the repealed portions of acts, contemporaneous exposition, and government implementation).

235. For modern examples, see Chief Justice Taft's opinion in *Myers v. United States*, 272 U.S. 52, 175 (1926), which explains that "a contemporaneous legislative exposition of the Constitution when the founders of our Government and framers of our Constitution were actively participating in public affairs, acquiesced in for a long term of years, fixes the construction to be given its provisions." *See also* Printz v. United States, 521 U.S. 898, 905 (1997) ("[E]arly congressional enactments provide contemporaneous and weighty evidence of the Constitution's meaning . . . ." (internal quotation marks and alterations omitted)); Bowsher v. Synar, 478 U.S. 714, 723-24 (1986) ("This Decision of 1789 provides contemporaneous and weighty evidence of the Constitution's meaning since many of the Members of the First Congress had taken part in framing that instrument." (internal citation omitted)); *Ex parte* Quirin, 317 U.S. 1, 41-42 (1942) (reasoning that the 1776 act allowing spies to be tried by court-martial "must be regarded as a contemporary construction" of the Constitution "which has been followed since the founding of our Government" and, hence, "is entitled to the greatest respect"); United States v. Curtiss-Wright Export Corp., 299 U.S. 304, 329 (1936) ("The uniform, long-continued and undisputed legislative practice just disclosed rests upon an admissible view of the Constitution which, even if the practice found far less support in principle than we think it does, we should not feel at liberty at this late day to disturb.").

236. THE FEDERALIST NO. 37, *supra* note 123, at 229.

constitutional provisions, running through many years, *and a similar construction of statutes*, has great weight."[237] The treatises thus echoed what the cases held—the executive branch's construction of an ambiguous statute would be "respected" where that construction reflected an interpretation that was described as either contemporary with the statute's enactment, or longstanding or customary, or both.

From the vantage point of the legal community in 1900, there was thus no general rule of statutory construction requiring "deference" to executive interpretation *qua* executive interpretation. But the landscape would change fundamentally during the course of the twentieth century, when the interpretive methodology for statutes and other legal texts began to diverge dramatically. And, as the passage of time obscured the intellectual roots of the Court's nineteenth-century precedents privileging the executive's customary and contemporary interpretations of statutory text, those cases would be reimagined and recycled as precedents privileging the interpretation advanced by executive actors.

III. THE STEPS TO *CHEVRON*

The narrative now turns to the intellectual and jurisprudential steps during the twentieth century that led to the forgetting, and ultimately the unravelling, of the traditional interpretive framework. In Section III.A, I canvass the developments from approximately 1900 through the New Deal Court, when judicial cracks in the glass began to emerge and, more importantly, scholarly critiques of the prevailing interpretive methodology began to take hold. In Section III.B, I address the new jurisprudence of deference that emerged in the early 1940s in the wake of the appointment of new Justices sympathetic to the critiques of judicial review of questions of law. I also explain that, after a backlash against the New Deal, Congress enacted the APA in 1946 to codify the traditional interpretive approach and repudiate the increased deference courts gave to agencies in the 1940s. In Section III.C, I discuss the proliferation of interpretive tests in the years after the APA's enactment and the bewildering state of the law prior to the Court's opinion in *Chevron*. Finally, in Section III.D, I return to and reassess the Court's opinion in *Chevron* in light of the Article's historical analysis.

237. SUTHERLAND, *supra* note 231, § 311 (emphasis added).

A. The Traditional Canons of Construction from 1900 Through the New Deal Court

In this Section, I discuss challenges to the prevailing interpretive methodology—most academic, though some judicial—that emerged in the early twentieth century. I explain, however, that courts during this era, by and large, adhered to traditional interpretive techniques—a fact that critics of those techniques acknowledged. Those who advocated for greater judicial deference to executive interpretation during this era understood that they were seeking a departure from prevailing doctrine.

1. A Crack in the Glass

Each of the doctrines that has been discussed thus far played a role in the now-obscure, but once-important 1904 case of *Bates & Guild Co. v. Payne*.[238] In *Bates*, the Court considered whether the Postmaster General improperly refused to recognize a monthly musical publication, *Masters in Music*, as a periodical and hence entitle it to second-class mail rates.[239] The Postmaster General had determined that because each issue of the periodical was "complete in itself" (each treated the works of a single master musician) and "had no connection with other numbers save in the circumstance that they all treated of masters in music," the mailings "were in fact sheet music disguised as a periodical, and should be classified as third[-]class mail matter."[240] The government conceded that its position in the case conflicted "with the construction placed upon the statute by the Department for more than sixteen years continuously prior to the present ruling of the Department."[241]

In his opinion for the Court, Justice Brown acknowledged that the statutory question at issue "may be one of doubt" and that it was "largely one of law."[242] He nevertheless concluded that "there is some discretion left in the Postmaster General . . . and that the exercise of such discretion ought not to be interfered with unless the court be clearly of opinion that it was wrong."[243] Thus, "even upon mixed questions of law and fact, or of law alone, [an agen-

238. 194 U.S. 106 (1904).

239. *Id.* at 106-07.

240. *Id.* at 107.

241. *Id.* at 111 (Harlan, J., dissenting).

242. *Id.* at 107 (majority opinion); *see also id.* at 110 (stating that the "question involved one of law rather than of fact").

243. *Id.* at 107-08.

cy's] action will carry with it a strong presumption of its correctness, and the courts will not ordinarily review it, although they may have the power, and will occasionally exercise the right of so doing."[244] That was particularly so because "the Postmaster General *may have been*, to a certain extent, guided by extraneous information obtained by him, so that the question involved would not be found merely a question of law, but a mixed question of law and fact."[245]

The Court analogized this curiously speculative holding to two lines of precedents: (1) those "treat[ing] the findings of the Land Department upon questions of fact as conclusive" (notwithstanding the Court's description of the case as "largely one of law") and (2) those, like *Decatur*, in which the Court had held, in applying the mandamus standard, that the executive official's action "will not be reviewed by the courts, unless he has exceeded his authority or this court should be of opinion that his action was clearly wrong" (notwithstanding the fact that the case did not involve an extraordinary writ).[246] The Court distinguished *McAnnulty* by claiming that the Court's opinion in that case "intimated that something must be left to the discretion of the Postmaster General."[247] In a dissenting opinion, Justice Harlan (joined by Chief Justice Fuller) noted that the government's then-current position conflicted with its longstanding one. He contended that the Court's opinion had "overthrown" the "settled" principle that "the established practice of an Executive Department charged with the execution of a statute will be respected and followed—especially if it has been long continued—unless such practice rests upon a construction of the statute which is clearly and obviously wrong."[248]

Precisely what motivated the Court to retreat to a deferential standard in *Bates* after reviewing the Postmaster General's decision de novo in *McAnnulty* is hard to untangle.[249] One reasonable speculation is that the Court was still adjusting to the shift in its authority prompted by the creation of general federal-question jurisdiction. Having applied the mandamus standard for so many years, it may have been natural for the Justices to view narrow legal questions through a deferential lens. Justice Brown's articulation of a "floodgates" issue were the Court to review the agency de novo reveals a hint of this concern: "The consequence of a different rule," according to the Court, "would be that

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244. *Id.* at 109-10 (relying in part on *Marquez v. Frisbie*).

245. *Id.* at 110 (emphasis added).

246. *Id.* at 109.

247. *Id.* at 108.

248. *Id.* at 111 (Harlan, J., dissenting).

249. *See* DAVIS, *supra* note 79, § 237, at 827 (contrasting *McAnnulty* and *Bates* and claiming that "[t]he results in both cases flowed from practical considerations, not from interpretation").

the court might be flooded by appeals of this kind to review the decision of the Postmaster General in every individual instance."[250] Another reasonable speculation is that the Court found the line between "law" and "fact" in this area to be difficult to draw—hence, Justice Brown's imprecise descriptions of the issue before the Court as "largely one of law" and a "mixed question of law and fact."[251]

Whatever the Court's reasons for the rule announced in *Bates*, two additional points are notable. First, Justice Harlan argued in dissent that the Court's opinion violated the contemporary and customary canons of construction.[252] But the Court did not respond to Justice Harlan's argument. It did not dispute Justice Harlan's characterization of the precedents, nor did it rely on those cases to justify the rule of judicial deference that it adopted. Second, at least immediately, the rule that *Bates* announced swung in a relatively narrow arc. As the Court said in *Silberschein v. United States*, *Bates* allowed judicial review when the agency's decision was "wholly dependent upon a question of law."[253]

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250. *Bates*, 194 U.S. at 108; *see also id.* at 110 (stating that past judicial review of the Postmaster General's classification "is not intended to intimate that in every case hereafter arising the question whether a certain publication shall be considered a book or a periodical shall be reviewed by this court").

251. *Id.* at 107, 110.

252. *See id.* at 111-12 (Harlan, J., dissenting).

253. 266 U.S. 221, 225 (1924); *see* Leach v. Carlile, 258 U.S. 138, 139-40 (1922) (citing *Bates* for the proposition that the Court would not second-guess "a question of fact which the statutes . . . committed to the decision of the Postmaster General"); Houston v. St. Louis Indep. Packing Co., 249 U.S. 479, 484 (1919) (citing *Bates* and reasoning that "[w]hether or not the term 'sausage,' when applied to [a] product . . . [containing] more than the permitted amount of cereal and water . . . is false and deceptive is a question of fact" that could not be disturbed "where it is fairly arrived at with substantial evidence to support it"); Cent. Tr. Co. v. Cent. Tr. Co. of Ill., 216 U.S. 251, 261 (1910) (citing *Bates* to observe that "[w]e have had occasion to consider the effect of findings of fact by officers in charge of the several departments of government, and the accepted rule is that those findings are conclusive, unless palpable error appears"); *see also* Brougham v. Blanton Mfg. Co., 249 U.S. 495, 499-500 (1919) (citing *Bates* for the proposition that "the power of determining whether a trade name is 'false or deceptive' given by the law to the Secretary of Agriculture is, when exercised, conclusive of the falsity or deception of the name"); Nat'l Life Ins. Co. of United States v. Nat'l Life Ins. Co., 209 U.S. 317, 325 (1908) (refusing to review a determination made by the post office because the petitioner was "appealing from the discretion of the department to the discretion of the court, and . . . has no clear legal right to obtain the order sought"). Justices Brown and Holmes appear to have been the only Justices to have written opinions realizing the implication of *Bates* on questions of law, but they circumscribed the holding of the case to matters decided by the Postmaster General. *See* Smith v. Hitchcock, 226 U.S. 53, 58 (1912) (Holmes, J.) (characterizing *Bates* as "suggest[ing]" that, even on a "question of law," the Court would "not interfere with the decision of the *Postmaster-General* unless clearly of opinion that it was wrong" (emphasis added)); Pub. Clearing House v.

Perhaps because of its lack of immediate impact, *Bates* has been neglected in modern scholarship. But it was later an influential opinion among those who sought to justify a reduced role for judges in reviewing legal questions. When Jaffe wrote his magisterial summary of administrative law in 1965, for example, he responded to the contention that the Supreme Court's deference jurisprudence in the 1940s was "an abdication of the customary power and responsibility of the judiciary" by claiming that the doctrine of judicial deference "is as traditional as it is sound"—citing, as his supporting authority, Justice Brown's opinion in *Bates*.[254] "As long ago as 1904," Jaffe wrote, "Mr. Justice Brown with complete frankness stated [in *Bates*] the function of a reviewing court in the terms" of late-twentieth century judicial deference.[255]

2. *Persistence of the Traditional Approach*

Notwithstanding the expansion in the size, scope, and responsibility of the federal government, courts in the first few decades of the twentieth century generally hewed to the traditional interpretive formulations. The Court viewed its role as requiring de novo review of questions of law and deferential review of questions of fact,[256] with mandamus a diminishing (but continuing) avenue

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Coyne, 194 U.S. 497, 509 (1904) (Brown, J.) (citing *Bates* for the proposition that determinations made by the Postmaster General were presumed constitutional and the only question was whether the Court should "accept the findings of the Postmaster General as to the classification of the mail matter as final under the circumstances of the case").

254. JAFFE, *supra* note 64, at 575.

255. *Id.* at 593. *Bates* was also a key precedent for John Dickinson, *see infra* notes 365-372 and accompanying text, and was cited by the Court in *Gray v. Powell*, 314 U.S. 402, 412 n.7 (1941). For other judicial deference cases relying on *Bates*, see *Hardin v. Kentucky Utilities Co.*, 390 U.S. 1, 9 (1968); *United States v. Drum*, 368 U.S. 370, 376 (1962); and *United States v. Shimer*, 367 U.S. 374, 382 (1961). *See also* Crowell v. Benson, 285 U.S. 22, 51 n.13 (1932) (citing *Bates* as an example of the Court upholding an agency's action when it was issuing a determination of fact); DAVIS, *supra* note 79, § 236, at 817 & n.27 (citing *Bates* for the proposition that "[e]ven when the scope of review is exceedingly broad, the Supreme Court may talk in terms of non-reviewability").

256. *See* United States v. Bush & Co., 310 U.S. 371, 380 (1940) ("It has long been held that where Congress has authorized a public officer to take some specified legislative action when in his judgment that action is necessary or appropriate to carry out the policy of Congress, the judgment of the officer as to the existence of the facts calling for that action is not subject to review."); Morgan v. United States, 298 U.S. 468, 477 (1936) ("When the Secretary acts within the authority conferred by the statute, his findings of fact are conclusive. But, in determining whether in conducting an administrative proceeding of this sort the Secretary has complied with the statutory prerequisites, the recitals of his procedure cannot be regarded as conclusive." (citations omitted)); United States v. Chem. Found., Inc., 272 U.S. 1, 15 (1926) (reasoning that "the basis of fact on which [administrative orders] rest will not be reviewed

for obtaining relief from agency action.[257] The canonical statement of the de novo standard in this era came from a concurring opinion—Justice Brandeis's concurrence in *St. Joseph Stock Yards Co. v. United States*.[258] Brandeis argued that "[t]he supremacy of law demands that there shall be opportunity to have some court decide whether an erroneous rule of law was applied; and whether the proceeding in which facts were adjudicated was conducted regularly."[259] The "inexorable safeguard" of the Due Process Clause, he contended, required that there "be opportunity for a court to determine whether the applicable rules of law . . . were observed" and that an administrative order "may be set aside for any error of law, substantive or procedural."[260]

For a generation of scholars, Justice Brandeis's concurrence set forth the "classic statement" on the scope of judicial review over questions of law.[261] There was, however, something ahistorical about Justice Brandeis's perspective on the "supremacy of law." For law to be supreme, Justice Brandeis reasoned, an Article III court must pass upon all questions of law and process. Yet he did not acknowledge that, through much of the nineteenth century, the absence of general federal-question jurisdiction necessitated, in many cases, resorting to

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by the courts"); Zakonaite v. Wolf, 226 U.S. 272, 275 (1912) (collecting cases and holding, in immigration proceedings, that "the findings of fact reached by [executive branch] officials, after a fair though summary hearing, may constitutionally be made conclusive, as they are made by the provisions of the act in question").

257. *See, e.g.*, Lane v. Hoglund, 244 U.S. 174, 179-81 (1917) (approving of a writ of mandamus when the Land Department changed its "view and practice" under statute).

258. 298 U.S. 38, 73 (1936) (Brandeis, J., concurring); *see also* Ohio Valley Water Co. v. Ben Avon Borough, 253 U.S. 287, 289 (1920) ("In all such cases, if the owner claims confiscation of his property will result, the State must provide a fair opportunity for submitting that issue to a judicial tribunal for determination upon its own independent judgment as to both law and facts; otherwise the order is void because in conflict with the due process clause, Fourteenth Amendment.").

259. *St. Joseph Stock Yards*, 298 U.S. at 84 (Brandeis, J., concurring).

260. *Id.* at 73, 74.

261. JAFFE, *supra* note 64, at 343; *see, e.g.*, DAVIS, *supra* note 79, § 8 at 33-34 (arguing that "[t]he only significant recognition of the doctrine" of the "supremacy of law" in "a Supreme Court opinion comes from a surprising quarter," namely, the "concurring opinion of Mr. Justice Brandeis"); JAMES M. LANDIS, THE ADMINISTRATIVE PROCESS 124 (1938) (interpreting Brandeis as meaning that the "supremacy of law" requires the "right of a party to a judicial determination as to the appropriate rule of law applicable to his particular case, and the right to a judicial determination as to the regularity of the procedure employed by the administrative"); John Dickinson, *Administrative Procedure Act: Scope and Grounds of Broadened Judicial Review*, 33 ABA J. 434, 516 (1947) (arguing that "[a] very broad statement of th[e] principle" that "questions of law are for the determination of the reviewing Court" is "contained in a classic passage of Mr. Justice Brandeis' concurring opinion in the *St. Joseph Stock Yards* case").

an extraordinary writ like mandamus, under which an Article III court would *not* resolve questions of law de novo. A better (or at least, more historically grounded) description of the concept of "supremacy of law" in the American tradition would have acknowledged that Congress has the authority to select the cause of action – deferential mandamus or de novo federal-question review – by which Article III courts would review questions of law. Where Congress provided solely for mandamus jurisdiction, deferential review was consistent with the "supremacy of law." Where Congress created federal-question jurisdiction, however, the application of independent judgment was consistent with traditional rules of interpretation and, hence, appropriate.

An example of the continued vitality of the canons of construction can be found in a 1932 opinion by Chief Justice Hughes, *Burnet v. Chicago Portrait Co.*[262] In *Burnet*, Chief Justice Hughes alluded to the "familiar principle . . . that great weight is attached to the construction consistently given to a statute by the executive department charged with its administration."[263] But he rejected application of judicial deference based on a "qualification of that principle" that, he argued, was "as well established as the principle itself": "The Court is not bound by an administrative construction, and if that construction is not uniform and consistent, it will be taken into account only to the extent that it is supported by valid reasons."[264] Deference was due, in other words, because of an interpretation's consistency and uniformity, which would in most instances render the agency construction customary or contemporaneous with a statutory enactment. Non-uniform interpretations, by contrast, would be persuasive "only to the extent" they are "supported by valid reasons."[265]

Burnet is an obscure decision today, and it has been all but ignored by modern cases and commentators, with one important exception: in *Chevron* itself, the Court cited *Burnet*, but neglected to explain or to engage in any way with the "qualification" identified in Chief Justice Hughes' opinion.[266]

3. Intellectual Challenges to the Traditional Interpretive Method

In the 1927 book *Administrative Justice and the Supremacy of Law in the United States*, John Dickinson, at the time a thirty-three-year-old lecturer at Harvard, pointed out that, as a descriptive matter, the scope of judicial review over

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262. 285 U.S. 1 (1932).

263. *Id.* at 16.

264. *Id.*

265. *Id.*

266. Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 843 n.9 (1984).

administrative decision making "focus[ed] ultimately upon the distinction which the courts draw between 'questions of law' and 'questions of fact.'"[267] Dickinson recognized that, under prevailing case law, courts "review[ed] for error[s] of law, but not findings of fact, at least where, on the evidence, the findings are within the bounds of reason."[268] "The statutes and cases," he noted, "are full of this distinction between 'law' and 'fact,' which is taken for granted, and has formed the basis of decision in so many instances that it becomes important to see what there is in it."[269]

Dickinson's answer was that there was not much to it. Because "any factual state or relation which the courts . . . regard as sufficiently important to be made decisive for all subsequent cases of similar character becomes thereby a matter of law," it was impossible "to establish a clear line between so-called 'questions of law' and 'questions of fact.'"[270] Standards inevitably "bridged [the gap] between the special subsidiary facts . . . and the ultimate [legal] conclusion."[271] Any formal distinction between "law" and "fact" was illusory, because the legal bridge was tantamount to fact finding. As Dickinson put it:

> In truth, the distinction between "questions of law" and "questions of fact" really gives little help in determining how far the courts will review; and for the good reason that there is no fixed distinction. They are not two mutually exclusive *kinds* of questions, based upon a difference of subject-matter. Matters of law grow downward into roots of fact, and matters of fact reach upward, without a break, into matters of law. The knife of policy alone effects an artificial cleavage at the point where the court chooses to draw the line between public interest and private right. It would seem that when the courts are unwilling to review, they are tempted to explain by the easy device of calling the ques-

267. DICKINSON, *supra* note 26, at viii. For another take on Dickinson's book, see Merrill, *supra* note 159, at 972-79, which emphasizes Dickinson's embrace of the appellate-review model rather than the slipperiness of the law-fact distinction. *See also* Jeffrey A. Pojanowski, *Neoclassical Administrative Common Law*, NEW RAMBLER REV. (Sept. 26, 2016), http://newramblerreview.com/book-reviews/law/neoclassical-administrative-common-law [http://perma.cc/EYC4-JX29] (reviewing Dickinson's book).

268. DICKINSON, *supra* note 26, at 50 (footnote omitted).

269. *Id.* at 50-51 (footnote omitted).

270. *Id.* at 312.

271. *Id.* at 315. Dickinson expressly noted that this model of review differed from the "ultra vires" model present in the mandamus line of cases and also that the model mirrored "review by a court of error of the verdict of a jury." *Id.* at 312.

tion one of "fact"; and when otherwise disposed, they say that it is a question of "law."[272]

Dickinson's analytical move, in the context of the law of judicial review, echoed Thayer's similar move in the law of evidence three decades earlier – an intellectual debt that Dickinson acknowledged by repeatedly citing Thayer on this point and describing Thayer's treatise as "contain[ing] the most profound analysis that I know of the relation between 'matters of fact' and 'matters of law.'"[273] It also echoed the Court's 1904 decision in *Bates*, which, Dickinson observed, held that "on a 'mixed question of law and fact' the finding of an administrative body ought not to be disturbed."[274]

Dickinson's central thesis had the good fortune of being incredibly timely and proved to be hugely influential.[275] In the years following publication of the

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272. *Id.* at 55; *see also* Merrill, *supra* note 159, at 975-76 (noting that Dickinson "reconceptualized" the law-fact distinction to say that "[t]he more the principle for decision becomes one of widespread generality, the more appropriate it is to call it a question of law" and "[t]he more it tends toward factors unique to a particular controversy, the more appropriate it is to call it a question of fact," and characterizing this paragraph as "perhaps the most frequently quoted passage from the book" (footnotes omitted)).

273. DICKINSON, *supra* note 26, at 151 n.79; *see also id.* at 53, 55 n.55, 153 n.79, 207 n.16, 316 n.20, 319 n.27 (acknowledging Thayer's contributions on the relationship between matters of fact and matters of law). The conceptual connection between the *Chevron* doctrine and Thayer's *The Origin and Scope of the American Doctrine of Constitutional Law*, 7 HARV. L. REV. 129 (1893), which advocates a deferential standard of review for questions of constitutional law, is well known. *See, e.g.*, Monaghan, *supra* note 75, at 7-14. But the direct connection between Thayer's views on evidence and the development of judicial deference, once similarly well understood, has been long forgotten. *See* DAVIS, *supra* note 79, § 250, at 902 (observing that "[s]ome writers have suggested that courts should substitute judgment on general propositions but not on questions that are peculiar to a particular case"; that "[t]his idea seems to have originated with Thayer"; and that "[i]n administrative law it largely stems from John Dickinson's book"); *cf.* Posner, *supra* note 2, at 522 (stating that Thayer "seems not have been concerned with judicial review of executive action" in part because "the executive branch was of course much smaller and weaker when he wrote than it is today").

274. DICKINSON, *supra* note 26, at 54 (footnote omitted).

275. Two Supreme Court opinions cited the book. First, Justice Brandeis cited it in his dissent in *Crowell v. Benson*, 285 U.S. 22, 85 n.55, 93 n.61 (1932) (Brandeis, J., dissenting), written five years after the book's publication; and second, Justice Jackson cited it in his majority in *Wong Yang Sung v. McGrath*, 339 U.S. 33, 37 n.3 (1950), written more than two decades after the book's publication. *See also* DAVIS, *supra* note 79, § 250, at 902 (observing that Dickinson's view on the law-fact distinction "has been quoted with approval by a number of important writers and without doubt has substantially influenced thought on the subject"); JAFFE, *supra* note 64, at 546-47 & n.4 (noting that "[p]erhaps the most famous expression" of the view that "it is difficult, perhaps indeed impossible, to make a clean distinction between fact and law" is found in Dickinson); George L. Haskins, *John Dickinson: 1894-1952*, 101 U. PA. L. REV. 1, 6 n.6 (1952) ("Dickinson's ideas attracted particularly the attention of

book in 1927, the expansion of the American administrative state during the New Deal brought the executive branch and the Justices of the Supreme Court increasingly into conflict on questions of both constitutional and statutory interpretation. Some critics (and even supporters) of the administrative state sought to articulate a manner in which agency discretion could be cabined. Ernst Freund, a professor at the University of Chicago Law School, believed that administrative action worked best when "procedural guaranties and other inherent checks" were established that would "in course of time, if not immediately, substitute principle for mere discretion" and would "evolve principle out of constantly recurrent action."[276] More dramatically, Roscoe Pound, as the lead author of a Special Committee on Administrative Law for the American Bar Association, criticized an emerging "administrative absolutism" that was repugnant to the idea of traditional law in the United States.[277]

But the dominant approach within the academy—and the Roosevelt executive branch—embraced administrative discretion.[278] Dickinson criticized Freund for viewing administrative discretion as "of necessity inherently bad, and [assuming] that all questions can be justly decided by the yard-stick of fixed rules."[279] More administrative discretion, however, required less judicial review. In the words of Walter Gellhorn, a law professor at Columbia, "the burning question was whether and how much a court could review (and, in reviewing, revise) administrative judgments," given that judges "were sometimes less than supermen and were therefore themselves capable of erring" and that judges could not "reach more than a tiny segment of the administrative output."[280]

Mr. Justice Cardozo, who frequently referred to them in his printed works." (citing SELECTED WRITINGS OF CARDOZO 13, 15, 288 (Hall ed., 1947))).

276. Ernst Freund, *The Substitution of Rule for Discretion in Public Law*, 9 AM. POL. SCI. REV. 666, 669, 671-72 (1915).

277. *Report of the Special Committee on Administrative Law*, 63 ANN. REP. ABA 331, 339-46 (1938).

278. *See* Tushnet, *supra* note 13, at 1590, 1637 (observing that New Deal Progressives sought to "liberate agencies from judicial supervision so that technocracy guided loosely by politics could replace law" and had a "vision for administrative law [that] had the courts withdrawing almost completely from the supervision of administrative agencies").

279. John Dickinson, *Book Reviews*, 22 AM. POL. SCI. REV. 981, 985 (1928) (reviewing JOHN PRESTON COMER, LEGISLATIVE FUNCTIONS OF NATIONAL ADMINISTRATIVE AUTHORITIES (1927); and ERNST FREUND, ADMINISTRATIVE POWERS OVER PERSONS AND PROPERTY: A COMPARATIVE SURVEY (1928)); *see also* Daniel R. Ernst, *Ernst Freund, Felix Frankfurter, and the American Rechtsstaat: A Transatlantic Shipwreck, 1894-1932*, 23 STUD. AM. POL. DEV. 171, 184 (2009) (discussing other students of Frankfurter who criticized Freund's distaste of administrative discretion).

280. WALTER GELLHORN, FEDERAL ADMINISTRATIVE PROCEEDINGS 42-43 (1941).

In this intellectual climate, whatever Dickinson's precise intent in describing "law" and "fact" as "not two mutually exclusive *kinds* of questions,"[281] many readers understood his point broadly. Drawing the line between "facts" and "law" for purposes of judicial review, on this view, was not a matter of mere formal categorization, but rather a policy call dependent on the generality of the legal principle that the court or agency was articulating. That meant certain questions traditionally deemed "legal" could be re-conceptualized as "factual" where the principle being articulated was of insufficient abstraction to justify the involvement of generalist courts in the functioning of expert agencies.

In the Storrs Lecture delivered in 1938 at Yale Law School and published as *The Administrative Process*, James Landis set forth the standard account of New Deal progressives on the topic of judicial review of administrative action.[282] "[T]he administrative process," he claimed, "springs from the inadequacy of a simple tripartite form of government to deal with modern problems," with the changes wrought by the modern administrative state being "conducive to flexibility—a prime quality of good administration."[283] The quality of "expertness" that administrative agencies possessed, Landis argued, could arise "only from that continuity of interest, that ability and desire to devote fifty-two weeks a year, year after year, to a particular problem."[284]

Landis accepted that, under the prevailing interpretive approach, "[t]he scope of judicial review" over questions of fact and questions of law "is wholly different."[285] In this regard, he noted that he "use[d] the[] terms 'fact' and 'law' knowing how tenuous the distinction between them is" and described Dickinson as an authority who "reject[ed] the distinction completely."[286] With respect to questions of "fact," the issue was relatively straightforward: review was minimal under the precedents, and should be minimal because "the ex-

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281. DICKINSON, *supra* note 26, at 55.

282. LANDIS, *supra* note 261, at 136-40. Landis, then the Dean of Harvard Law School, had just returned from service as Chairman of the Securities and Exchange Commission, *see* Tushnet, *supra* note 13, at 1612, where he may well have played a role in the SEC's defense of its expansive early reading of its organic statute, *see In re* Application of Int'l Paper & Power Co., Exchange Act Release No. 292, 1937 WL 32739 (May 5, 1937), powers under our fundamental Act with undue strictness at this stage in our growth would be to sacrifice upon the altar of a by-gone legal formalism our ability to perform adequately our allotted task. It would, indeed, be for us to make the mistake which Chief Justice Marshall happily avoided in his exposition of a great organic act in *McCulloch v. Maryland*, 4 Wheat. 316.").

283. LANDIS, *supra* note 261, at 1, 69.

284. *Id.* at 23.

285. *Id.* at 145.

286. *Id.*

pertness of the administrative, if guarded by adequate procedures, can be trusted to determine these issues as capably as judges."[287]

But as to questions of law, Landis seemed to part ways with the prevailing approach. In a revealing statement, Landis observed that "[t]he interesting problem *as to the future of judicial review* over administrative action is the extent to which judges *will* withdraw, not from reviewing findings of fact, but conclusions upon law . . . due to the belief that" legal issues (like factual ones) "are best handled by experts."[288] Landis contended that "the same considerations of expertness" that prompted deference on factual issues "have validity in the field of law."[289] Indeed, the commonplace "desire to have courts determine questions of law is related to a belief in their possession of expertness with regard to such questions."[290] Questions of law, however, should be "decided by those best equipped for the task" due to their expertise, which would in certain specialized circumstances be administrative agencies rather than courts.[291] The message from *The Administrative Process* was clear: judicial deference to executive interpretation was not the law, circa 1938, but some form of the doctrine should be in the future.

B. The Death (and Temporary Revival) of the Traditional Canons from 1940 to the Administrative Procedure Act

Following the appointment of a set of new Justices, the Supreme Court in the early 1940s steadily expanded the zone of interpretive discretion given to administrative agencies, effectively abandoning the traditional interpretive

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287. *Id.* at 142; *see also* Robert M. Cooper, *Administrative Justice and the Role of Discretion*, 47 YALE L.J. 577, 595 (1938) (criticizing those who supported "the doctrine of judicial infallibility" and who were "presumably of the opinion that an independent tribunal endowed with the antiquated or cumbersome methods of legal procedure, steeped in the traditions of the common law and completely isolated from the previous steps in the administrative process, is the most suitable agency to determine finally the existence of certain basic facts pertaining to an administrative controversy").

288. LANDIS, *supra* note 261, at 144 (emphasis added).

289. *Id.* at 145.

290. *Id.* at 152 (emphasis omitted).

291. *Id.* at 153. In contrast to Landis's approach, Erwin Griswold's (later Landis' successor as Dean of Harvard Law School) 1941 article summarized the *existing* case law as hinging on two factors that "can be compressed into two long words: contemporaneousness, and long-continuedness." Erwin N. Griswold, *A Summary of the Regulations Problem*, 54 HARV. L. REV. 398, 404 (1941). Dean Griswold did not address the intellectual antecedents for these two factors, nor the development of the mandamus standard or law-fact distinction, but his analysis was, in the main, consistent with that of this Article.

methodology.[292] In charting this new course, the Court borrowed much from Dickinson's (and Thayer's) legal realist approach to the law-fact distinction. As Jaffe later explained, "[t]he device of characterizing a question as one of fact or as 'mixed' permit[ted] a court to pretend that it *must* affirm the administrative action if it is 'supported by evidence' or is 'reasonable.'"[293] But then, in the wake of a backlash against the New Deal and the perception of excesses by administrative agencies, Congress enacted the Administrative Procedure Act in 1946. Read against the history of the APA's adoption, section 706 is best interpreted as an attempt to revive the traditional methodology and to instruct courts to review legal questions using independent judgment and the canons of construction.

1. The New Jurisprudence

The opinion in *Gray v. Powell* heralded a new era and set forth an approach to judicial review that illustrated the proclivities of the new members of the Court. In *Gray*, the Court held that it would not question the Department of Interior's construction of the word "producer" under the Bituminous Coal Act

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292. *See* STEPHEN G. BREYER & RICHARD B. STEWART, ADMINISTRATIVE LAW AND REGULATORY POLICY 22 (3d ed. 1992) ("In a relatively short time, the Supreme Court (and with it, much of the lower federal judiciary) swung from almost undisguised hostility toward the new programs of the administration to conspicuous deference. The availability of judicial review of administrative action was curtailed, and particular agency decisions were frequently sustained with judicial obeisance to the mysteries of administrative expertise. The defenders of the administrative process appeared to have substantially succeeded in insulating agency decisions from judicial check."); WALTER GELLHORN ET AL., ADMINISTRATIVE LAW, CASES AND COMMENTS 379-80 (8th ed. 1987) (stating that, during this period, the "historical building blocks" for deferential judicial review of agency legal interpretation were put in place); *cf.* Nicholas R. Parrillo, *Leviathan and Interpretive Revolution: The Administrative State, the Judiciary, and the Rise of Legislative History, 1890-1950*, 123 YALE L.J. 266, 284, 300 (2013) (noting a rise in the number of citations of legislative history from about the year 1940, attributing that rise "in part [to] a rapid turnover in the personnel and therefore the ideology of the Court" with "the appointment of new progressive-minded Justices by President Roosevelt," and contending that the use of such history was "at least in its origin, a statist tool of interpretation"). Among the newly appointed members was Felix Frankfurter—one of two people (the other, Roscoe Pound) to whom Dickinson had dedicated *Administrative Justice and the Supremacy of Law*. The other new Justices were Hugo Black, Stanley Reed, William Douglas, Frank Murphy, James Byrnes (briefly), Robert Jackson, Wiley Rutledge, and Harold Burton. They replaced Willis Van Devanter, George Sutherland, Benjamin Cardozo, Louis Brandeis, Pierce Butler, James McReynolds, Harlan Stone, Charles Evans Hughes, and Owen Roberts.

293. JAFFE, *supra* note 64, at 547; *see also* DAVIS, *supra* note 79, § 250, at 902-05 (expressly connecting Thayer and Dickinson's perspective on the law-fact distinction and the Court's deference jurisprudence during the 1940s).

of 1937.[294] The Court reasoned that Congress had "delegate[d] th[e] function" of interpreting the statutory term "to those whose experience in a particular field gave promise of a better informed, more equitable" judgment, and that "this delegation will be respected and the administrative conclusion left untouched."[295] The Court brushed aside the fact that there was "no dispute as to the evidentiary facts" because "[i]t is not the province of a court to absorb the administrative functions to such an extent that the executive or legislative agencies become mere fact finding bodies deprived of the advantages of prompt and definite action."[296] "To determine upon which side of the median line the particular instance falls," the Court reasoned, "calls for the expert, experienced judgment of those familiar with the industry."[297] In a dissenting opinion, Justice Roberts argued that in the absence of a "single disputed fact," the agency's "error was a misconstruction of the Act . . . and that error, under all relevant authorities, is subject to court review."[298] He accused the majority of "obviously fail[ing] in performing its duty," of "abdicat[ing] its function as a court of review," and of "complete[ly] revers[ing] . . . the normal and usual method of construing a statute."[299]

A few years later, in 1944, the Court elaborated on this mixed-question-of-law-and-fact approach. In *NLRB v. Hearst Publications, Inc.*, the Court concluded that "where the question is one of specific application of a broad statutory term in a proceeding in which the agency administering the statute must de-

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294. 314 U.S. 402, 411-12 (1941).

295. *Id.* at 412 & n.7 (citing, among other cases, *Bates*).

296. *Id.* at 412.

297. *Id.* at 413 (reasoning that, unless the agency's action could be characterized as not "a sensible exercise of judgment, it is the Court's duty to leave the Commission's judgment undisturbed"). Although *Gray* does not expressly speak of "mixed questions" of law and fact, Justice Reed's draft opinions for the Court—which I have recently uncovered—make abundantly clear the connection between the preexisting debate and the *Gray* Court's reasoning and ultimate holding. *See* Justice Stanley Reed, Draft Opinion in *Gray v. Powell* (on file with author) (reasoning that, in "dealing with" questions about the standard of review, "courts have sought to subsume inferences from evidentiary facts under the categories of fact or law in an effort by that classification to determine their power of judicial review" and that, "[e]ven though th[e] Act [at issue in the case] forbids plenary review of facts and allows it for legal issues, the need for accurate separation of the two is not often essential"); *see also* Aditya Bamzai, The Law-Fact Distinction and *Gray v. Powell* (unpublished manuscript) (on file with author).

298. 314 U.S. at 418 (Roberts, J., dissenting); *see also id.* at 420 (arguing that, if an agency fails to "observe . . . guides in applying the statute . . . , it is the obligation of the courts to observe them in performing their statutory duty to review [its] determination").

299. *Id.* at 420-21.

termine it initially, the reviewing court's function is limited."[300] The Court rejected the argument that it could "import wholesale the traditional common-law conceptions" of the statutory term, lest the statute become "encumbered by the same sort of technical legal refinement as has characterized" the judicial definition.[301] Instead, the Court held that the agency's "[e]veryday experience in the administration of the statute gives it familiarity" with how best to define the statutory term and meant that the agency construction "is to be accepted if it has 'warrant in the record' and a reasonable basis in law."[302]

A third case, also from 1944, seemed to articulate a slightly different, more forthrightly multifactor and contextual approach to judicial deference. In *Skidmore v. Swift & Co.*, Justice Jackson authored a unanimous opinion for the Court asserting that a particular agency's legal interpretations, "while not controlling upon the courts by reason of their authority, do constitute a body of experience and informed judgment to which courts and litigants may properly resort for guidance."[303] The "weight" given the agency's legal interpretation, on Justice Jackson's reasoning, "depend[ed] upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control."[304] While Justice Jackson's reasoning paralleled the methodology of the interpretive canons to the extent that it instructed courts to look at agency "consistency," *Skidmore* did not provide a theoretical basis for its multifactor approach or an explanation for why the approach was appropriate. Nor did it explain how other factors with the "power to persuade" were related to the statute's contemporaneous understanding and the agency's customary practice.

Almost immediately, the Court inconsistently applied the new principles that it had articulated in *Gray*, *Hearst*, and *Skidmore*. The mixed-question analysis was embraced, in some cases, by the dissenting Justices in *Gray*,[305] and re-

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300. 322 U.S. 111, 131 (1944); *see id.* at 135-36 (Roberts, J., dissenting) (reasoning that "Congress did not delegate" the interpretive task to the agency and that such a task "is a question of the meaning of the Act and, therefore, is a judicial and not an administrative question").

301. *Id.* at 125 (majority opinion).

302. *Id.* at 130-31.

303. 323 U.S. 134, 140 (1944).

304. *Id.*

305. *See* Barrett Line v. United States, 326 U.S. 179, 201-02 (1945) (Stone, C.J., and Roberts, Frankfurter, and Jackson, JJ., dissenting) (reasoning that "it is our business to deal with the case now here and not to be concerned with apparent inconsistences in administrative determinations" and that "the construction of this provision involves considerations so bound up with the technical subject matter that, even though the neutral language of the statute

jected, in others, by Justices in the *Gray* majority.[306] The analysis was embraced in some cases,[307] and rejected in others on grounds that were hard to decipher.[308] Still other cases made it hard to determine whether the Court was truly following a "mixed question" approach, as opposed to the broader principle that agencies receive deference for all legal interpretations, which was later adopted in *Chevron*.[309]

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permits, as a matter of English, the construction which the Court now makes, the experience of the Commission should prevail"); Medo Photo Supply Corp. v. NLRB, 321 U.S. 678, 681 n.1 (1944) (Stone, C.J.) (arguing that "[i]t has now long been settled that" on questions of law "the experienced judgment of the Board is entitled to great weight").

306. *See* Switchmen's Union of N. Am. v. Nat'l Mediation Bd., 320 U.S. 297, 321 (1943) (Reed, J., dissenting) (reasoning that the agency "may be conceded discretion to make a reasonable determination of the meaning" of a statute, but criticizing the Court for allowing the agency "to determine not only questions judicially found to be committed to its discretion, as in *Gray v. Powell*, . . . but the statutory limits of its own powers as well").

307. *See* Cardillo v. Liberty Mut. Ins. Co., 330 U.S. 469, 478 (1947) (holding that, for application "of a broad statutory term or phrase to a specific set of facts" that may "be considered more legal than factual in nature, the reviewing court's function is exhausted when it becomes evident that" the agency's "choice has substantial roots in the evidence and is not forbidden by the law"); Unemployment Comp. Comm'n of Alaska v. Aragon, 329 U.S. 143, 153-54 (1946) ("All that is needed to support the Commission's interpretation is that it has 'warrant in the record' and a 'reasonable basis in law.'"); Billings v. Truesdell, 321 U.S. 542, 552-53 (1944) (citing *Gray* for the proposition that "the interpretations of an Act of Congress by those charged with its administration are entitled to persuasive weight"); Dobson v. Comm'r, 320 U.S. 489, 502 (1943) (reasoning that "when the Court cannot separate the elements of a decision so as to identify a clear-cut mistake of law, the decision of the Tax Court must stand" and that "[i]n deciding law questions courts may properly attach weight to the decision of points of law by an administrative body having special competence to deal with the subject matter").

308. *See* Fishgold v. Sullivan Drydock & Repair Corp., 328 U.S. 275, 290-91 (1946) (relying on *Skidmore* and rejecting agency interpretation); Soc. Sec. Bd. v. Nierotko, 327 U.S. 358, 369-70 (1946) (observing that "[a]dministrative determinations must have a basis in law and must be within the granted authority" because agencies "act as a delegate to the legislative power," reasoning that it "is a judicial function" to "decide the limits of [agency] statutory power," and holding that agency holding was "beyond the permissible limits of administrative interpretation"); Mabee v. White Plains Pub. Co., 327 U.S. 178, 181-82 (1946) (relying on *Skidmore*); Estep v. United States, 327 U.S. 114, 142-43 (1946) (Frankfurter, J., concurring) (citing *Gray* for the proposition that Congress may "lodge[]" matters "in the exclusive discretion" of an agency); Interstate Commerce Comm'n v. Parker, 326 U.S. 60, 65 (1945) (citing *Gray* and reasoning that statutory language "gives administrative discretion" to the agency "to draw its conclusion from the infinite variety of circumstances which may occur in specific instances").

309. *See, e.g.*, Fed. Sec. Adm'r v. Quaker Oats Co., 318 U.S. 218, 227-28 (1943) (Stone, C.J.) (citing *Gray* for the proposition that the Court had "repeatedly emphasized the scope that must be allowed to the discretion and informed judgment of an expert administrative body," and claiming that "[t]hese considerations are especially appropriate where the review is of regu-

Leaving to one side the confusion in the case law in the year 1946, the Court's cases, when set against the backdrop of the historical narrative, clarify a point of wider jurisprudential significance. In the post-*Chevron* era, it has become *de rigueur* to compare the bright-line approach seemingly articulated in *Chevron* (and its predecessors, such as *Hearst*) with the multifactor and contextual approach articulated by Justice Jackson in *Skidmore*. But it is possible that a third explanation captures the jurisprudential phenomenon of the 1940s era: both the *Hearst* and *Skidmore* standards were alternative twentieth-century attempts by a Court struggling to define the bounds of judicial review of expert decisions by generalist courts—and *both* are departures from the traditional interpretive methodology and intellectual framework that privileged contemporary and customary interpretations.

2. *The Road to the Administrative Procedure Act*

In his 1944 opinion in *Skidmore*, Justice Jackson remarked that there was "no statutory provision as to what, if any, deference courts should pay to" agency interpretations of statutes.[310] Within two years, that would change as a result of developments within the political branches that were occurring in parallel with this new jurisprudence. In 1939, Representative Francis Walter and Senator Mills Logan introduced legislation to govern administrative procedure and judicial review in the House and Senate.[311] The debate over the bill attracted intense national attention, with one congressman remarking that "[p]ractically every leading newspaper in the country has commented editorially on the contents of this bill. It has been spectacularized in the news columns

lations of general application adopted by an administrative agency under its rule-making power in carrying out the policy of a statute with whose enforcement it is charged").

310. Skidmore v. Swift & Co., 323 U.S. 134, 139 (1944).

311. H.R. 6324, 76th Cong. (1939); S. 915, 76th Cong. (1939). The bill was modeled on a proposal by Roscoe Pound, the Chairman of the ABA's Special Committee on Administrative Law, submitted to Congress in 1938. *Report of the Special Committee on Administrative Law*, 65 ANN. REP. ABA 215 (1940); *Report of the Special Committee on Administrative Law*, 64 ANN. REP. ABA 281 (1939); *Report of the Special Committee on Administrative Law*, *supra* note 277; *see also* James M. Landis, *Crucial Issues in Administrative Law*, 53 HARV. L. REV. 1077, 1083 nn.11-12 (1940) (observing that House Resolution 6324 renumbered the sections of Pound's bill, added definitions, and made minor substantive changes); George B. Shepherd, *Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics*, 90 NW. U. L. REV. 1557 (1996) (relating the history of attempts to enact a statute addressing administrative procedure and judicial review before the Walter-Logan bill).

and on the radio."[312] The bill passed the House and Senate, but President Roosevelt—on Attorney General Jackson's recommendation—vetoed it on December 18, 1940.[313] In doing so, he characterized the bill as "one of the repeated efforts by a combination of lawyers who desire to have all processes of government conducted through lawsuits and of interests which desire to escape regulations."[314] Roosevelt sought to deflect criticism of his veto, at least temporarily, by asking Congress to wait for the recommendations of a Committee on Administrative Procedure that he had asked Attorney General Jackson to establish following the introduction of the Walter-Logan bill in Congress.[315]

Roosevelt's veto message prompted a heated reaction from Roscoe Pound, who excoriated it in a 1941 speech before the New York State Bar Association that was reprinted in the *Journal of the American Bar Association*.[316] Pound dramatically claimed that the message was "much in the spirit of the absolute ideas which have been making headway all over the world in the past two dec-

312. 86 CONG. REC. 13,814 (1940) (statement of Rep. Michener). From the vantage point of the post-*Chevron* era, the bill gave scant attention to the standard of judicial review for questions of law, requiring simply that a reviewing court would set aside a decision that "infringes . . . the statutes of the United States" or that "is otherwise contrary to law." That provision contrasted with the far more fulsome provisions on judicial review of factual issues, on which the debate centered. 84 CONG. REC. 7075 (1939) (statement of Rep. Logan) (arguing that the bill would eliminate the "scintilla" rule, under which a reviewing court would affirm an agency decision supported by a "scintilla" of evidence, and replace it with the "substantial evidence" rule, under which an agency decision would be affirmed only if it rested on substantial evidence). Whether the bill would actually change then-existing law was disputed; other senators pointed out that courts had already embraced the substantial evidence rule. *See id.*; *see also, e.g.*, Consol. Edison Co. v. NLRB, 305 U.S. 197, 229 (1938) (applying the substantial evidence rule); NLRB v. Montgomery Ward & Co., 133 F.2d 676, 685 (9th Cir. 1943) (same); Appalachian Power Co. v. NLRB, 93 F.2d 985, 989 (4th Cir. 1938) (same).

313. 86 CONG. REC. 13,942-43, 13,945.

314. *Id.* at 13,943.

315. *See* FINAL REPORT OF THE ATTORNEY GENERAL'S COMMITTEE ON ADMINISTRATIVE PROCEDURE, S. DOC. NO. 77-8, app. A, at 251-52 (1941). Of the twelve members of the final committee, eight could be considered supporters of the New Deal, while four may have been opponents. *See* Sunstein, *supra* note 3, at 2081 n.46 (noting that the Committee majority was composed of "New Deal enthusiasts skeptical about judicial checks on administration" and that it recommended no new legislation defining the scope of judicial review). The minority was composed of Carl McFarland, E. Blythe Stason, Arthur T. Vanderbilt, and one "conservative" member, Lawrence Groner, who was later described as "off by himself, way off at the right end, nobody joining him." Kenneth C. Davis & Walter Gellhorn, *Present at the Creation: Regulatory Reform Before 1946*, 38 ADMIN. L. REV. 511, 513 (1986). The committee's staff included two young law professors, Kenneth Davis and Walter Gellhorn, who would go on to become two of the leading academic experts on administrative law in the second half of the twentieth century. *See* Shepherd, *supra* note 311, at 1595.

316. Roscoe Pound, *The Place of the Judiciary in a Democratic Polity*, 27 ABA J. 133 (1941).

ades."[317] In doing so, he specifically criticized the "recent[]" trend of "giving the interpretation of [statutes] to the executive, or to administrative officials."[318] He equated "tak[ing] away interpretation by the courts" and "leav[ing] interpretation of the provisions and directions of the law to the executive" with "enter[ing] upon the path leading to a *lex regia*" and "moving a long way from . . . the genius of our institutions [which] was opposed to the deposit of unlimited power anywhere."[319]

On January 22, 1941, a month after the House failed to override Roosevelt's veto of the Walter-Logan bill, the Attorney General's Committee on Administrative Procedure submitted its report, accompanied by two draft bills from the "majority" (more favorable to administrative discretion and flexibility) members of the Committee and the "minority" (more favorable to codifying procedural requirements) members. The majority reasoned that agencies were too diverse to be governed by a single set of procedures and, hence, proposed continuous study and reporting of administrative procedures,[320] along with a draft bill that did not codify a standard for the scope of review of agency decisions.[321] The minority bill, by contrast, proposed a unified and comprehensive code of administrative procedure, including provisions setting forth standards for judicial review of administrative action for all relevant questions of (1) constitutional right, power, privilege or immunity; (2) the statutory authority or jurisdiction of the agency; (3) the lawfulness and adequacy of procedure; (4) findings, inferences or conclusions of fact unsupported, upon the whole record, by substantial evidence; and (5) administrative action otherwise arbitrary or capricious.[322] The minority draft also included a judicial-review proviso stating that "upon such review due weight shall be accorded the expe-

317. *Id.* at 133.

318. *Id.* at 136.

319. *Id.* at 137.

320. Dean Acheson, *Summary of Attorney General's Committee Report*, *reprinted in* 27 ABA J. 143, 145 (1941) ("The Committee believes that the judicial review which now exists is wise and should be maintained . . . . [T]he Committee believes that [changes] may not wisely be effected by general legislation.").

321. *See* H.R. 4782, 77th Cong. (1941); S. 675, 77th Cong. (1941); FINAL REPORT OF THE ATTORNEY GENERAL'S COMMITTEE ON ADMINISTRATIVE PROCEDURE, S. DOC. NO. 77-8, at 191-202 (1941).

322. H.R. 4782; S. 675; S. DOC. NO. 77-8, at 203, 217-47; *see also Additional Views and Recommendations of Messrs. McFarland, Stason and Vanderbilt*, *reprinted in* 27 ABA J. 146, 146-47 (1941) (outlining the minority's proposal for a comprehensive code of administrative procedure).

rience, technical competence, specialized knowledge, and legislative policy of the agency involved as well as the discretionary authority conferred upon it."[323]

With respect to questions of law, the majority of the Attorney General's Committee reasoned that:

> Even on questions of law [independent] judgment [by the court] seems not to be compelled. The question of statutory interpretation might be approached by the court de novo and given the answer which the court thinks to be the "right interpretation." Or the court might approach it, somewhat as a question of fact, to ascertain, not the "right interpretation," but only whether the administrative interpretation has substantial support. Certain standards of interpretation guide in that direction. Thus, where the statute is reasonably susceptible of more than one interpretation, the court may accept that of the administrative body. Again, the administrative interpretation is to be given weight—not merely as the opinion of some men or even of a lower tribunal, but as the opinion of the body especially familiar with the problems dealt with by the statute and burdened with the duty of enforcing it. This may be particularly significant when the legislation deals with complex matters calling for expert knowledge and judgment.[324]

Two aspects of this passage stand out. First, the report's suggestion that "questions of law" might be approached as "a question of fact, to ascertain . . . only whether the administrative interpretation has substantial support" mirrors Dickinson's argument on the law-fact distinction—a debt that the report acknowledged by quoting Dickinson's analysis.[325] Second, the majority asserted its recommendation tentatively, thereby indicating that the authors of the report did not believe that their position fully reflected the state of the case law, but rather proposed a new and idealized rule of interpretation. Buttressing that point, the report cited a single case to support the deferential standard of review that it (tentatively) proposed—Judge Augustus Hand's Second Circuit opinion in *SEC v. Associated Gas & Electric Co.*[326] Simply put, when the report was issued in January of 1941—before the Court issued *Gray* and *Hearst*—the

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323. S. DOC. NO. 77-8, at 246-47.

324. *Id.* at 90-91 (footnote omitted).

325. *Id.* at 88 n.37 (citing DICKINSON, *supra* note 26).

326. 99 F.2d 795 (2d Cir. 1938). Judge Hand's opinion in the case could be understood as an application of the traditional canons. *See id.* at 798 (noting "uniform[] treat[ment]" and "long settled practice," as well as the "benefit of [the agency's] special knowledge acquired through continuous experience in a difficult and complicated field").

majority could find no better case to support a deferential standard of review on questions of law.

3. *Section 706 of the Administrative Procedure Act*

For several years, issues of administrative reform were relegated to the backburner as Congress focused on the nation's war effort.[327] But when Congress finally enacted the APA to govern internal agency procedure and judicial review in 1946,[328] one might have predicted that the Court's incipient deviation from the traditional interpretive method would be swept away. After all, section 706 of the APA provided that a "reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action."[329] On its face, section 706's instruction that a court "decide all relevant questions of law" appeared to contemplate some form of de novo review of agency legal interpretation. Section 706, moreover, prescribed the same standard of review for statutory provisions as for constitutional provisions by requiring that courts "interpret constitutional and statutory provisions" alike. Since at least *Marbury*, constitutional provisions had been subject to de novo review.[330] And section 706 required, without suggesting that a deferential standard be applied, that courts overturn agency actions "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right."[331] Finally, section 706 established deferential standards of review for issues other than "relevant questions of law,"[332] thereby indicating that Congress knew how to write a deferential standard into statute when it wanted to do so.

No less importantly, had the enactors of the APA wanted to require courts to give additional weight to agency expertise—and thereby, to codify or to leave

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327. *See* Shepherd, *supra* note 311, at 1641 (noting that during several of the war years "Congress ignored administrative reform").

328. Pub. L. No. 79-404, 60 Stat. 237 (1946) (codified as amended in scattered sections of 5 U.S.C.); *see also* S. REP. NO. 79-752, at 5-7 (1945) (explaining how the APA would meet the goal of a bill that is "complete enough to cover the whole field").

329. 5 U.S.C. § 706 (2012); *see also id.* § 706(2)(A), (C) (authorizing courts to "set aside agency action, findings, and conclusions found to be . . . not in accordance with law" or "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right").

330. *See, e.g.*, Miller v. Johnson, 515 U.S. 900, 922-23 (1995).

331. 5 U.S.C. § 706(2)(C).

332. *See id.* § 706(2)(A) (providing that agency actions, findings, and conclusions may be overturned "if arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law").

in place the Supreme Court's post-1940s jurisprudence on the question of deference – they had before them a template for doing so. Like the APA generally, secttion 706 was modeled on the proposed bill of the minority of the Attorney General's Committee on Administrative Procedure.[333] But there was a single, glaring difference: the minority proposal had included a proviso requiring that a reviewing court give "due weight" to agency "technical competence" and "specialized knowledge."[334] Section 706 omitted that language.[335]

Scholars have long debated what section 706's instruction means. On the one hand, as Duffy explains, "commentators in administrative law have 'generally acknowledged' that section 706 seems to require de novo review on questions of law."[336] Similarly, Merrill observes that section 706 "suggests that Congress contemplated courts would always apply independent judgment on questions of law"[337] and notes the "puzzling" fact that there has been no judicial "'rediscovery' of the language of the APA."[338] And Jerry Mashaw states that section 706 "seems to allocate firmly [questions of statutory interpretation] to de novo judicial determination."[339]

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333. *See* Nathaniel L. Nathanson, *Some Comments on the Administrative Procedure Act*, 41 ILL. L. REV. 368, 414 (1946) ("In general Section 10 of the Act adopts the proposal of the minority of the Attorney General's Committee."); Shepherd, *supra* note 311, at 1649-50 (observing that bills introduced in 1943 "mirrored the Attorney General's Committee's minority bill" and became the APA after "two years of negotiations and softening amendments"). Contrary to Shepherd's characterization, however, not all of the "amendments" that the APA made to the minority bill should be characterized as "softening." *See infra* text accompanying notes 334-335.

334. FINAL REPORT OF THE ATTORNEY GENERAL'S COMMITTEE ON ADMINISTRATIVE PROCEDURE, S. DOC. NO. 77-8, at 246-47 (1941).

335. *See* Dickinson, *supra* note 261, at 517 n.40 (noting that, although the APA "adopts most of the judicial review provisions of the minority bill," the proviso "seems never to have been seriously considered by Congress or its committees").

336. Duffy, *supra* note 196, at 194-95. Duffy argues that "the tension between *Chevron* and Section 706" cannot "be solved by considering *Chevron* to be a traditional canon of statutory construction that formed part of the background understanding when Section 706 was enacted." *Id.* at 195. He ultimately concludes that a canon such as the one announced in *Chevron* would have been "unknown in 1946." *Id.* at 197.

337. Merrill, *supra* note 18, at 995.

338. Thomas W. Merrill, *Capture Theory and the Courts: 1967-1983*, 72 CHI.-KENT L. REV. 1039, 1086 (1997). Merrill also reflects on the "embarrassing" point that the "APA appears to compel th[e] conclusion" that "courts should decide all questions of law de novo." *Id.* at 1085.

339. Mashaw, *supra* note 27, at 2243; *see also* Cynthia R. Farina, *Statutory Interpretation and the Balance of Power in the Administrative State*, 89 COLUM. L. REV. 452, 473 n.85 (1989) ("That section 706 *appears* to contemplate de novo judicial determination of questions of statutory meaning is generally acknowledged. This reading is supported by the section's failure to distinguish in any way between the interpretation of constitutional and statutory provisions,

On the other hand, Adrian Vermeule observes that "on reflection" the APA "is generally indeterminate on the crucial question" of deference, because "*Chevron* might be one of the legal rules courts are to apply."[340] That is because, under a "plausible reading" of the APA, where "agencies are exercising delegated authority, perhaps the meaning of the relevant law just is what agencies say that it is."[341] In a similar vein, John Manning suggests that "the framers of the APA meant its judicial review provisions to be a restatement of pre-APA standards."[342] It may even be the case that, to use Justice Scalia's words, Congress enacted section 706 under "the quite mistaken assumption that questions of law would always be decided de novo by the courts."[343]

Against the backdrop of the historical development of the law of judicial deference, however, the meaning of section 706 is easier to discern. The most natural reading of section 706 – one that has, to my knowledge, heretofore escaped scholarly or judicial attention – is that the APA's judicial review provision adopted the traditional interpretive methodology that had prevailed from the beginning of the Republic until the 1940s and, thereby, incorporated the customary-and-contemporary canons of construction. In other words, when Congress enacted the APA, it *did* in fact incorporate traditional background rules of statutory construction. It did *not*, however, incorporate the rule that came to be known as *Chevron* deference, because that was not (at the time) the traditional background rule of statutory construction. Under the traditional approach, a court would "respect" – or, to use modern parlance, "defer to" – an agency's interpretation of a statute if and only if that interpretation reflected a customary or contemporaneous practice under the statute.

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the former of which has always been subject to independent judgment." (citations omitted)); Elizabeth Garrett, *Legislating* Chevron, 101 MICH. L. REV. 2637, 2640 (2003) ("Arguably, Section 706 of the Administrative Procedure Act is a broad statement delegating [interpretive] authority to courts, contrary to the rule adopted in *Chevron*." (footnotes omitted)).

340. ADRIAN VERMEULE, JUDGING UNDER UNCERTAINTY: AN INSTITUTIONAL THEORY OF LEGAL INTERPRETATION 207-08 (2006).

341. *Id.* at 208. To be clear, Vermeule's account does not purport to be authoritative. In his view, this interpretation of the APA is "[p]lausible, but not necessary; candid observers, on all sides, acknowledge that Congress has not authoritatively required or forbidden the *Chevron* principle." *Id.*

342. John F. Manning, *Constitutional Structure and Judicial Deference to Agency Interpretations of Agency Rules*, 96 COLUM. L. REV. 612, 635 n.123 (1996).

343. Scalia, *supra* note 22, at 514; *see also* BREYER & STEWART, *supra* note 292, at 280 ("Despite the language of the Administrative Procedure Act instructing *courts* to decide 'all relevant' questions of law, the courts have consistently said that *some* questions of law are for the agency to decide.").

To put the point slightly differently, the *contemporanea expositio* and *interpres consuetudo* canons were considered part and parcel of de novo review. Courts routinely applied (and continue to apply) the two canons in construing constitutional provisions. By extension, in requiring courts to "interpret constitutional and statutory provisions" equivalently, Congress would have expected courts to apply de novo review *and* to apply those canons of construction to construe statutory provisions.

To the extent that it is relevant,[344] the legislative history of the APA tends to confirm this interpretation of section 706. The APA arose out of a "fierce political battle over administrative reform" fought between proponents and opponents of the New Deal over what both factions believed to be "the life of the New Deal" itself.[345] Proponents of the law repeatedly claimed that courts would be authorized to review questions of law. Representative Walter, the author of the House Report on the APA and the chairman of the House Subcommittee on Administrative Law, explained before the passage of the Act that section 706 "requires courts to determine independently all relevant questions of law, including the interpretation of constitutional or statutory provisions."[346] The House and Senate reports echoed this point, providing that "questions of law are for courts rather than agencies to decide in the last analysis."[347] The House report also included a "diagram synopsis" of the Act, which indicated

344. *But see supra* notes 106-111 and accompanying text. The legislative history of the APA, moreover, may be particularly unreliable because each side of a partisan debate may have "tried to lay a foundation in the legislative history for interpretations favorable to its view." Kenneth Culp Davis, *Unreviewable Administrative Action*, 15 F.R.D. 411, 431 (1954); *see also* Shepherd, *supra* note 311, at 1662-63 (reasoning that "each party to the negotiations over the bill attempted to create legislative history—to create a record that would cause future reviewing courts to interpret the new statute in a manner that would favor the party").

345. Shepherd, *supra* note 311, at 1680. In light of that backdrop, commentators have observed that "[t]he APA—the basic charter governing judicial review and *Chevron* itself—was born in a period of considerable distrust of agency activity." Cass R. Sunstein, *Constitutionalism After the New Deal*, 101 HARV. L. REV. 421, 468 (1987); *see also* United States v. Morton Salt Co., 338 U.S. 632, 644 (1950) ("The [APA] was framed against a background of rapid expansion of the administrative process as a check upon administrators whose zeal might otherwise have carried them to excesses not contemplated in legislation creating their offices."). While it may well be that some parts of the APA were an effort to entrench New Deal programs against future opposition, *see* McNollgast, *The Political Origins of the Administrative Procedure Act*, 15 J.L. ECON. & ORG. 180 (1999), the distrust of agency activity appears to have influenced the framing of the standard-of-review provision that is the subject of this Article.

346. 92 CONG. REC. 5654 (1946) (statement of Rep. Walter).

347. H.R. REP. NO. 79-1980, at 44 (1946); S. REP. NO. 79-752, at 28 (1945); *see also* Duffy, *supra* note 196, at 193-94 & n.406 (suggesting that, contra *Chevron*, Congress clearly indicated its expectation that the APA authorized de novo review of legal questions).

that "reviewing courts . . . are to determine all questions of law . . . and hold unlawful action found . . . in violation of any statute."[348] At the same time, there was some evidence (from a June 1945 Senate committee print prepared by congressional staff) that an earlier version of § 706 was intended as a "restatement of the scope of review . . . necessary lest the proposed statute be taken as limiting or unduly expanding judicial review."[349] That "restatement" characterization made sense if Congress believed that the approach to statutory interpretation it was "restating" approximated de novo review.

The hearings that led to the APA's passage also suggested that Congress was aware of the confusion created by the Supreme Court's then-somewhat-recent forays into giving agency legal interpretation deferential review. In one of those hearings, Carl McFarland of the American Bar Association testified that he did "not believe the principle of review or the extent of review can or should be greatly altered"; that the "basic exception of administrative discretion should be preserved"; and that "the scope of review should be as it now is."[350] Representative Walter responded: "You say 'as it now is.' Frankly, I do not know what it now is . . . . [T]he Supreme Court apparently changes its mind daily."[351] The Walters-McFarland exchange suggests that Congress was

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348. H.R. REP. NO. 79-1980, at 29. Critics of the law, by contrast, expressed concern about the scope of judicial review. Edwin Johnson, a Democratic Senator from Colorado who was known as an intraparty critic of the New Deal, *see* DAVID M. JORDAN, FDR, DEWEY, AND THE ELECTION OF 1944, at 276 (2011), quoted an article arguing that the APA's judicial review provision "goes entirely too far[,] is dangerous, and would result in an impossible substitution of the judicial for the administrative process and thus deprive our jurisprudence of that process or else delay its proper and normal development," *see* 92 CONG. REC. 2163 (quoting Allen Moore, *The Proposed Administrative Procedure Act*, 22 DICTA 1, 14-15 (1945)), *reprinted in* ADMINISTRATIVE PROCEDURE ACT: LEGISLATIVE HISTORY, S. DOC. NO. 79-248, at 335 (2d Sess. 1946). *See also* Shepherd, *supra* note 311, at 1668-69 (arguing that Johnson's insertion of Moore's statement into the Congressional Record reveals "an undercurrent of discontent" among certain New Deal supporters).

349. STAFF OF S. COMM. ON THE JUDICIARY, 79TH CONG., REP. ON THE ADMIN. PROCEDURE ACT (Comm. Print 1945), *reprinted in* S. DOC. NO. 79-248, at 39. Duffy suggests that this early print should be discounted because the congressional staff who prepared this print "may have been influenced by representatives of the Attorney General, who were working with the staff in the spring of 1945." Duffy, *supra* note 196, at 132 n.95. Perhaps so—and perhaps that is reason to ignore the legislative history altogether, resting instead on the APA's text and structure. But it is worth noting that the "restatement" characterization might have seemed apt to a congressional staffer writing in 1945 because much of the case law prior to the 1940s was consistent with the APA's statutory text.

350. *Federal Administrative Procedure: Hearings on H.R. 184, H.R. 339, H.R. 1117, H.R. 1203, H.R. 1206, and H.R. 2602 Before the H. Comm. on the Judiciary*, 79th Cong. 38 (1945) [hereinafter *Admin. Procedure Hearings*], *reprinted in* S. DOC. NO. 79-248, at 84.

351. *Id.* (statement of Rep. Walter).

aware of the shifting jurisprudence on the Court, and sought to reject one strand of it in codifying a standard in section 706.

To be sure, it is important to acknowledge the lack of clarity in these portions of legislative history. The only case that any of the participants cited was *Consolidated Edison Co. v. NLRB*, to which Representative Walter referred and which involved the "substantial evidence" standard for review of factual findings.[352] At worst, however, the legislative history brings us back, full circle, to the APA's text and the historical background against which it was adopted. In light of the jurisprudential developments preceding the APA's adoption, the simplest explanation for section 706's text and structure is that Congress intended to direct courts to apply the standard of review that had prevailed—almost uniformly—for nearly a century and a half prior to the codification of section 706. The prevailing standard of review was the independent-judgment rule, tempered by application of the traditional canons of construction, such as *contemporanea expositio* and *interpres consuetudo*.

4. The APA's Aftermath

In the immediate aftermath of its passage, critical attention to the import and meaning of the APA was widespread. The highest profile, and ultimately most influential,[353] of the contemporaneous commentaries was the *Attorney General's Manual on the Administrative Procedure Act*, published a year after the APA's enactment by Attorney General Tom Clark—who, shortly thereafter, was

352. 305 U.S. 197, 229 (1938). The remainder of the exchange appeared to focus on judicial review of agency fact finding. *See Admin. Procedure Hearings*, *supra* note 350, at 38 (statement of Rep. Sumners). Indeed, much of the debate surrounding the APA appeared to focus on judicial review of agency fact finding. *See* Dickinson, *supra* note 261, at 434-37, 513-15 (reviewing recommendations by the American Bar Association, the Attorney General, and others related to judicial review of agency fact finding).

353. *See* Steadman v. SEC, 450 U.S. 91, 103 n.22 (1981) (stating that the manual "has been 'given some deference by this Court because of the role played by the Department of Justice in drafting the legislation'") (quoting Vt. Yankee Nuclear Power Corp. v. Nat'l Res. Def. Council, Inc., 435 U.S. 519, 546 (1978)); *see also* Bowen v. Georgetown Univ. Hosp., 488 U.S. 204, 218 (1988) (Scalia, J., concurring) (describing the manual as "the Government's own most authoritative interpretation of the APA, . . . which we have repeatedly given great weight"). As Shepherd explains, however, this "deference is suspect," because "[n]o reason exists to give more weight to the *Attorney General's Manual* than to conservatives' contrasting interpretations." Shepherd, *supra* note 311, at 1683; *see also* Scalia, *supra* note 159, at 917 n.228 (noting that the Attorney General "has never been particularly addicted to a broad interpretation of the APA").

appointed to the Supreme Court.[354] The manual characterized section 706 as "restat[ing] the present law as to the scope of judicial review" and as a "general restatement of the principles of judicial review embodied in many statutes and judicial decisions."[355] That characterization, whatever its merits, was inherently question begging when it came to section 706's command on "questions of law": What exactly was section 706 "restating," the traditional independent-judgment rule or the Court's then-recent forays into categorizing what appeared to be legal questions as factual questions? The manual offered no analysis – none at all – on that critical question.[356]

Many contemporaneous academic commentators sympathetic to the New Deal were similarly vague about the meaning of the "decide all relevant questions of law" language contained in section 706. Some said nothing at all about the phrase, suggesting (if anything) that they understood the rule, both before and after the enactment of the APA, to be that a reviewing court was to use independent judgment in interpreting legal text.[357] Others observed that the Act

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354. U.S. DEP'T OF JUSTICE, ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT (1947); *see also* S. REP. NO. 79-752, app. B, at 37-45 (1945) (reprinting a letter from Attorney General Tom C. Clark to Senator Pat McCarran containing comments on the proposed APA).

355. U.S. DEP'T OF JUSTICE, *supra* note 354, at 93, 108; *see also* Duffy, *supra* note 196, at 131 & n.86 (observing that the manual repeatedly described the APA as intended to restate the existing law). At least one commentator has criticized the manual as "damage control" in a "highly political document designed to minimize the impact of the new statute on executive agencies." *Id.* at 119, 133; *see also* Shepherd, *supra* note 311, at 1682 (arguing that the manual sought "to create a record" that would influence future reviewing courts). Be that as it may, the salient point is that, on the critical question of judicial deference to agency interpretation of law, the manual said nothing to flesh out the principles that it believed the APA had "restated."

356. An interesting piece of contemporaneous anecdotal evidence that tends to belie the "restatement" characterization is the following report from an article by two scholars from the Brookings Institution: "The writers have discussed the [APA] with many persons who hold responsible positions in a variety of government agencies, and have not found a single instance of approval. On the contrary, there is practically universal opinion that the bill, if actually enforced, will wreck federal administration." Frederick F. Blachly & Miriam E. Oatman, *Sabotage of the Administrative Process*, 6 PUB. ADMIN. REV. 213, 227 n.1 (1946). It is not clear, however, whether this anecdotal evidence accurately captures the reaction of federal officials at the time of the APA's passage, or even whether the suggested alarm was because of the APA's judicial review provisions. Other commentators sympathetic to the New Deal took a more sanguine view of the Act. *See, e.g.*, Nathanson, *supra* note 333, at 420 ("The Act's greatest contribution is more likely to be, to borrow a phrase from the Attorney General, in codifying the best existing law and practice.").

357. *See* Nathanson, *supra* note 333, at 413-18 (analyzing the Act's judicial review provisions without addressing review of questions of law); S. Walter Shine, *Administrative Procedure Act: Judicial Review "Hotchpot"?*, 36 GEO. L.J. 16, 30-31 (1947). Silence on the scope of judicial re-

"preserve[d] the customary dichotomy of law and fact, in spite of argument by distinguished commentators that these categories cannot in application be distinguished, and in spite of recent Supreme Court decisions giving support to such argument"[358]—thereby more strongly indicating that legal questions would be subject to a court's independent judgment. Still others appeared to start from the premise that review of legal questions was generally de novo,[359] but that section 706 incorporated the then-recent jurisprudence establishing a deferential carve out for "mixed questions of law and fact."[360] Notably, some commentators believed that section 706's language would expand the scope of judicial review of questions of law, though in some unspecified way.[361]

On the other side of the ledger, critics of the Court's recent case law had a different take on section 706. Senator Pat McCarran of Nevada, the chairman

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view of questions of law reflected the view, held by many, that the dispute over the application of the "substantial evidence" test was "[t]he most important, and perhaps the widest disagreement" about section 706. Alfred Long Scanlan, *Judicial Review Under the Administrative Procedure Act—In Which Judicial Offspring Receive a Congressional Confirmation*, 23 NOTRE DAME LAW. 501, 536 (1948). Some commentators had interpreted then-recent Supreme Court decisions as blessing administrative determinations supported by a "scintilla" of evidence, and believed that section 706 reversed those precedents. Dickinson, *supra* note 261, at 515-18; *see, e.g.*, NLRB v. Bradford Dyeing Ass'n, 310 U.S. 318, 343 (1940) (noting that courts should be "mindful of the separate responsibilities Congress has imposed upon the Board and the courts"); NLRB v. Waterman Steamship Corp., 309 U.S. 206, 208 (1940) (declaring that "courts [may] not encroach upon this exclusive power of the Board" to find facts). Others believed that those particular precedents did not embrace the "scintilla" standard, but that Congress intended to "exhort[]" those courts that had "fallen into the vice of relaxing" the substantial evidence rule. Scanlan, *supra*, at 539.

358. Ray A. Brown, *The Federal "Administrative Procedure Act,"* 1947 WIS. L. REV. 66, 86.

359. Scanlan, *supra* note 357, at 528-29 (reasoning that section 706's directive to "decide all relevant questions of law" was "simply a restatement of the present powers which reviewing courts possess, and frequently exercise, of reviewing relevant questions of constitutional and statutory law").

360. *Id.* at 531 (reasoning that "mixed" questions are "merely another ramification of the substantial evidence rule").

361. *See* Frederick F. Blachly & Miriam E. Oatman, *The Federal Administrative Procedure Act*, 34 GEO. L.J. 407, 427-30 (1946) (arguing that the Act "greatly widens the scope of judicial review," while seeming to assume that both before and after the Act, courts were to use independent judgment to review questions of law); Julius Cohen, *Legislative Injustice and the Supremacy "of Law,"* 26 NEB. L. REV. 323, 339 (1947) (claiming, albeit without expressly considering judicial review of legal questions, that, notwithstanding the Attorney General's "assurance" that section 706 merely restated preexisting standards of judicial review, "the language of the section leaves no doubt that it was the major purpose of the drafters to tighten substantially the judicial grip on administrative action."). The title of Cohen's article is a self-conscious reference to Dickinson's manuscript *Administrative Justice and the Supremacy of Law*. *See* Cohen, *supra*, at 323 n.* (reflecting the influence that the book played two decades after its 1927 publication).

of the Senate Committee on the Judiciary at the time of the APA's enactment, wrote an article in the *American Bar Association Journal* stating that the APA "simply and expressly provides that Courts 'shall decide all relevant questions of law'" – with discretion committed "by law" to an agency only if "intentionally given to the agency by the Congress, rather than assumed by it in the absence of express statement of law to the contrary."[362] This provision, in McCarran's view, "cut down the 'cult of discretion'" that had "gained considerable currency in the last decade or so."[363]

A notable contribution to the debate came from John Dickinson – the same John Dickinson who, drawing on the scholarship of James Bradley Thayer, had in important respects originated the notion that agencies should receive deference when applying law to facts.[364] Surveying the APA's review provisions, Dickinson said, effectively, that the Act had repudiated the legal realist's perspective on the law-fact distinction.[365] He made three important points. First, he observed that the APA "stands at the end of a long history which illumines every part of it; and aside from that history, no provisions of the Act, least of all those having to do with judicial review, can be adequately construed."[366] The terms of art that the statute used, on this sensible view, had to be understood against the history of those terms' use in the preexisting jurisprudence.

Second, Dickinson noted that then-recent Supreme Court decisions had *departed* from the longstanding tradition of applying independent judgment to

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362. Pat McCarran, *Improving "Administrative Justice": Hearings and Evidence; Scope of Judicial Review*, 32 ABA J. 827, 831 (1946).

363. *Id.* at 828, 893.

364. *See supra* notes 267-274 and accompanying text.

365. Dickinson, *supra* note 261. I do not know whether Dickinson's perspective on issues of deference had undergone an evolution in the two decades between his 1927 publication of *Administrative Justice and the Supremacy of Law in the United States* and his 1947 article. In the interim, Dickinson had played a role in the Roosevelt Administration as Assistant Secretary of Commerce and Assistant Attorney General for the Antitrust Division, before returning to Pennsylvania Law School as a professor and also joining the Pennsylvania Railroad as general counsel. *See* Haskins, *supra* note 275, at 9-13; *see also* Steve Thel, *The Original Conception of Section 10(b) of the Securities Exchange Act*, 42 STAN. L. REV. 385, 417 (1990) (detailing Dickinson's role in establishing a committee to study stock exchange legislation while at the Department of Commerce, and characterizing Dickinson as "markedly more sympathetic to business interests than were most of the others involved in formulating federal stock exchange policy"); *id.* at 453 (noting that Dickinson was likely responsible for inclusion of the word "deceptive" in section 10(b) of the Securities Exchange Act of 1934).

366. Dickinson, *supra* note 261, at 434.

review statutory questions.[367] It had "previously been understood that in a review proceeding questions of law are for the determination of the reviewing Court," Dickinson observed, but "[i]ncreasingly, in recent years the Supreme Court has tended to treat many issues, which, when subjected to adequate analysis, would be seen to be issues of law, as lying within the discretion of an administrative agency, and, therefore, non-reviewable."[368] The notion that courts possess the "discretion to decide between doubtful rules of law has gradually permeated," such that courts "have begun" to distinguish "between two kinds of questions of law: Those which involve what are sometimes spoken of as general law or legal principles, and others which involve the construction of technical terms and the application of knowledge thought to be expert and specialized."[369] Dickinson noted that, far from being a sign of judicial quiescence, the Court's ability to redraw the line between questions of law and fact—and, hence, to "draw the line between what is 'general' and what is 'technical'"—necessarily lodged great power in the Justices by "leaving to the Court's discretion the determination of whether it would or would not review a legal question."[370]

Third, Dickinson interpreted section 706 as a "clear mandate" repudiating this tendency. Section 706 required a reviewing court to decide questions of law "for itself, and in the exercise of its own independent judgment."[371] In Dickinson's view, "[m]ore explicit words to impose this mandate could hardly be found than those . . . employed" in section 706.[372]

Leaving to one side its merits, the terms of the debate in the immediate aftermath of the APA's passage tell us much about how a neutral observer would have understood the plain text of section 706. Both sides of the debate appeared to understand that the background presumption for interpretation of legal questions was de novo review. The debate occurred on the margins: did

367. *See id.* (remarking that Dickinson found "no room for doubt that Congress intended to broaden judicial review as it had *lately* been limited by the Supreme Court" (emphasis added)).

368. *Id.* at 516 (citing, as support for the traditional independent-judgment rule, Justice Brandeis's concurring opinion in *St. Joseph Stock Yards Co. v. United States*, 298 U.S. 38, 73-92 (1936)).

369. *Id.* at 516-17.

370. *Id.* at 517. For a similar point made post-*Chevron*, see Duffy, *supra* note 196, at 192-93, which remarks on "*Chevron*'s capacity to aggrandize judicial power" and observes that "if the common-law premises underlying *Chevron* are accepted, the courts have authority . . . to allocate lawmaking authority."

371. Dickinson, *supra* note 261, at 516.

372. *Id.*

the independent-judgment rule govern "mixed questions of law and fact"? Dickinson, notwithstanding his earlier scholarship, argued that it did and that section 706 did not incorporate the Supreme Court's recent interpretive experimentation. Some New Deal supporters, by contrast, claimed that section 706 incorporated the recent cases. The critical debate in the immediate period following enactment of the APA occurred against this backdrop—and not over the generalized rule of deference later articulated in *Chevron*.

C. *The Irrelevancy of Text, the Forgetting of the Traditional Canons, and the Confusion Before 1984*

The revival of the independent-judgment rule that the APA appeared to augur did not occur. Over time, interpreters of the APA failed to distinguish between the background rules that Congress sought to incorporate in section 706, and those it sought to reject. And they failed to appreciate that implicit in the incorporated-rule theory was the notion that the Court could no longer innovate on the appropriate rules for judicial review, but rather would have to subordinate its preferences to the balance struck by the 1946 Congress. The end result of these failures was the widely shared perspective that the doctrine of *Gray v. Powell* and *NLRB v. Hearst Publications* not only remained good law, but could be elaborated upon by the Court. As that process of elaboration occurred, it exerted a gravitational pull on each of the various strands of preexisting deference case law—resulting in a mishmash jurisprudence incorporating cases applying the mandamus standard, the traditional canons, and the principles of the 1940s. And as this elaboration occurred, the distinction between the many cases setting forth a de novo standard of judicial review and the cases articulating a deferential standard began to grow starker and ever more irreconcilable.[373]

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373. For a recent summary of the immediate pre-*Chevron* period, see Gary Lawson & Stephen Kam, *Making Law out of Nothing at All: The Origins of the* Chevron *Doctrine*, 65 ADMIN. L. REV. 1 (2013). The authors note that, although "[t]here is considerable ambiguity about . . . the pre-*Chevron* baseline," the "key inquiry" in the immediate pre-*Chevron* period was "whether the legal question decided by the agency and under judicial review is a pure question of legal interpretation or a mixed question of law application to a particular set of facts." *Id.* at 6, 9 (emphasis omitted); *see* GARY LAWSON, FEDERAL ADMINISTRATIVE LAW 545-60 (7th ed. 2016); *see also* MANNING & STEPHENSON, *supra* note 36, at 747 ("For better or worse, the enactment of the APA did not seem to have any noticeable impact on how courts reviewed agency interpretations of statutes."); *id.* at 754 ("In the four decades following *Hearst* and *Skidmore*, the doctrine developed into a more standard-like multifactor approach, rather than a more rule-like categorical approach."); Stephen Breyer, *Judicial Review of Questions of Law and Policy*, 38 ADMIN. L. REV. 363, 370 (1986) ("[C]ourts will defer more when the agency has special expertise that it can bring to bear on the legal question . . . . A court

Judge Friendly gave voice to these concerns when he observed that "there are two lines of Supreme Court decisions" on the subject of judicial deference "which are analytically in conflict."[374] Likewise, in a dissent from the Court's decision to reject an agency interpretation of a statute, Justice Thurgood Marshall contended that, by ignoring principles of judicial deference, the Court had opened itself to the "frequently voiced criticism" that deference was invoked "only when the Court finds itself in substantive agreement with the agency action at issue."[375]

The views of the two leading scholars of administrative law during this era, Davis and Jaffe, exemplify some of the problems with the various approaches. In his influential 1951 administrative law treatise, Davis categorically asserted

may also ask whether the legal question is an important one."). Others have noted that "the enactment of the APA did little to displace the domination of common law in the field. If anything, the growth of purely judge-made law accelerated." Duffy, *supra* note 196, at 115; *see also* 1 KENNETH CULP DAVIS, ADMINISTRATIVE LAW TREATISE § 2:18, at 140 (2d ed. 1978) ("Perhaps about nine-tenths of American administrative law is judge-made law, and the other tenth is statutory . . . . Most of it is common law in every sense, that is, it is law made by judges in absence of [a] relevant constitutional or statutory provision . . . ."); JAFFE, *supra* note 64, at 337 ("In most cases the scope of review, whether statutory or common law, is very much the same."). Duffy attributes the comfort that courts and commentators displayed toward judge-made law in part to the fact that the decades following the APA's enactment were the era of the "New Federal Common Law." Duffy, *supra* note 196, at 136-37; *see also* Henry J. Friendly, *In Praise of* Erie *– and of the New Federal Common Law*, 39 N.Y.U. L. REV. 383, 408-10 (1964) (tracing the beginning of the "New Federal Common Law" era to *Clearfield Trust Co. v. United States*, 318 U.S. 363 (1943)). On the other hand, one of Judge Friendly's former clerks, Raymond Randolph (now a judge himself on the D.C. Circuit), finds it "doubtful" that Judge Friendly "influenced the Court's deference formula" and speculates that Judge Friendly "would have been somewhat critical" of *Chevron* because he "would have preferred not to dole out deference in such a large dose." A. Raymond Randolph, *Administrative Law and the Legacy of Henry J. Friendly*, 74 N.Y.U. L. REV. 1, 15-16 (1999).

374. Pittston Stevedoring Corp. v. Dellaventura, 544 F.2d 35, 49 (2d Cir. 1976), *aff'd sub nom.* Ne. Marine Terminal Co. v. Caputo, 432 U.S. 249 (1977).

375. Indus. Union Dep't v. Am. Petroleum Inst., 448 U.S. 607, 712 (1980) (Marshall, J., dissenting); *see also* United States v. Swank, 451 U.S. 571, 595 (1981) (White, J., dissenting) (accusing Court's analysis of being "nothing more than a substitution of what it deems meet and proper for the wholly reasonable views of the [agency] as to the meaning of its own regulation and of the statutory provisions"); Ernest Gellhorn & Glen O. Robinson, *Perspectives on Administrative Law*, 75 COLUM. L. REV. 771, 780-81 (1975) ("At best, concepts such as 'substantial evidence' tend to be little more than convenient labels attached to results reached without their aid. As evidence of their unimportance, judicial opinions commonly do not even articulate the standards of review employed, and when they do the articulation is seldom useful to understanding the result or predicting future results.").

that "the doctrine of *Gray v. Powell* has survived the APA."[376] At the same time, Davis observed that "sometimes the Supreme Court applies [the doctrine of *Gray*] and sometimes it does not," with the "criteria that guide the use or non-use of the doctrine . . . exceedingly elusive" and "not necessarily all disclosed by judicial language."[377] The upshot appeared to be that *Gray* had emphatically survived the APA – but only to be acknowledged in some subset of the Court's cases. For his part, Jaffe acknowledged that *Gray* and *Hearst Publications* had "recognized perhaps more openly than had been customary in the recent past the law- or policy-making function of the agencies" and could be construed as "an abdication of the customary power and responsibility of the judiciary."[378] He nevertheless claimed that the doctrine was "as traditional as it is sound" because it echoed Justice Brown's reasoning in *Bates*.[379] While expressing a preference for a deferential standard of review, Jaffe observed that the "practice of the Supreme Court . . . show[ed] the Court sometimes asserting the correctness of the agency rule, at other times going no further than to hold the administrator can but is not required to adopt such a rule," with "this latter practice" having "given rise to profound difficulties of description and analysis, and to intense controversy."[380]

D. Chevron *Revisited: From Confusion to Clarity and the Repudiation of the Traditional Canons*

With this past as prologue, it is fruitful to revisit the Court's 1984 opinion in *Chevron*. The Court's opinion famously neglected to analyze the text of the APA in announcing its canonical two-part test.[381] Instead, the Court relied on

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376. DAVIS, *supra* note 79, § 246, at 885. For this proposition, Davis relied on the Court's opinion in *O'Leary v. Brown-Pacific-Maxon, Inc.*, 340 U.S. 504 (1951), which in turn contained no reasoning on this issue.

377. DAVIS, *supra* note 79, § 248, at 893; *id.* § 251, at 905; *see also id.* § 247, at 887 (noting that the doctrine of *Gray v. Powell* is not consistently applied).

378. JAFFE, *supra* note 64, at 575.

379. *Id.*

380. *Id.* at 557-58 (footnotes omitted).

381. *See* United States v. Mead Corp., 533 U.S. 218, 241 (2001) (Scalia, J., dissenting) ("There is some question whether *Chevron* was faithful to the text of the [APA], which it did not even bother to cite."); Robert A. Anthony, *The Supreme Court and the APA: Sometimes They Just Don't Get It*, 10 ADMIN. L.J. AM. U. 1, 2-3 (1996) (noting that in *Chevron*, "the Court entirely neglects to mention the APA, even where the statutory charter should be central to the Court's deliberations"); Duffy, *supra* note 196, at 189 (reasoning that *Chevron* "provides one of the best examples of a pure common-law method" because the Court "justified its ruling with case law and its own assessment of the policy reasons (agency expertise and democratic

two principal kinds of arguments: (a) an appeal to abstract political theory and (b) an appeal to the precedents of the Court. While a comprehensive evaluation of the first is outside the scope of this Article, the Court's reliance on the latter is cast in a new light when compared to the historical record.

Of the several dozen cases that the Court cited to support *Chevron*'s two-part test,[382] seven were decided before 1940. Each of those cases is consistent with the model of the traditional canons of statutory construction. Indeed, in one of them, Chief Justice Hughes rejected a party's invocation of the "familiar principle . . . that great weight is attached to the construction consistently given to a statute by the executive department charged with its administration" by noting the following "qualification of that principle [that was] as well established as the principle itself": "The Court is not bound by an administrative construction, and if that construction is not uniform and consistent, it will be taken into account only to the extent that it is supported by valid reasons."[383]

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accountability) for preferring agency interpretation over judicial interpretation"); *cf.* Darby v. Cisneros, 509 U.S. 137, 144-45 (1993) (holding that, to determine "[w]hether courts are free to impose an exhaustion requirement as a matter of judicial discretion," the starting point "is congressional intent" as expressed in the APA (quoting McCarthy v. Madigan, 503 U.S. 140, 144 (1992))).

382. *See* Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 842-44 & nn.9, 11-14 (1984); *id.* at 865-66 & nn.39-41.

383. Burnet v. Chi. Portrait Co., 285 U.S. 1, 16 (1932). The remaining cases cited in *Chevron* are to the same effect and applied the *contemporanea expositio* and *interpres consuetudo* canons in one fashion or another—save for one that addressed the arbitrary-and-capricious standard. *See* McLaren v. Fleischer, 256 U.S. 477, 481 (1921) (invoking the "rule that the practical construction given to an act of Congress, fairly susceptible of different constructions, by those charged with the duty of executing it is entitled to great respect and, if acted upon for a number of years, will not be disturbed except for cogent reasons"); Webster v. Luther, 163 U.S. 331, 342 (1896) ("The practical construction given to an act of Congress, fairly susceptible of different constructions, by one of the Executive Departments of the government, is always entitled to the highest respect, and in doubtful cases should be followed by the courts, especially when important interests have grown up under the practice adopted."); Brown v. United States, 113 U.S. 568, 571 (1885) ("This contemporaneous and uniform interpretation is entitled to weight in the construction of the law, and in a case of doubt ought to turn the scale."); United States v. Moore, 95 U.S. 760, 762-63 (1878) (noting a construction of a statute that had "always heretofore obtained in the Navy Department" was "entitled to the most respectful consideration, and ought not to be overruled without cogent reasons"); Edward's Lessee v. Darby, 25 U.S. (1 Wheat) 206, 210 (1827) ("In the construction of a doubtful and ambiguous law, the cotemporaneous construction of those who were called upon to act under the law, and were appointed to carry its provisions into effect, is entitled to very great respect."); *see also* Am. Tel. & Tel. Co. v. United States, 299 U.S. 232, 235-36 (1936) (holding that, in the case where the order was "attacked as arbitrary," the Court "is not at liberty to substitute its own discretion for that of administrative officers who have kept within the bounds of their administrative powers" in construing a statute that allowed

Chevron cited Chief Justice Hughes's opinion, but failed to engage with his reasoning.

Justice Stevens punctuated this list of cases with a citation of Pound's *The Spirit of the Common Law*.[384] That was certainly ironic. During the debates that preceded the passage of the APA, while serving as chairman of the American Bar Association's Special Committee on Administrative Law, Pound had sharply criticized what he viewed as an emerging "administrative absolutism" posed by the modern administrative state,[385] and had equated "tak[ing] away interpretation by the courts" and "leav[ing] interpretation of the provisions and directions of the law to the executive" with "enter[ing] upon the path leading to a *lex regia*."[386] One wonders what Pound would have thought of being cited as the sole academic authority in favor of the presumption of delegation announced in *Chevron*.

But the supreme irony of *Chevron* is that, to support the interpretive theory that it adopted, the Court cited cases like *Edward's Lessee* that applied the contemporaneous-construction canon. Those cases had, consistent with Chief Justice Hughes' opinion in *Burnet*, long been understood to require a court to hold an agency to its longstanding and contemporaneously adopted position. The rule adopted in *Chevron* said the opposite.

Relying on the same nineteenth-century cases *Chevron* cited, Justice Harlan in his 1904 *Bates* dissent had rejected a newly stated position by the govern-

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the Commission "in its discretion, [to] prescribe the forms of any and all accounts, records, and memoranda").

384. *See Chevron*, 467 U.S. at 843 (citing ROSCOE POUND, THE SPIRIT OF THE COMMON LAW 174-75 (1921)). Justice Stevens's citation of Pound can be seen as an excuse for the Court's failure to interpret section 706. In the cited pages of *The Spirit of the Common Law*, Pound argued that "even after the legislator has acted it is seldom if ever that his foresight extends to all the details of his problem or that he is able to do more than provide a broad if not crude outline." ROSCOE POUND, THE SPIRIT OF THE COMMON LAW 174 (1921). Thus, according to Pound, "even in the field of the enacted law," the common law plays a "chief part," because the interpreter "must rely upon it to fill the gaps in legislation, to develop the principles introduced by legislation, and to interpret them." *Id.* The common law "is and must be used, even in an age of copious legislation, to supplement, round out and develop the enacted element; and in the end it usually swallows up the latter and incorporates the results in the body of tradition." *Id.* at 174-75. In the case of section 706, the citation of Pound was apropos, because the statute does incorporate a preexisting common-law approach to interpretation. But the Court misidentified the import and foundations of the common-law precedents that it cited. *See id.* at 175 (noting that jurisprudence "works with the materials" of the common law, "analyzes them and systematizes them, . . . traces their history, [and] seeks their philosophical foundations").

385. *Report of the Special Committee on Administrative Law*, *supra* note 277.

386. Pound, *supra* note 316, at 136-37.

ment because he "had supposed it to be firmly settled that the established practice of an Executive Department charged with the execution of a statute will be respected and followed."[387] According to Justice Harlan, the Court's decision not to "regard[]" the "practice of the Post Office Department, covering a period of sixteen years and more," had "overthrown" "[t]he rule of construction which [the Supreme Court] ha[d] recognized for more than three quarters of a century."[388] Nowhere in the *Bates* majority opinion did Justice Brown dispute that Justice Harlan had accurately captured the holdings of cases like *Edward's Lessee*.[389] It appeared to be shared ground among the Justices in *Bates* that the contemporary and customary canons of construction did not apply when the agency changed its legal position.

Within eight decades—between Justice Harlan's opinion in 1904 and the *Chevron* decision in 1984—the true meaning of the cases applying the *contemporanea expositio* and *interpres consuetudo* canons had been completely and entirely forgotten. The traditional rules of construction, to use Justice Harlan's words, had finally been "overthrown."

CONCLUSION

In this Article, I have traced the origins and development of the doctrine of judicial deference to executive interpretation. The fundamental payoff of the historical analysis has been the insight that judicial deference—as an interpretive theory practiced from the mid-twentieth century onwards and especially after the Court's opinion in *Chevron*—is an innovation. Although some forms of "respect" for executive constructions did exist in traditional interpretive methodology, the modern doctrine finds no true historical antecedent in the nineteenth century, neither in the cases applying the traditional canons of construction on which *Chevron* relied, nor in the cases applying the standard for obtaining a writ of mandamus. The doctrine, moreover, cannot be squared with the text of section 706 of the APA, which is best read as an attempt to codify the traditional approach to statutory interpretation in the wake of experimentation with that approach by the Supreme Court in the 1940s. The doctrinal flaw of *Chevron*, thus, is that the case failed to understand the rationale behind the precedents on which it relied, thereby severing the doctrine of judicial deference from both the text of the statute Congress enacted to govern ju-

387. Bates & Guild Co. v. Payne, 194 U.S. 106, 111 (1904) (Harlan, J., dissenting).

388. *Id.* at 111-12.

389. *See id.* at 109 (relying on mandamus cases and cases deferring to agency factual determinations to support its deferential stance toward the agency's then-current legal position).

dicial review of agency action and the interpretive framework that Congress incorporated.

Perhaps *Chevron* can be justified on some other ground. Perhaps, in the modern administrative state, the cost-benefit analysis of different interpretive methodologies weighs so heavily in favor of judicial deference that the twentieth-century abandonment of the traditional canons should be viewed as a net positive.[390] Perhaps, in light of the thirty-year run of the *Chevron* doctrine, Congress now actually intends to delegate lawmaking authority to agencies to fill gaps in statutes determined to be ambiguous.[391] Or perhaps, given *Chevron*'s thirty-year run, it is simply too late to upset the deference applecart and return to the views that prevailed before the mid-twentieth century.[392] But the proposition that *Chevron* has a basis in traditional interpretive methodology, the views of the Framers of the United States Constitution, or section 706 of the Administrative Procedure Act should be abandoned—*that* proposition is a fiction. To be sure, the canons of construction with which the Framers of the Constitution and the lawyers of the nineteenth century would have been familiar—those privileging customary and contemporary interpretations of legal texts—use terminology that bears a passing resemblance to the words now used to articulate the concept of *Chevron* deference. But those canons were far removed from *Chevron*, both in spirit and in application. The true story of the origins of judicial deference is that the current doctrine, as an interpretive theory, originated much later—during the twentieth century—out of a desire to abandon the formalism of the traditional framework.

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390. *Cf.* VERMEULE, *supra* note 340, at 207-29 (presenting justifications for *Chevron*).

391. *See* Abbe R. Gluck & Lisa Schultz Bressman, *Statutory Interpretation from the Inside—An Empirical Study of Congressional Drafting, Delegation, and the Canons: Part I*, 65 STAN. L. REV. 901, 925 & n.25, 995-1006 (2013).

392. *See, e.g.*, Thomas W. Merrill, *Step Zero After* City of Arlington, 83 FORDHAM L. REV. 753, 755 (2014) ("*Chevron* has now been invoked in far too many decisions to make overruling it a feasible option for the Court."). *But see* Perez v. Mortg. Bankers Ass'n, 135 S. Ct. 1199, 1214 n.1 (2015) (Thomas, J., concurring) ("Although the Court has appeared to treat our agency deference regimes as precedents entitled to *stare decisis* effect, some scholars have noted that they might instead be classified as interpretive tools . . . [which] might not be entitled to such effect."); Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg., 545 U.S. 308, 320 (2005) (Thomas, J., concurring) (expressing willingness, notwithstanding statutory stare decisis, to overrule precedents interpreting the federal-question statute, 28 U.S.C. § 1331, "[i]n an appropriate case, and perhaps with the benefit of better evidence as to the original meaning of [the statute's] text").

Mr. ISSA. Thank you. I would yield back.

Mr. JOHNSON of Georgia. I thank the gentleman.

Without objection, all other opening statements will be included in the record.

I will now introduce the panel of Witnesses.

Candice Wright is the Director of the U.S. Government Accountability Office's Science, Technology Assessment, and Analytics team. She oversees the GAO's work on federally funded research, intellectual property protection and management, and Federal efforts to help commercialize innovative technologies and enhance U.S. economic competitiveness.

Before joining the GAO, Ms. Wright worked in the private sector in a variety of human capital consulting roles and has led engagements examining Federal contracting, risk to the defense supplier base, foreign military sales, and homeland security. She holds a Master's of Public Policy from Carnegie Melon University and a BA in management from Bentley College.

Welcome.

James Donald Smith is Chief Intellectual Property Counsel for Ecolab; which is it? Ecolab, where he oversees the company's global operations for protection of Ecolab innovation.

Before joining Ecolab, Mr. Smith served as the Chief Administrative Patent Judge at the United States Patent and Trademark Office, where he led the Patent Board and oversaw its transition from the Board of Patent Appeals and Interferences to the Patent Trial and Appeals Board, or PTAB.

Mr. Smith has experience both as a patent litigator and patent prosecutor, and has directed in-house IP teams for several multinational corporations, including Lexmark, Nokia, and Baxter International. He was also formerly Assistant Dean of Emory University's School of Law, and Mr. Smith holds a JD from Duke University School of Law and a BA in electrical engineering from the University of Maryland College Park.

Welcome, sir.

Michael Asimow is the Dean's Executive Professor of Law at Santa Clara University School of Law and a Professor of Law Emeritus at UCLA Law School, where he has received both the University's Distinguished Teaching Award and the School of Law's Rutter Award for Excellence in Teaching.

Mr. Asimow is a former Chair of the American Bar Association's section on administrative law and Regulatory Practice and has written numerous articles on State and Federal administrative law, as well as comparative administrative law. Mr. Asimow holds a JD from UC Berkeley and a BS from UCLA.

Welcome, Mr. Asimow. You are on the screen.

Last, but not least, Mr. Richard Torczon is a Senior Counsel and a member of the patent litigation practice in the Washington, DC, office of Wilson Sonsini Goodrich & Rosati.

Before joining the firm, Mr. Torczon was an Administrative Patent Judge at the PTAB, where he wrote more than a thousand opinions and orders on patent appeals, petitions, motions, and briefs. Before serving as an APJ, Mr. Torczon was an Associate Solicitor in the U.S. Patent and Trademark Office's Office of the Solicitor.

Mr. Torczon holds a JD from the University of Texas Law School, an MS in biotechnology from Johns Hopkins University, and a BA in computer science from Rice University.

Welcome, sir.

Before proceeding with testimony, I would like to remind all our Witnesses that you have a legal obligation to provide truthful testimony and answers to this Subcommittee, and that any false statement you make today may subject you to 18 U.S.C. 1001.

Before turning to our panel of Witnesses, without objection, I will enter a statement from Andrew Fois, Chair of the Administrative Conference of the United States, an independent agency in the Executive Branch charged by statute with making recommendations to the President, Federal agencies, Congress, and the Judicial Conference, to improve agency adjudication, rulemaking, and other administrative processes.

Mr. JOHNSON of Georgia. I would also like to note that we have a statement from the U.S. Patent and Trademark Office responding to the GAO's initial findings, along with information about some new interim processes they have put in place.

[The information follows:]

MR. JOHNSON OF GEORGIA FOR THE RECORD

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

July 15, 2022

The Honorable Henry Johnson
Chair
Subcommittee on Courts, Intellectual Property & the Internet
2240 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Darrell Issa
Ranking Member
Subcommittee on Courts, Intellectual Property & the Internet
2300 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Johnson and Ranking Member Issa:

The Office of the Chairman of the Administrative Conference of the United States (ACUS) is pleased to present this letter for the record of the Subcommittee's hearing, *The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting*, to be held on July 21, 2022. We appreciate the opportunity to provide the Subcommittee with information about ACUS resources related to the structure and operation of different programs of federal administrative adjudication.

ACUS is an independent agency in the executive branch charged by statute with making recommendations to the President, federal agencies, Congress, and the Judicial Conference to improve adjudication, rulemaking, and other administrative processes (5 U.S.C. § 594). It consists of up to 101 members drawn from federal agencies, the practicing bar, scholars in the field of administrative law or government, and others specially informed by knowledge and experience with respect to federal administrative procedure. A presidentially appointed, Senate-confirmed Chairman serves as chief executive of the agency and oversees a full-time staff within the Office of the Chairman. The Office of the Chairman supports the work of the membership and undertakes other activities to study and improve federal administrative processes.

ACUS has adopted dozens of recommendations, and the Office of the Chairman offers many additional resources, on the subject of federal administrative adjudication. This letter highlights selected ACUS materials which you may find helpful in understanding how the Patent Trial and Appeal Board (PTAB) fits into the broader practice of federal administrative adjudication. For a comprehensive list of ACUS recommendations and other resources on the subject, please visit www.acus.gov/adjudication.

Adjudication Not Subject to the Formal Hearing Provisions of the Administrative Procedure Act

ACUS has undertaken several projects to catalog, analyze, and better understand how federal agencies adjudicate matters arising under the programs they administer. Special focus has been given to programs, such as PTAB, in which adjudication is not subject to the formal-adjudication provisions of the Administrative Procedure Act (APA), 5 U.S.C. § 554, 556–57.

In Recommendation 2016-4, *Evidentiary Hearings Not Required by the Administrative Procedure Act* (81 Fed. Reg. 94,314, Dec. 23, 2016), ACUS offered agencies a comprehensive set of best practices for structuring evidentiary hearings that are not governed by the APA's formal-adjudication provisions.

A separate sourcebook commissioned by ACUS, *Federal Administrative Adjudication Outside the Administrative Procedure Act*, comprehensively catalogs and analyzes programs of administrative adjudication that are not subject to those provisions. The sourcebook, by Professor Michael Asimow, is available online at www.acus.gov/research-projects/federal-administrative-adjudication-outside-administrative-procedure-act.

ACUS also commissioned a report that comprehensively examines the status of federal agency adjudicators other than administrative law judges (ALJs) and their selection, oversight, and removal by agencies. That report, by Professor Kent Barnett, Russell Wheeler, and others, is available online at www.acus.gov/report/non-alj-adjudicators-federal-agencies-status-selection-oversight-and-removal-1.

Recommendation 2016-4 and both reports draw heavily on a database, available at acus.law.stanford.edu, that ACUS and Stanford Law School developed in 2013 to map the contours of federal agency adjudicative programs. Researchers, as part of that project, compiled information about how dozens of different programs handle topics such as ex parte contacts, discovery, subpoenas, cross-examination, and appeals.

Procedural Rules

Another helpful resource, in addition to those materials cited in the previous section, is the *Model Adjudication Rules*. The *Model Adjudication Rules*, which a working group of public- and private-sector experts substantially revised in 2018, are intended for use in any "trial-type proceeding—whether conducted pursuant to the APA, other statutes, or agency regulations or practice—that offers an opportunity for fact-finding before an adjudicator, whether or not an

administrative law judge (ALJ)." The *Model Adjudication Rules*, available at www.acus.gov/research-projects/model-adjudication-rules-2018-revisions, address a wide range of topics including ex parte communications, adjudicator impartiality, prehearing procedures, hearing conduct, and administrative review.

Also worth noting is Recommendation 2018-4, *Recusal Rules for Administrative Adjudicators* (84 Fed. Reg. 2139, Feb. 6, 2019), which recommends that agencies issue procedural rules governing the recusal of adjudicators to ensure both impartiality and the appearance of impartiality in agency adjudications. A subsequent report, by Professor Louis Virelli, describes approaches to recusal that agencies have adopted to preserve the integrity of their adjudications. It is available at www.acus.gov/report/administrative-recusal-rules-taxonomy-and-study-existing-recusal-standards-agency-0.

Public Access to Policies, Records, and Proceedings

ACUS recommends that federal agencies promote transparency in their adjudication programs. It has issued the following recommendations in recent years, which set forth best practices for facilitating public access to polices, decisions, records, and proceedings:

- Recommendation 2021-6, *Public Access to Agency Adjudicative Proceedings* (87 Fed. Reg. 1715, Jan. 12, 2022)
- Recommendation 2020-5, *Publication of Policies Governing Agency Adjudicators* (86 Fed. Reg. 6622, Jan. 22, 2021)
- Recommendation 2018-5, *Public Availability of Adjudication Rules* (84 Fed. Reg. 2142, Feb. 6, 2019)
- Recommendation 2017-1, *Adjudication Materials on Agency Websites* (82 Fed. Reg. 31,039, July 5, 2017)

The reports underlying these recommendations, which are available on ACUS's website, provide more detail on how different agencies currently make information about their adjudication programs publicly available.

Administrative Review of Decision Making

Finally, ACUS has issued two recent recommendations that offer best practices for structuring administrative review of agency decision making. The first, Recommendation 2020-3, *Agency Appellate Systems*, focuses on the traditional appellate model for administrative

review. The appendices to the report underlying the recommendation provide overviews of appellate systems at twelve agencies, including the Patent and Trademark Office.

A second recommendation, Recommendation 2021-10, *Quality Assurance Systems in Agency Adjudication*, identifies best practices for agencies' use of quality assurance techniques—such as peer review, feedback to adjudicators, and training initiatives—to promote fairness, accuracy, timeliness, and consistency in adjudication.

ACUS is currently undertaking a follow-up project, *Precedential Decision Making in Agency Adjudication*, that, it is anticipated, will result in recommended best practices on that topic. Information about that project is available at www.acus.gov/research-projects/precedential-decision-making-agency-adjudication.

* * *

I welcome any questions the Subcommittee may have about these or other ACUS materials on adjudication. Please have Subcommittee staff direct any questions to Todd Rubin, Counsel for Congressional Affairs, at trubin@acus.gov.

Sincerely,

Andrew Fois
Chairman

UNITED STATES PATENT AND TRADEMARK OFFICE

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

Submission for the Record

July 21, 2022

The Honorable Henry C. Johnson
Chair, Subcommittee on Courts, Intellectual Property, and the Internet
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

The Honorable Darrell Issa
Ranking Member, Subcommittee on Courts, Intellectual Property, and the Internet
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Johnson and Ranking Member Issa:

Thank you for inviting me to provide some additional information for the July 21 hearing titled "The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting." I appreciate your focus on the Patent Trial and Appeal Board (PTAB) processes, and I welcome the opportunity to share some of the work I have done on this important issue since my confirmation this April.

As you know, since its creation by Congress a decade ago, the PTAB has provided an alternative forum to the federal courts for resolving patent validity. In response to the U.S. Supreme Court's decision in *United States v. Arthrex, Inc.*, which provided a new, tailored remedy to ensure that administrative patent judges function as inferior officers, the United States Patent and Trademark Office (USPTO) implemented the interim Director review process. Since being confirmed as the Under Secretary of Commerce for Intellectual Property and Director of the USPTO, I have prioritized providing clear guidance to the PTAB regarding the Director review process and other PTAB processes so that administrative patent judges and the public can benefit from consistency, clarity, and transparency.

Please find attached the following interim guidance and processes[1] that I have made available both for the administrative patent judges and for the public:

(1) Interim process for PTAB decision circulation and internal PTAB review -- https://www.uspto.gov/interim-process-ptab-decision-circulation-and-internal-ptab-review
(2) Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation -- https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf
(3) Interim process for Director review -- https://www.uspto.gov/patents/patent-trial-and-appeal-board/interim-process-director-review

I look forward to continuing to work with you and the members of the subcommittee on these issues, and I look forward to the opportunity to review the Government Accountability Office's full report on past practices regarding the PTAB once it is completed.

Sincerely,

Katherine Kelly Vidal

Katherine K. Vidal
Under Secretary of Commerce for
Intellectual Property and Director of the
United States Patent and Trademark Office

[1] These interim internal review processes and guidance will go through official notice-and-comment rulemaking or be formalized as appropriate in the coming months.

Mr. JOHNSON of Georgia. Now, turning back to our Witnesses with us today, please note that each of your written statements will be entered into the record in their entirety. Accordingly, I ask that you summarize your testimony in five minutes.

To help you stay within that timeframe, there is a timing light on your table. When the light switches from green to yellow, you have one minute to conclude your testimony. When the light turns red, it means that your five minutes have expired.

We will have five-minute rounds of questions after the Witnesses' testimonies.

Ms. Wright, you may begin.

STATEMENT OF CANDICE WRIGHT

Ms. WRIGHT. Chair Johnson, Ranking Member Issa, and Members of the Subcommittee, thank you for the opportunity to discuss GAO's ongoing work about management oversight practices at the Patent Trial and Appeal Board.

Mr. ISSA. The microphones tend to need you to be pretty close to work. If you pull it a little closer—

Ms. WRIGHT. Yes. How about now? Okay.

Thank you for the opportunity to discuss GAO's ongoing work about the management oversight practices at the Patent Trial and Appeal Board. Today, I will share with you the preliminary insights from our survey of over 200 PTAB Judges, as well as perspectives from external stakeholders on PTAB oversight practices.

Over the years, various USPTO Directors, with input from PTAB management, have introduced oversight practices to achieve consistency in quality decisions, given the increasing number of judges. Oversight practices have included review of the judge's work before and after decisions are issued. While judges generally acknowledge the need for some oversight to promote consistency across decisions, our preliminary work identified concerns among PTAB Judges about the increasing levels of management oversight.

Many of the central oversight practices have been formalized into policy over the last five years. These include a peer review Committee of nonmanagement judges who reviewed AIA institution in final written decisions before issuance.

In addition, PTAB established a process in which management conducted pre-issuance reviews and provided comments on decisions that involved issues of interest, such as new legal or policy areas, or areas of inconsistency with other PTAB decisions or USPTO guidance.

PTAB management officials told us the comments provided as part of management and peer review processes were generally optional for judges to adopt. In our work, we found that two-thirds of judges who worked on AIA trials and one-third of judges who worked on ex parte appeals reported feeling pressure to change an aspect of their decision due to management review comments.

Based on survey and interviews, some judges reported the increasing amount of oversight and guidance contributed to a sense of pressure that goes beyond cases in which USPTO Directors or PTAB management were involved. While judges may have reported feeling pressure, they noted oversight, typically, did not influence

the merits of the case. However, there can be pressure on discretionary areas driven by agency policy or guidance.

The concerns raised by PTAB Judges signal potential cultural issues. Some judges noted that, even though they personally have not been on a case in which management, or a director had directly intervened, they heard about situations involving other judges, which then made them feel pressure as to how to render their own decision, irrespective of management's involvement.

One judge stated that the very existence of the management review process creates a preemptive chilling effect. Some judges noted having minimal insight about certain management practices, including who in management is reviewing and commenting on decisions.

We spoke to various stakeholders who generally valued PTAB's ability to resolve patent disputes with specialized Patent Judges. Stakeholders were generally unaware of the management and peer reviews, except for some who had heard of them anecdotally or because they were former PTAB Judges or officials.

Most stakeholders were concerned about the lack of external transparency on how decisions are made within PTAB and the extent to which certain decisions were solely those of the three-judge panel, or whether others had influenced the decision.

Some sitting judges also echoed this concern over external transparency, noting that when management influenced a decision, there would be no record in the issued opinion. One judge noted that such insights could help parties to a case decide whether to appeal or to request director review.

In closing, I note that, during the course of our review, PTAB recently announced a new interim process for decision circulation which replaces the previous peer review committee. The new interim process would make use of a circulation judge pool of non-management judges. However, this judge pool will not consult with management about a decision prior to issuance.

Under the new process, management review will be voluntary, and it will be optional to implement comments. Also, the Director will not be involved in directing or influencing decisions prior to issuance.

Officials noted the new process was put in place as a means to promote transparency about decisionmaking in PTAB. This could be a good step forward to address concerns of judges and stakeholders. We will examine the implications of the new interim process as we complete our ongoing work.

Chair Johnson, Ranking Member Issa, and Members of the Subcommittee, this concludes my remarks. I would be happy to answer questions you may have.

[The statement of Ms. Wright follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary, House of Representatives

For Release on Delivery
Expected at 10 a.m. ET
Thursday, July 21, 2022

PATENT TRIAL AND APPEAL BOARD

Preliminary Observations on Oversight of Judicial Decision-making

Statement of Candice Wright, Director,
Science, Technology Assessment and Analytics

GAO-22-106121

GAO Highlights

Highlights of GAO-22-106121, a testimony to the Subcommittee on Courts, Intellectual Property, and the Internet, Committee on the Judiciary, House of Representatives

Why GAO Did This Study

Since its creation in 2012 by the AIA, PTAB, an adjudicative body within the USPTO, has offered an alternative to the federal courts for settling patent disputes. PTAB judges, working in panels of three, first decide whether to convene a trial to hear the dispute, and then decide whether the patents are valid. However, some participants in PTAB proceedings have raised concerns about whether PTAB management or the USPTO director have used their oversight authority to influence judges' decision-making.

This statement provides preliminary observations on (1) the judges' perspectives on PTAB oversight practices, including the effects on their deliberations and decisions, and (2) selected stakeholders' and judges' perspectives on the public transparency of PTAB proceedings. GAO conducted a survey of all 234 non-management and lead PTAB judges and achieved an 87 percent response rate. GAO also interviewed stakeholders—including parties to PTAB proceedings, and current and former judges—and PTAB officials.

What GAO Recommends

GAO will complete its review, and make recommendations, as appropriate, in the final report.

View GAO-22-106121. For more information, contact Candice Wright [redacted]

July 2022

PATENT TRIAL AND APPEAL BOARD

Preliminary Observations on Oversight of Judicial Decision-making

What GAO Found

GAO's preliminary work has identified concerns among the Patent Trial and Appeal Board (PTAB) judges on the clarity and implementation of oversight practices and policies. Specifically, the majority of judges (75 percent) surveyed by GAO responded that the oversight practiced by U.S. Patent and Trademark Office (USPTO) directors and PTAB management has affected their independence, with nearly a quarter citing a large effect on independence. For example, the majority of judges GAO surveyed reported they experienced pressure to adhere to management comments and to change or modify an aspect of their decision for an America Invents Act (AIA) trial on challenges to the validity of issued patents. However, some judges told GAO that while management oversight has rarely influenced the merits of the case (i.e., issues of patentability), it can influence judges' decisions on whether to institute a trial based on discretionary factors. Such discretionary factors can include, for example, whether the parties have a parallel case pending in the federal courts. Some judges also noted the lack of clarity about who in management reviews the decisions, the timing in which judges receive management's comments, what criteria management uses in its reviews, and what role, if any, USPTO directors play in approving these comments.

Select Management Practices to Oversee Patent Trial and Appeal Board (PTAB) Decisions

America Invents Act (AIA) Review Committee (ARC)	A group of volunteer judges who conducted pre-issuance peer review of AIA draft decisions. ARC was replaced in May 2022 by the interim Circulation Judge Pool. Under the new interim process, decisions on some appeals of denied patent applications are also reviewed.
Management Review	PTAB management conducts pre-issuance review of selected draft decisions. Prior to changes made in May 2022, these reviews were required for decisions on important issues of interest, such as new legal or policy areas and inconsistency with PTAB decisions or USPTO guidance.
Interim Director Review	These reviews were created in 2021 to formalize the USPTO director's authority to review PTAB decisions. They allow the director to reconsider already issued decisions.

Source: GAO analysis of information from the U.S Patent and Trademark Office (USPTO) | GAO-22-106121

Stakeholders GAO spoke with generally said they valued PTAB's ability to resolve patent disputes with less time and money than would be required in the federal courts. However, other stakeholders were generally unaware of the methods PTAB management uses to oversee judges' decisions. Some former judges who currently represent parties before the PTAB suggested that outside stakeholders—including parties to the cases—are not likely to know the extent to which directors or PTAB management has influenced or changed an AIA trial, particularly through Management Review. Some judges we surveyed stated that on at least one occasion within their own cases, a director or PTAB management had, without notice to the parties, directly influenced the outcome of a particular AIA proceeding. A judge noted that such information would have provided valuable insight for the public. According to one judge, insight into the differing views and legal reasoning on a case can help parties decide whether to appeal or to request Interim Director Review.

Chairman Johnson, Ranking Member Issa, and Members of the Subcommittee:

I am pleased to be here to discuss our ongoing work on the U.S. Patent and Trademark Office's (USPTO) Patent Trial and Appeal Board (PTAB) and the independence of its judges.

Since its formation in 2012, PTAB, an adjudicative body within USPTO, has offered an alternative to the federal courts for settling certain patent disputes.[1] USPTO directors—in conjunction with PTAB management—have introduced a number of oversight practices since then to assure quality and reliability in judicial decision-making. In 2021, however, a ruling by the U.S. Supreme Court (*United States v. Arthrex, Inc.*) clarified that a Senate-confirmed political appointee—namely a USPTO director—must be able to review certain final decisions rendered by the administrative patent judges (judges).[2]

The plurality opinion in *Arthrex* was critical of USPTO directors' use of oversight practices that exist outside of the evidentiary record, stating that their use leaves the parties "with neither an impartial decision by a panel of experts nor a transparent decision for which a politically accountable officer must take responsibility." According to reports by the Congressional Research Service, the ability to protect valid patents and challenge or reverse invalid patents is critical to fostering innovation.[3] Without protection of ideas, businesses and individuals would not reap

[1]Congress created PTAB within USPTO under the 2011 Leahy-Smith America Invents Act (AIA) Pub. L. No. 112-29, § 7, 125 Stat. 284, 313-15 (2011). Section 7(e) set the effective date for the establishment of PTAB as 1 year after enactment of the act (enactment was Sept. 16, 2011). PTAB replaced the Board of Patent Appeals and Interferences, which had been the adjudicative body in the USPTO for patent appeals and interferences.

[2]Inferior officers' work is directed and supervised at some level by others appointed by Presidential nomination with the advice and consent of the Senate. In *United States v. Arthrex, Inc.*, the Supreme Court ruled that directors of the USPTO could review judges' decisions unilaterally and severed a statutory provision of the AIA to the extent that it prevents Director Review of certain final decisions. Note that we are referring to the USPTO director generally and not referring to the current sitting director unless otherwise stated.

[3]Richards, Kevin T. "Patent Law: A Handbook for Congress." Congressional Research Service: Report, (September 2020): 1-30.

Thomas, John R. "Inter Partes Review of Patents: Innovation Issues." Congressional Research Service: Report (July 2017): 1-25. https://crsreports.congress.gov/product/pdf/R/R44905

the full benefits of their inventions and could focus less on research and development.[4]

My statement today is based on our ongoing examination of the practices used to oversee decision-making at PTAB. This statement provides preliminary observations on (1) practices used to oversee the decision-making process at PTAB, (2) the judges' perspectives on how, if at all, oversight practices have affected their deliberations and decisions, and (3) the perspectives of selected stakeholders and judges regarding the external transparency of oversight practices.

As part of our ongoing work, we obtained and analyzed agency policies, procedures, and guidance, and also reviewed applicable laws and regulations. Within the USPTO, we interviewed the current director and PTAB management officials, namely the Chief Judge, Deputy Chief Judge, Vice Chief Judges, Senior Lead Judges, and Lead Judges, as well as non-management judges.[5] We also interviewed various stakeholders including former PTAB judges and former management officials, representatives of patent owners, petitioners, and patent applicants, professional associations, and intellectual property experts.[6] We also conducted a web-based survey of PTAB judges from January 18, 2022 through February 23, 2022, soliciting their perspectives on and experiences with oversight practices exercised by PTAB management and USPTO directors. We sent the survey to all 234 judges serving as non-management judges or lead judges as of September 2021, and 204

[4]"Why is Intellectual Property Important?," STOPfakes.gov, The International Trade Administration (ITA), U.S. Department of Commerce, last modified on July 7, 2016, https://www.stopfakes.gov/article?id=Why-is-Intellectual-Property-Important

[5]We interviewed 12 judges who were either non-management or lead judges. In this report, we use "some" to mean two to five judges we interviewed supported the statement, "many" to mean six to seven judges, and "most" to mean more than eight judges. In cases where one judge we interviewed supported the statement, we say one judge we interviewed. In cases where we use multiple data sources (e.g. interviews and survey data), we do not use a modifier and indicate the sources used to support the statement. For example, "judges we surveyed and interviewed stated."

[6]We interviewed 23 stakeholder individuals or groups. In this report we use "some" to mean less than nine but more than one stakeholder supported the statement, "many" to mean nine to 13 stakeholders, and "most" to mean more than 13 stakeholders. The petitioner is the party filing a petition requesting that an AIA trial be instituted to hear challenges to issued patents.

(87 percent) of them responded.[7] The survey results provide the perspectives of the judges who responded to the survey and may not be representative of those who did not respond.[8] Over 70 percent of judges provided responses to at least one of the four open-ended questions we conducted content analysis on from our survey. We analyzed the comments judges provided to specific questions to identify key themes using two independent coders. We did this by placing similar comments into one or more categories. We report results from our analysis by counting the number of comments assigned to each category, after identifying and resolving differences between coders.[9] Views expressed in the survey are those of the judges' at the time of the survey and may not be representative of all judges' views on given topics.

We are conducting the work upon which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[7]Judges who serve as PTAB's executive management—the Chief Judge, Deputy Chief Judge, Vice Chief Judges, and Senior Lead Judges—were not included in this survey as the survey focused on management oversight. Because we surveyed all judges and lead judges, the survey did not involve sampling errors. To minimize errors arising from differences in how questions might be interpreted and to reduce variability in responses that should be qualitatively the same, we sent our survey to two subject matter experts for review and conducted pretests with six judges. An independent survey specialist within GAO also reviewed a draft of the survey prior to its administration. We conducted an analysis of our survey results to identify potential sources of nonresponse bias by examining the percentage of judges who did and did not respond to our survey by various characteristics—including time at PTAB, location, and content specialization. There was no discernable gap for these characteristics between judges who did or did not respond.

[8]When reporting survey data from closed-ended questions in this report, we use "some" to mean less than 40 percent of judges who responded to that question support the statement, "many" to mean 40 to 60 percent, and "most" to mean more than 60 percent. Of note, each question in the survey had a different number of respondents due to skip patterns. When calculating the denominator, we included those who responded and those who saw the question but chose not to respond. We excluded those who did not see the question at all due to the skip pattern.

[9]When reporting results from one of the four open-ended survey questions we analyzed, we use "some" to indicate less than 40 percent of judges who responded to the question supported the statement, "many" to mean 40-60 percent, and "most" to indicate more than 60 percent of judges who responded supported the statement.

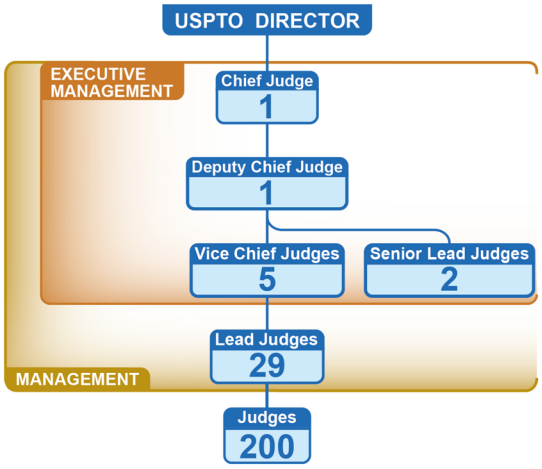
Background

Within the USPTO, PTAB is the adjudicative body that hears appeals from patent applicants who received adverse decisions from patent examiners (called ex parte appeals) and which conducts trials that permit parties to challenge the validity of issued patents.[10] PTAB was established by the Leahy-Smith America Invents Act (AIA), passed on September 16, 2011.[11] The structure and processes at PTAB for AIA proceedings are intended to allow parties to resolve patent disputes in a manner that is more timely and less expensive than through the federal courts. PTAB is largely composed of judges, who are required by statute to have competent legal and scientific expertise. In practice, PTAB judges have expertise in various patent technology areas, which may not be available from judges in the federal court system. PTAB executive management consists of the Chief Judge, the Deputy Chief Judge, five Vice Chief Judges, and two Senior Lead Judges. Reporting to the Vice Chief Judges are 29 Lead Judges who work on cases and supervise the 200 non-management judges (see Figure 1). The non-management judges perform the majority of case management and write decisions.

[10]If an applicant for a patent has their patent application rejected twice, or the patent examiner has issued a final rejection, the applicant can appeal and seek review of the rejection by PTAB. PTAB reviews the appeal and issues a decision, and will either affirm or reverse, in part or whole, the patent examiner's rejection.

[11]PTAB replaced the Board of Patent Appeals and Interferences, which was composed of around 80 administrative patent judges. In addition to hearing ex-parte appeals from patent applicants, the Board of Patent Appeals and Interferences also handled interference proceedings. Interference proceedings determine which of two or more competing applications claiming the same invention should be awarded a patent by establishing which applicant was the first to invent the claimed subject matter. Following its establishment, PTAB inherited the existing docket of the Board of Patent Appeals and Interferences, but interference proceedings are not available for patents with an effective filing date on or after March 16, 2013. Congress also tasked PTAB with the additional responsibilities of administering AIA proceedings.

Figure 1: Patent Trial and Appeal Board (PTAB) Organization Structure



Source: GAO analysis of USPTO data. | GAO-22-106121

Note: These numbers were provided by USPTO as of June 21, 2022. According to PTAB management officials, the Chief Judge reports to the Deputy Director, but the USPTO Director has the authority to oversee board activities and delegate oversight to PTAB management.

The AIA also established new proceedings at PTAB, referred to as AIA proceedings (or AIA trials), that allow individuals or parties to challenge the validity of issued patents. There are currently two main types of AIA proceedings—post-grant review and *inter partes* review:[12]

- Post-grant reviews must be filed within 9 months of the grant or reissuance of a patent. A third party can file a petition to challenge a

[12]Other types of AIA proceedings include covered business method patent reviews and derivations. Covered business method patent reviews were phased out on September 16, 2020, but pending cases may still be reviewed under the Interim Director Review process. We reported on covered business methods patent reviews in GAO-18-320, *U.S. Patent and Trademark Office: Assessment of the Covered Business Method Patent Review Program*, issued March 13, 2018.

patent's validity on several statutory grounds including subject matter eligibility, novelty, non-obviousness, and clarity.[13]

- *Inter partes* review, which is the most common AIA proceeding, can be filed to challenge a patent 9 months after the issue date and for the life of the patent. However, the challenge is limited to a set of grounds (novelty or non-obviousness), and on a limited set of acceptable prior art (previously issued patents and printed publications).

Following the submission of a petition to challenge a patent and the Chief Judge or his or her delegate's assignment of the panel of judges to the case, the panel decides whether the petition has met the standard for instituting a trial, referred to as a decision on institution.[14] Following the decision on institution, the panel proceeds to the trial phase, reviews the case, and ultimately issues a final decision on the case.[15] Any judge on a panel may provide a written dissent or concurrence in response to a final majority decision.[16] PTAB is generally required to issue final written

[13]35 U.S.C. § 321(b) permits a petitioner to request post-grant review on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3). This includes a failure to meet the conditions necessary for patentability, codified in 35 U.S.C. §§ 101-03, as well as a failure to comply with certain requirements of 35 U.S.C. §112, related to the patent specification.

[14]The USPTO director has statutory authority to designate panels, which is delegated to the PTAB Chief Judge 35 U.S.C. § 6(c). The policy for paneling is available publicly on the USPTO's website as Standard Operating Procedure 1 (SOP 1), Revision 15, published in September 2018.

Inter partes review has a lower standard for initiating review, "reasonable likelihood that the petitioner would prevail" than post-grant review. Post grant review has a higher standard to initiate, more likely than not that the petitioner would prevail. The deadline for the institution decision is 3 months from the filing of the patent owner's preliminary response.

[15]In most cases, three administrative patent judges are assigned to a panel. Typically one judge is primarily responsible for the case and will do a significant portion of the writing and case management, in consultation with the other two judges. Any of the three judges may draft written work, and in all circumstances all judges on the panel provide input on written products, except in rare circumstances where fewer than all three judges are available and there is no statutory requirement for a three judge panel.

[16]A concurrence is a separate opinion written by a judge who agrees with the final decision made by the majority of panel members, but may have a different rationale for the decision. A dissent is a separate opinion written by a judge who disagrees with the final decision made by the majority of panel members, and explains the disagreement. As of May 7, 2009, PTAB judges were no longer automatically awarded work credit for authoring dissents or concurrences. Instead, judges must request credit for time spent authoring dissents or concurrences. According to PTAB management officials, the policy change was implemented due to the variability in time spent on concurrences and dissents and not to dissuade judges from authoring separate opinions.

decisions on AIA proceedings within 1 year of the date that the trial is instituted.[17] Following its establishment in 2012, PTAB experienced a rise in AIA proceedings and a backlog of ex-parte appeals of rejected patent applications. According to PTAB data, the number of AIA petitions filed rose from 562 in fiscal year 2013 to 1,489 in fiscal year 2014, and has remained above 1,400 per year through fiscal year 2021.[18] This rise in AIA caseloads and the inventory of pending ex parte appeals cases required PTAB to conduct large hiring initiatives to bring on more judges.

On June 21, 2021, the Supreme Court issued *United States v. Arthrex, Inc.*, which addressed whether the decisional authority exercised by the administrative patent judges was consistent with the Appointment's Clause of the U.S. Constitution. The Court considered whether these judges should be considered "principal officers" who must be appointed by the President with the Senate's advice and consent, or, as the U.S. government argued, whether they are "inferior officers" who can be appointed by the Secretary of Commerce. The Court held that the unreviewable authority wielded by judges during the *inter partes* review process is incompatible with their appointment by the Secretary to an inferior office.[19] To remedy this problem, the Court provided that the USPTO director may review final written decisions and, upon review, issue the agency's final decision. In response, USPTO instituted an Interim Director Review consistent with *Arthrex*.[20]

PTAB Has Various Practices in Place to Oversee Judicial Decision-making

Over the years, USPTO directors in consultation with PTAB management have introduced various oversight practices to manage an increasing number of judges and the evolving nature of patent law and policy. These practices have included review of the judges' work both before and after decisions are issued. Below is a partial description of this oversight as it has been practiced prior to any changes that were implemented by the USPTO's announcement of a new interim process, referred to as the interim process for PTAB decision circulation and internal PTAB review, which includes the Circulation Judge Pool, which replaced the AIA

[17]In some cases, the timeline for an AIA trial may be extended up to 6 months for good cause.

[18]Number of AIA petitions filed include *inter partes* reviews, post grant reviews, and covered business method patent reviews, and exclude derivations.

[19]This decision specifically only applied to *inter partes* review proceedings and did not address other types of post-issuance proceedings.

[20]Prior to this decision, under the AIA no presidentially appointed officer—such as a USPTO director—had sufficient power to unilaterally review PTAB final written decisions.

Review Committee on May 26, 2022. We will further review this interim process as part of our ongoing work. Previously, three forms of oversight were exercised prior to the issuance of a decision, and two could be exercised following the issuance of a decision.

Along with the formal oversight practices outlined below, USPTO directors have exercised oversight through agency policy, memos, and other written guidance, through which the USPTO director, via PTAB management, can provide direction on how to interpret certain areas of law, policy, or precedent that judge panels are required to follow.[21]

Pre-issuance

- **AIA Review Committee (ARC):** ARC was a group of volunteer judges who conducted pre-issuance peer review of all AIA draft institution and final written decisions.[22] ARC judges provided comments and edits that were optional for judge panels to consider, and addressed substantive issues such as inconsistencies with USPTO policy and precedent, statutes, and case law, and editorial issues such as spelling, grammar, and structure. ARC could also consult with PTAB management while conducting a review, and could flag decisions for further pre-issuance review by management. ARC review was initiated informally in 2013 and was instituted officially as agency policy in 2019.[23] Policy on ARC was not publicly available prior to May 2022.

  On May 26, 2022, the newly-appointed USPTO director announced that ARC was being replaced by a Circulation Judge Pool in accordance with a new interim peer review practice for PTAB decision circulation and internal PTAB review. According to interim guidance provided by USPTO, this practice, which is in use but has not yet been formalized through rulemaking, will function similarly to ARC and extends pre-issuance peer review from just AIA decisions to other

[21]The Director is responsible for providing policy direction and management supervision for the agency 35 U.S.C. § 3(a)(2)(A).

[22]ARC applied only to AIA decisions, ex-parte appeals were not subject to review by ARC. PTAB executive management selected judges to serve as committee members in consultation with the lead judges of the volunteers. Each ARC member served a 1 year term.

[23]The internal USPTO policy document for ARC was created in response to a recommendation from GAO-18-320, *U.S. Patent and Trademark Office: Assessment of the Covered Business Method Patent Review Program*, issued March 13, 2018.

PTAB decisions, including some ex-parte decisions.[24] USPTO plans to issue a request for public comment on this practice, but a date for the comment period has not been set.

- **Management Review:** Management Review is a process in which PTAB management conducts pre-issuance review and provides comments on select decisions drafted by judge panels.[25] According to PTAB management officials, Management Review was required for PTAB decisions that contain important issues of interest such as new legal or policy areas and areas of inconsistency with other PTAB decisions or USPTO guidance.[26] PTAB management provided an "issues of interest" checklist to all judges that identified current legal or policy issues that were important to internal or external stakeholders, including the USPTO director at the time.[27] During Management Review, PTAB management could consult with the director, the director's delegate, or senior management in USPTO for guidance, such as the Solicitors Office according to policy. Management Review began informally in 2017 and was officially documented in agency policy in 2019.[28] Policy on Management Review was not publicly available prior to May 2022.

[24]According to interim guidance provided by USPTO, decisions that will require pre-issuance Circulation Judge Pool review include all AIA institution decisions; AIA final written decisions; AIA decisions on rehearing; decisions on remand from the Federal Circuit; *inter partes* reexamination appeal decisions; and certain categories of ex parte appeals, ex parte reexamination appeals, and reissue appeals decisions as designated by PTAB management. PTAB judges may also, at their discretion, choose to submit other types of decisions for review.

[25]Any PTAB decision can undergo management review, including AIA proceedings and ex parte appeals.

[26]Judges may also submit other draft decisions for management review that are not related to these identified issues of interest. According to PTAB management officials, under the new interim practice for PTAB decision circulation and internal PTAB review, Management Review is no longer required and is only conducted at the request of a panel member.

[27]This checklist was used as an optional tool for judges to notify management of an upcoming decision. PTAB management provided updates to this checklist as needed, in consultation with the USPTO director.

[28]According to PTAB management officials, the Chief Judge began reviewing AIA decisions prior to 2017, but the process of Management Review as we describe it was not in place until 2017. The policy document for Management Review was created in response to a recommendation from GAO-18-320, U.S. *Patent and Trademark Office: Assessment of the Covered Business Method Patent Review Program*, issued March 13, 2018.

According to PTAB management officials, generally it is optional for judges to accept comments provided during Management Review. However, in certain cases in the past, it may have been mandatory for judges to adopt comments.[29] For example, if a draft decision did not follow USPTO policy or guidance issued by the director on how to interpret a certain legal issue or precedent, PTAB management would provide corrections to the panel to incorporate this guidance. PTAB management noted that in rare circumstances where a draft decision did not follow applicable USPTO policy and precedent, statutes, or case law, or instances where judges refused to adopt mandatory management review comments, it could affect judge's performance review ratings.[30] The potential impact of mandatory management review comments on judge performance reviews was not explicitly stated in USPTO policy.[31]

- **Panel Changes and Expansions:** USPTO directors, via PTAB management, have exercised oversight at PTAB by conducting changes and expansions of the three judge panels.[32] The Chief Judge, or a delegate, may conduct panel changes for a variety of reasons before or during a case. USPTO policy states that panel changes may be conducted at the request of a judge, or at the

[29]According to PTAB management officials, the new interim practice for PTAB decision circulation and internal PTAB review makes clear that if a panel member requests pre-issuance management review, all comments are optional.

[30]Established pursuant to 5 U.S.C. Chapter 43 and the USPTO's Performance Appraisal System, judges receive yearly performance reviews and are rated under the four elements of quality, production, supporting the mission of PTAB, and professional interactions. The quality element requires that judges follow all applicable USPTO issued policy and precedent, statutes, and case law when deciding cases. Although this is not a formal oversight practice, judges' responses to other forms of oversight can have an impact on their performance reviews.

[31]USPTO policy stated that comments provided during ARC review did not have an impact on judges' performance reviews, but did not address the potential impact of comments provided during Management Review on judges' performance reviews.

[32]The USPTO director has statutory authority to designate panels, which is delegated to the PTAB Chief Judge 35 U.S.C. § 6(c). The policy for paneling is available publicly on the USPTO's website as Standard Operating Procedure 1 (SOP 1), Revision 15, published in September 2018. According to PTAB management officials, the use of paneling as a form of oversight is rare. On June 9, 2022 the current USPTO Director told us that she does not plan to use paneling as a form of oversight.

	discretion of PTAB management.[33]According to PTAB management officials, panel changes were rarely used for oversight. In rare cases in the past, management officials reported having used them to remove judges that did not agree with a decision or had decided not to follow agency policy, statutes, or case law.[34] PTAB management also noted that if a judge did not agree with mandatory Management Review edits they could ask to be removed from the case. In the past, PTAB management had also conducted panel expansions where they assigned more than three judges to a single case in order to establish binding agency authority and maintain uniformity across decisions that addressed similar policy or procedural issues.[35] According to PTAB management officials, panel expansions were rare and are no longer used.
Post-issuance	• **Interim Director Review:** Interim Director Review was established to formalize the USPTO director's authority to review PTAB decisions, consistent with the *Arthrex* Supreme Court decision. Interim Director Review initiates post-issuance review and rehearing from the USPTO director on final PTAB decisions that may contain errors of fact or law, new legal or policy issues, or inconsistencies with PTAB procedures, guidance, or decisions. Interim Director Review was first initiated on June 29, 2021 and interim guidance is publicly available on the USPTO website. The director can choose to initiate a review of any final written or institution decision, or a party to a PTAB proceeding can request review of any final written decision. Only parties to AIA proceedings, including inter partes and post-grant review cases, are

[33]When panel changes are conducted during a case, parties to the proceeding are notified of the change by a panel change order, which identifies the new panel member(s), as well as one of three categories to indicate why the change was made. These categories are recusal, unavailability, and deadlines. Recusal is when a judge recuses themselves from a case when they identify potential conflicts of interest. Unavailability may include situations where a judge has leave or a personal emergency, has a detail assignment inside or outside USPTO, is reassigned to a different case, or has departed from the agency. Deadlines may be used when a judge is reassigned when they have a workload that renders them unable to complete work products by required deadlines.

[34]In these situations, PTAB management told us that parties in the proceedings would be informed that the reason for the panel change was because the judge was unavailable.

[35]35 U.S.C. §6(c) requires at least 3 members on a panel. A former member of PTAB told us that panel expansions were previously used to address issues like same-party joinder, which was a recurring issue in PTAB cases and allowed an individual or party to file a second *inter partes review* petition and join it with another previously submitted petition. PTAB conducted panel expansions to ensure that all panels consistently addressed whether same-party joinder was allowed to occur.

eligible to request review.[36] The director makes the final decision on whether to initiate review. For this review, the director rehears the case without deference to the panel decision and issues a final decision to resolve any legal, policy, or factual issues. On April 22, 2022, USPTO officials announced that they plan to conduct a public request for comment on interim Director Review, but a date for this comment period has not yet been set.

- **Precedential and Informative Decisions:** To establish consistency and create norms across cases, some decisions issued at PTAB are designated as precedential or informative with the approval of the USPTO director.[37] Precedential decisions have binding authority in subsequent matters involving similar facts, policy, or issues, that PTAB judges are required to apply when deciding cases. Informative decisions set norms that should be followed in most cases, absent justification by a panel, but are not binding on PTAB judges.[38]

[36]According to PTAB management, ex parte appeals are currently not eligible for Interim Director Review.

[37]USPTO has two practices for designating decisions as precedential or informative, known as Precedential Opinion Panel (POP) review and ratification. These practices were established on September 20, 2018 and are detailed publicly on USPTO's website in Standard Operating Procedure 2 (SOP 2).

USPTO policy states that the USPTO director has an interest in creating binding norms for fair and efficient PTAB proceedings, and to establish consistency across decisions under the AIA. Precedential decisions are designated to establish binding agency authority concerning major policy or procedural issues, such as addressing constitutional questions, issues regarding statutes, rules, and regulations, or binding or precedential case law.

[38]Decisions may be designated as informative to provide PTAB norms on recurring issues, to provide guidance on board rules and practices, and to provide guidance on issues that the board has not yet addressed, among other reasons. For example, in 2020 PTAB designated *Curt G. Joa, Inc. v. Fameccanica.data S.P.A.*, as informative to provide guidance to judges on how to address the use of confidential information during oral hearings.

Judges Reported That Oversight Affected Their Independence and Reported Pressure to Change or Modify Aspects of their Decisions

Agency Policies and Management Review Influenced Decision-making, According to Judges

Most judges we surveyed noted that oversight from previous USPTO directors and PTAB management has generally increased over time, with some variation in that level under different directors.[39] Judges we interviewed and surveyed asserted that some prior USPTO directors—and subsequently PTAB management—have been hands-off while others have been very involved in oversight of PTAB decisions.[40] While some judges we interviewed acknowledged the need for some oversight to promote consistency across decisions, judges we interviewed and surveyed maintained that the increased use of oversight practices—such as Management Review—has had an effect on their decision-making.

The majority of judges (75 percent) we surveyed responded that the oversight practiced by USPTO directors and PTAB management has had an effect on their independence, with nearly a quarter of these respondents reporting that these practices have had a large effect on their independence (see Table 1).

[39]Survey responses from judges reflect their perspectives as of February 2022 and are not inclusive of changes in agency procedure or policy that occurred after this date. Of the 143 judges who provided written responses in the survey about how, if at all, their experience with or perception of USPTO director and PTAB management oversight changed in their time at PTAB, 84 judges (59 percent) noted oversight had increased. The average tenure of judges who completed our survey is 10 years.

[40]Many of the central oversight practices—including the introduction and formalization of Management Review, the Precedential decision process for designating decisions as precedential, the codification of panel changes and expansions, the formalization of ARC review, and the creation of interim procedures for Director Review and the process for PTAB decision circulation and internal PTAB review, which includes the Circulation Judge Pool —were created, formalized, or both, in the last 5 years, according to PTAB documentation and interviews with PTAB management officials.

Table 1: How much of an effect, if at all, do the oversight practices used by US Patent and Trademark Office directors and Patent Trial and Appeal Board (PTAB) management have on your independence as a judge?

Effect size	Number of judges	Percent
A large effect	48	24%
A moderate effect	39	19%
A small effect	66	32%
No effect at all	31	15%
Unsure	20	10%
Total	**204**	**100%**

Source: GAO survey of PTAB judges | GAO-22-106121

Note. Percentages in this table were rounded to the nearest whole percent.

U.S. Patent and Trade Office (USPTO) Subject Matter Eligibility Guidance

35 U.S.C. § 101 provides the statutory foundation for the types of inventions that are eligible to be patented. In 2019, the USPTO issued Revised Patent Subject Matter Eligibility Guidance, which provides the USPTO's interpretation of this statute and revises the procedures examiners and Patent Trial and Appeal Board (PTAB) judges use for determining patent eligibility. This guidance is intended to provide additional clarity on relevant case law but possibly broadens the types of inventions that are patentable beyond the case law, according to some judges we surveyed.

Source: GAO analysis of USPTO documents and survey of PTAB judges.

Many judges we surveyed said director-created policy and guidance had an effect on their ability to decide cases independently.[41] While a purpose of Management Review, for example, is to enforce the use of the director-created policy or guidance, many judges we interviewed noted that policy based on the director's interpretation of case law sometimes differed from the interpretations of PTAB judges. For example, some judges thought USPTO's guidance on subject matter eligibility was inconsistent with relevant case law (see sidebar). Sixty judges (30 percent) we surveyed responded that, in their opinion, the PTAB 2019 Revised Patent Subject Matter Eligibility Guidance creates new tests for evaluating whether an invention is eligible that are not supported or established by the applicable case law. Sixty-three judges (31 percent) responded that it did not create new tests and 80 judges (39 percent) had no opinion. One judge stated that, "the guidance memos from the director, the precedential decisions, the Management Review process, and the AIA review process significantly limit the panel to write as we see fit. We are obliged to follow the guidance memos as if they are applicable law," while

[41]Of the 119 judges who provided written responses in the survey about what factors, if any, affects their ability to decide cases based solely on the facts of the case and applicable laws, 30 judges (25 percent) identified director-created policies, 31 judges (26 percent) identified precedential or POP decisions, 32 judges (27 percent) identified management review as factors affecting their independence. Judges could identify multiple factors affecting their ability to decide cases. According to the USPTO website, there are over 100 precedential decisions and almost 200 informative decisions that guide judges' decision-making: https://www.uspto.gov/patents/ptab/decisions-and-opinions/precedential https://www.uspto.gov/patents/ptab/decisions-and-opinions/informative-opinions-0. The Director is responsible for providing policy direction and management supervision for the agency. 35 U.S.C. § 3(a)(2)(A).

another judge stated that "Management Review is by far the most significant factor" affecting their independence.

Example of Management Oversight Using Agency Guidance

A Patent Trial and Appeal Board (PTAB) decision designated precedential in 2020, outlines several factors that a PTAB judge should consider when deciding whether to deny institution of an *inter partes* review petition if there is a potentially parallel district court proceeding. However, some judges we interviewed told us that comments received during Management Review, influenced or dictated which factors should be given more weight thus driving the judges' decision on instituting an *inter partes* review.

Source: GAO analysis of PTAB documents and PTAB judge interviews.

Some judges we interviewed pointed to the increased amount of oversight and guidance as contributing to a sense of pressure that has extended beyond the cases in which USPTO directors or PTAB management have a direct role. We found that the majority of judges we surveyed who reported working on AIA proceedings indicated they have felt pressure to change or modify an aspect of their decision in an AIA proceeding based upon the Management Review process and about a third of judges we surveyed who reported working on ex-parte appeals felt this pressure based upon Management Review for decisions in ex-parte appeals (see Table 2).

Table 2: Have you ever felt any pressure to change or modify an aspect of your decision due to Management Review for America Invents Act (AIA) proceedings or ex-parte appeals?

	AIA proceedings	Ex parte appeals
Yes	67% (95)	34% (42)
No	33% (47)	65% (81)
No Response	0% (0)	1% (1)
Total	**100% (142)**	**100% (124)**

Source: GAO survey of PTAB judges | GAO-22-106121

Note. Percentages in this table were rounded to the nearest whole percent. The number of judges for each response is included in parentheses.

Judges who responded they have felt pressure in AIA proceedings and/or ex-parte appeals noted that they felt it in a variety of situations or from different individuals—including PTAB management, USPTO directors, and other judges. Judges we surveyed and interviewed noted feeling pressure from fellow judges on their panel to follow comments from management or ARC members, as well as pressure not to file a dissent or concurrence. One judge noted that judges can be seen as "difficult" if they push back when panels are already on very tight statutory deadlines. Some judges we interviewed noted that they relent to the other panel

members at times to prevent potentially poor ratings from their peers in their performance review.[42]

Some judges we interviewed told us that while such oversight typically has not influenced the merits of the case (i.e., issues of a patent's novelty for example), there can be pressure on discretionary areas driven by agency policy or guidance—and this can affect the judges' decision to institute an AIA trial (see sidebar). Moreover, some judges we interviewed clarified that USPTO directors or PTAB management only intercede in cases with high visibility or cases in which a director has issued guidance or policy. For example, one judge stated that, "if the case involves an issue that the public is interested in [...] then the case is scrutinized by management and the panel has very little, if any, freedom to make decisions."

On the other hand, some judges we interviewed noted lasting effects on the culture of PTAB from former directors or PTAB management who have at times interceded or applied pressure to judges. Some judges we interviewed noted that while they personally have not been on a case in which management or a director directly interfered, they have heard about certain cases that were alleged to have negative consequences for judges who pushed back on management's revisions. They stated that they have, therefore, then felt pressure as to how they render their own decisions, irrespective of management's involvement. Some judges we interviewed responded that to avoid attention from management, they self-edit their decisions prior to review. A judge stated that, "[Management Review's] very existence [...] creates a preemptive chilling effect: consideration of management's wishes is at least a factor in all panel deliberations, and is sometimes the dominant factor." Another judge noted that while director-created policy or management's enforcement of policy may only affect, for example, one out of every 15 cases, the pressure from those interactions leaves a "bad taste" that permeates into decision-making on other cases.

[42]As a part of the performance appraisal review process for judges, lead judges may survey other judges about their experiences while paneled with the judge being reviewed. These peer review survey results may be used as a part of the judge's rating, although according to PTAB management officials, peer feedback alone does not dictate a particular rating.

Judges Reported Feeling Obligated to Accept Management Review Comments

According to judges we surveyed and interviewed, Management Review is a key source of pressure for judges. Sixty-three percent of judges who reported working on AIA proceedings indicated they felt obligated at least half of the time to follow or accept substantive comments or suggestions that ensue from the Management Review process in AIA proceedings. Fifty percent of judges who reported working on ex parte appeals indicated they felt similarly obligated (see Table 3).[43]

Table 3: How often, if at all, do you feel obligated to follow or accept the substantive comments or suggestions received via Management Review for America Invents Act (AIA) proceedings or ex parte appeals?

	AIA proceedings	Ex parte appeals
All of the time	41% (58)	32% (39)
More than half of the time	21% (30)	15% (18)
About half of the time	1% (2)	3% (4)
Less than half of the time	10% (14)	7% (9)
Never	13% (19)	31% (38)
Unsure	13% (19)	13% (16)
Total	**99% (142)**	**101% (124)**

Source: GAO survey of PTAB judges | GAO-22-106121

Note. Percentages in this table were rounded to the nearest whole percent and therefore the total does not add up to 100 percent. The number of judges for each response is included in parentheses.

While many judges we interviewed attributed their sense of obligation to a need to follow directives from their superiors, some reported through interviews that management had occasionally contacted the panel members directly to mandate a change, and indicated, at times, that the panel could be changed to replace the judge that did not make the desired changes.[44] For example, some judges we interviewed reported a fellow judge was removed from a panel for disagreeing with the intended

[43]According to PTAB management officials, Management Review comments are discretionary for both draft AIA and ex-parte appeal decisions, except in the unusual situation where comments indicate that a draft decision fails to follow applicable USPTO policy. They added that if management comments are to be treated as mandatory, they will be explicitly stated as such in management's response.

[44]The Federal Circuit decision, *Arthrex, Inc. v. Smith & Nephew, Inc.*, in place between October 2019 and July 2021, removed federal employment protections available under Title 5 of the U.S. Code for PTAB judges, making judges "at will" employees. PTAB management officials stated that while they never took any action under the "at will" regime, the removal of Title 5 protections by the Federal Circuit likely caused some additional perceived "coercion" or concerns from judges.

outcome of the decision, and the decision issued with two judges, as opposed to three. Some judges we interviewed thought that management had removed a number of judges from AIA proceedings for reported noncompliance and that this made judges feel that they must follow management directives or their careers could be affected. There was little distinction among judges as to the potential effect on their performance review for not adhering to Management Review comments on draft decisions for AIA proceedings, with some noting a large or moderate effect on their performance review (33 percent), no effect (27 percent), or some unsure of the effect (31 percent).[45]

Judges Reported Minimal Insight about Certain Management Practices

Some judges we interviewed also reported a lack of clarity about the inner workings of the oversight practices and decision-making within PTAB. While the general process for Management Review was documented in an internal procedural document, some judges described Management Review as a "black box" with little transparency into what happens between the time they submit their draft decision for review and when they receive comments. Many judges we interviewed expressed uncertainty, for example, as to who in management is reviewing the decisions, the timing of reviews, the extent to which judges can converse with management about the comments, what criteria management use in reviews, and what role, if any, USPTO directors play in approving these comments. One judge stated that, "during the Management Review process, several members of the Management Review 'team' extensively revised my dissenting opinion, which resulted in a dramatic rewriting, including a wholesale deletion of about the half of the decision. The revisions and/or rewritings were all substantive in nature. Due to the lack of transparency of the process, I never knew who was responsible for the revisions and/or rewritings."[46] Additionally, some judges we interviewed

[45]Comparative analysis was not completed between responses for AIA proceedings and ex-parte appeals and therefore no statement can be made about whether these differences are statistically significant. A total of 142 judges responded to this question, with 47 judges (33 percent) responding not following Management Review comments in AIA proceedings had a large or moderate effect on their performance review, 12 judges (9 percent) a small effect, 38 judges (27 percent) no effect, 44 judges (31 percent) were unsure, and one judge (1 percent) did not respond. Note, percentages were rounded to the nearest percent. According to PTAB management officials, in no cases did PTAB management factor into a judge's performance rating a judge's failure to adhere to Management Review comments. However, PTAB management officials stated that not following Management Review comments could have an effect if the lead judge felt failure to follow the comments had an effect on the quality of the written decision.

[46]As this was a written response in the survey, there are no further details available on the contents of the deletion or the specifics of the revisions.

were unsure of the extent to which they could have conversations with management about comments deemed "mandatory" or whether they should inform management as to how they are responding to the comments. Some judges we interviewed noted that management comments—including substantive comments—often come shortly before the statutory deadline, which limited time to discuss and negotiate comments.[47]

Most Stakeholders and Some Judges Expressed Concerns about External Transparency of PTAB Decision-making

Many stakeholders we spoke with generally valued PTAB's ability to resolve patent disputes with specialized patent judges with less time and money than would be required in the federal courts.[48] While some stakeholders had heard about PTAB oversight practices anecdotally, others were generally unaware of them, particularly the Management Review and ARC processes for which policies had not previously been made publicly available prior to May 2022.[49] Most stakeholders we interviewed were concerned about what they regarded as a lack of external transparency for how decisions are made within PTAB. Specifically, some stakeholders questioned the extent to which panels could be pressured to reach a particular outcome. Many stakeholders were also concerned regarding the nature and degree of influence that the USPTO directors had on panel decisions. For example, some stakeholders said they were concerned about the extent to which certain decisions were solely those of the three-judge panel or whether USPTO directors played a role in those decisions. Some former judges who were currently representing parties before PTAB, suggested that outside stakeholders—including parties to the cases—are not likely to know the extent to which directors or PTAB management has influenced or changed proceedings, specifically through Management Review.

[47]For the purposes of this report, substantive comments are those that have an effect on a decision's outcome or rationale for the outcome. Less substantial comments would be comments regarding grammar or formatting which do not have substantial effects on the decision. According to PTAB management officials, judges frequently submit decisions to Management Review close to the statutory deadline.

[48]Stakeholders we interviewed included representatives for patent owners, petitioners and patent applicants, as well as intellectual property experts, professional associations, and former PTAB judges who now bring cases before PTAB.

[49]Stakeholders we interviewed varied in their awareness of the use of panel changes and the interim Director Review process as oversight practices for USPTO directors and/or PTAB management. Some stakeholders were aware of the POP process and saw this as a main mechanism for oversight on behalf of USPTO directors.

Some of the sitting judges echoed this concern over external transparency of PTAB oversight practices.[50] For example, some judges stated that on at least one occasion within their own cases, a director or PTAB management had, without notice to the parties, directly influenced the outcome of a particular AIA proceeding or ex-parte appeal (see table 4).

Table 4: Based on your own cases at the Patent Trial and Appeal Board (PTAB), how often, if at all, have US Patent and Trademark Office (USPTO) Directors or PTAB Management directly influenced the outcome of a particular proceeding without notice to the parties?

	USPTO Directors		PTAB Management	
	AIA proceedings	Ex parte appeals	AIA proceedings	Ex parte appeals
On at least one occasion	20% (32)	6% (12)	33% (52)	14% (28)
Never	55% (86)	76% (154)	48% (76)	71% (145)
Unsure	25% (39)	18% (37)	19% (29)	15% (30)
Total	**100% (157)**	**100% (203)**	**100% (157)**	**100% (203)**

Source: GAO Survey of PTAB judges | GAO-22-106121

Note. Percentages in this table were rounded to the nearest whole percent. The number of judges for each response is included in parentheses.

Some judges we interviewed stated that when PTAB management influenced a decision, there would be no indication of this involvement to the relevant parties. Many judges we interviewed noted in cases where there is pressure from PTAB management to change or modify an aspect of their decision, or when management rewrites parts of decision for the panel, there would be no record that an issued opinion was management's rather than the three-judge panel. According to a judge, knowing if the judges on the panel, a director or PTAB management have disagreed provides valuable insight for the public into differing views and corresponding rationale for those views. According to one judge, seeing the differing views with supporting legal reasoning can prompt public

[50]Survey responses from judges reflect their perspectives as of February 2022 and are not inclusive of changes in agency procedure or policy that occurred after this date.

debate about which rationale is the most compelling and can help parties decide whether to appeal or to request Director Review. [51]

Further, many current judges also noted that without notice to the parties involved, PTAB management can potentially influence outcomes of AIA cases and ex parte appeals by changing the composition of the three judge panel.[52] Over 80 percent of judges we surveyed reported having experienced a panel change and/or expansion in their time at PTAB for AIA proceedings.[53] Although management officials told us that fewer than 1 percent of panel changes are used as an oversight practice, of those judges who had experienced a panel change and/or expansion for AIA proceedings, 20 percent felt the modifications were made to alter or influence the overall outcome of or rationale for the decision in an AIA proceeding.[54] Parties would have no knowledge about whether management removed a judge from a panel because of the judge's refusal to make changes aligned with agency policy or position, according to some judges we interviewed.[55] One judge we spoke with described a situation where management expanded a panel to include members of PTAB executive management; however, the names of the management

[51]Many judges we interviewed noted there are procedural questions where there might be differing interpretations of the law or precedent between the USPTO director or PTAB management and that of the PTAB judges—such as when to institute a proceeding when there is parallel district court litigation. A judge also noted potential differing interpretations of what constitutes available prior art for *inter partes* review.

[52]PTAB management officials stated that it is exceptionally rare to use paneling as a vehicle for oversight, and that the Chief Judge had not expanded a panel "to secure and maintain uniformity of the PTAB's decisions" since before September of 2018, when SOP 1, Revision 15 issued. Moreover, officials stated that panel expansions have not been used for ex-parte appeals since fiscal year 2015.

[53]Eighty-one percent (127) of 157 judges who responded to this survey question noted this experience for AIA proceedings. For ex-parte appeals, 73 percent (148) of 203 judges who responded to this survey question noted this experience as well Note these percentages are rounded to the nearest percent. According to PTAB management officials, panel changes occur regularly for reasons outside of oversight including conflicts, workload issues, and judge unavailability.

[54]Of the 127 judges who have experienced a panel change and/or expansion, 20 percent (25) felt the modifications were made to alter or influence the overall outcome or rationale for AIA proceedings. Of the 148 judges who have experience a panel change and/or expansion, 5 percent (8) felt the modifications were made to alter or influence the overall outcome or rationale for ex-parte appeals. Note this percentages are rounded to the nearest percent.

[55]According to PTAB management officials, panel changes for these reasons are rare and that the reason for the panel change would be explained to the parties in the proceeding in panel change orders as 'unavailability'.

officials never appeared on the final decision, nor were the parties privy to the expansion. A former judge recounted being replaced on a panel, presumably because management wanted a unanimous decision, and this judge was not aware of the replacement until the decision was issued.

In closing, I note that we are continuing our ongoing work about PTAB's practices to oversee judges' decisions. This work includes examining USPTO's recently announced proposed changes to clarify the role of the director and PTAB management in oversight, including the establishment of the interim process for PTAB decision circulation and internal PTAB review, which makes use of a Circulation Judge Pool. USPTO announced the interim process on May 26, 2022, as a means to promote transparency about decision-making within PTAB. Our ongoing work will examine whether the interim process may still leave opportunity for a USPTO director or PTAB management to influence judge's decisions in a way that is not transparent, as similar oversight practices have been used in the past.

Chairman Johnson, Ranking Member Issa and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgements

If you or your staff have any questions about this statement, please contact Candice N. Wright, Director, Science, Technology Assessment, and Analytics at (202) 512-6888 or WrightC@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are Rob Marek (Assistant Director), Eleni Orphanides (Analyst-in-Charge), Amanda Anzovino, Sue Bernstein, Jenny Chanley, Caitlin Cusati, Ali Hansen, Patrick Harner, Jill Lacey, Kristen Pinnock, Joe Rando, and Brian Taylor.

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Mr. JOHNSON of Georgia. Thank you, Ms. Wright.
Mr. Smith, you may begin.

STATEMENT OF JAMES DONALD SMITH

Mr. SMITH. Chair Johnson, Ranking Member Issa, esteemed Members of the Committee, in 2011, at the recommendation of then-Under Secretary and Director David Kappos, I was appointed by then-Secretary of Commerce Gary Locke of the Commerce Department to serve as the Chief Administrative Patent Judge of the Patent Trial and Appeal Board—or sorry—the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office, or BPAI. I was the last person to serve in that role. As you all well know, the BPAI was transformed by the enactment of the AIA to become the PTAB. With that change, I was asked to serve as the first inaugural Chief Judge of the PTAB.

At the time of the AIA's enactment, the BPAI had an ex parte case backlog that eventually rose in 2013 to 27,000 appeals arising from within the PTO. With the task of reducing that backlog also came the task of equipping the PTAB to handle the new AIA jurisdiction. We expected to be added to our workload about 400 new trials every year. The predicted rate of 400 new trials per year turned out, as you know, to be in excess of 1,500 new trials, or at least that many trial petitions every year for the next several years.

At the time of this transition situation, the new PTAB comprised about 90 APJs, and because of strict preclusions on hiring in the Federal government at the time, only those 90 judges were supposed to reduce the 27,000 case ex parte backlog, even as 7,000 new ex parte appeals were being filed every year, and then, also, adjudicate 400 new trial proceedings annually, which, as stated, actually turned out to be 1,500 new trial matters per year.

David Kappos positioned for and petitioned for, and quite fortunately, received permission from this Congress and the White House Budget Office for us to be allowed to expand the board. We needed at least 150 additional first-rate patent judges, and we needed them to be nominated, selected, and appointed quickly.

Accordingly, the Chief APJ, to whom oversight of such selection and nomination duties fall, needed to oversee and drive the necessary process while also ensuring that the regular judicial duties of the tribunal proceeded smoothly. In consultation with Director Kappos, we constructed a process that endeavored to select for nomination to the Secretary of Commerce the people thought best by us to discharge the duties.

As mandated by the statute, we sought to add to the fine judges already on the board 150 individuals who were of unquestionable technical and legal qualification. We looked for the best PTO employees qualified to serve, and we heavily recruited from outside the PTO, including by looking to the ranks of former judicial clerks who had served earlier in their careers under Article III Judges at the Federal District Courts and the Courts of Appeals.

We don't have time this morning to go into all what the proceedings for the selection included—writing samples, interviews of recommending individuals, interviews of the candidates them-

selves, and also, numerous hearings, many appointment hearings for the judges.

One thing to focus on perhaps for this morning is the one question we asked all the candidates, and it went something like this: It is early evening one day in the workweek, and the Under Secretary or one of his representatives has slipped into your office to discuss an opinion you are drafting for a case which was heard, or is being heard, by the panel. This person says to you that, because of political considerations, facts known only to the Director, some impact on the marketplace, that the Director wishes the case to be decided in a way other than how the panel is prepared to decide the case. What will you do?

Every one of the judges who we advanced for nomination answered that question only one way: We will ask whoever is asking us to change our decision to leave because we believe in judicial independence and due process, and the Director has other means, including through rehearing, for the case to be reviewed. All the candidates who said they would do whatever the Director told them to do were not advanced in the process.

I speak to this largely to say this one thing: From at least that time through now, my belief is that all the judges in their hearts and souls have a commitment to judicial independence. Whatever may be incident to the process now, I think none of that will have changed what they seek to do in the carrying out of their jobs.

If the hearing allows later, the one other thing I would want to touch on is the mention by the GAO report of the ARC, the first of the review mechanisms that is mentioned in the report and about which I think I also can offer some historical perspective.

[The statement of Mr. Smith follows:]

OPENING STATEMENT:

Testimony before the United States House of Representatives Sub-Committee on the Courts, Intellectual Property and the Internet

"The Patent Trial and Appeal Board After 10 years, Part II: Implications of Adjudicating in an Agency Setting"

JAMES DONALD SMITH

Chairman Johnson, Ranking Member Issa, esteemed members of the Committee:

Good morning. Thank you for the privilege of being able to say a few words. Perhaps I can offer some unique historical perspective that might be useful. I will be brief and target the remarks to two areas we might all agree are relevant and which areas likely provide context as to the perspective the Administrative Patent Judges (the "APJs") might hold, even today, with respect to their judicial independence in the carrying out of their duties.

In 2011, at the recommendation of then Under Secretary and Director David Kappos, I was appointed by then Secretary of Commerce Gary Locke to serve as the Chief Administrative Patent Judge of the Board of Patent Appeal and Interferences of the United States Patent and Trademark Office - the BPAI. I was the last person to serve in that role. And as you all know, the BPAI was transformed by enactment of the America Invents Act of 2011 to become the Patent Trial and Appeal Board - the PTAB. With that change, I was asked to serve as the first inaugural Chief Judge of the PTAB.

The task of overseeing the Board's transition was not small. At the time of the AIA's enactment, the BPAI had an *ex parte* case backlog that eventually rose (in 2013) to 27,000 appeals arising from within the PTO. And with the task of reducing that backlog, also came the task of equipping the PTAB to handle new AIA trial jurisdiction. We expected to be added to our workload about 400 new trials every year.

The predicted rate of 400 new trials per year turned out to be in excess of 1,500 new trials – or at least that many trial petitions -- every year for the next several years.

At the time of this transition "situation" the new PTAB comprised about 90 APJs, and because of strict preclusions on hiring in the federal government at that time, only those 90 judges were supposed to reduce a 27,000-case *ex parte* case backlog - even as 7,000 new *ex parte* appeals were being filed every year, and then also adjudicate 400 new trial proceedings annually, which actually turned out to be 1,500 new trial matters per year.

David Kappos, Under Secretary and Director, petitioned for and, quite fortunately, received permission from Congress and the White House Budget Office for us to be allowed to expand the Board. We needed at least 150 additional first-rate patent judges, and we needed them to be nominated, selected, and appointed quickly. Accordingly, the Chief APJ – to whom oversight of such selection and nomination duties fall -- needed to oversee and drive the necessary process, while also ensuring that the regular judicial duties of the tribunal proceeded smoothly.

In consultation with Director Kappos, we constructed a process that endeavored to select for nomination to the Secretary of Commerce the people thought best by us to discharge the APJ duties. As mandated by the statute, we sought to add to the fine judges already on the Board 150 individuals who were of unquestionable technical and legal qualification. We looked for the best PTO employees qualified to serve, and we heavily recruited from outside the PTO, including by looking to the ranks of former judicial

clerks who had served earlier in their careers under Article III judges at federal district courts and courts of appeal.

We took in about 2,500 applications. Approximately 1,500 applicants survived initial screening; 650 made it to the interview stage with the further stages of advancement including the review of writing samples, detailed interviews of the individuals recommending the candidates, interviews with the candidates themselves, criminal and academic background checks, and an appearance or appearances at mini-appointment hearings by everyone of the candidates. From this process emerged the 150 judges, who with the pre-existing APJ contingent yielded a fit-for-battle PTAB, as of Spring 2015, comprised of about 250 judges.

Time does not allow us this morning to undertake a comprehensive review of all the requirements that guided our nomination/hiring process, nor is such a full recounting relevant today. One requirement only might be sufficient to discuss. And the mention of it well may be highlighted – and fully so -- by sharing one question we asked every potential nominee. Here is the question.

It is early evening one day in the work week, and the Under Secretary or one of his representatives has slipped into your office to discuss an opinion you are drafting for a case which was heard – is being heard – by the three-judge panel on which you are serving, and which panel was selected to adjudicate this particular case. This person says to you that, because of political considerations, or the Director's own prior and personal acquaintance with the parties, or because of some facts in the case known only to the Director, or because of some impact the decision might have on the marketplace, the Director wishes you to decide the case in a particular way. And that way of deciding the case is contrary to what you and your panel members are set to decide. What are you going to do?

The several APJs involved in guiding the interview process were unanimous in every instance in removing from consideration any judge candidate who offered one kind of answer to this question, and as a selection group, we were all fully supportive of candidates putting forward another type of answer.

We never forwarded to the Under Secretary any nomination for a candidate who said: "I am a lawyer who can argue any side of a case; and as an APJ I merely am a scribe. If the Director wants it written up and decided another way, that is what I am here to do. All organizations are hierarchical, and I groove to the commands of my bosses. No problem. Just tell me what the Director wants me to say, whether he has participated in hearing the case or not."

The candidates who were advanced said this instead: "Hmm. Is this a trick question? I thought I was interviewing for a job as a judge. And doesn't the statute say that panels of not fewer than three judges are impaneled to decide cases fairly, independently, and in a way designed to afford full due process to the litigants? If it is necessary for me to look over my shoulder to find out from somebody else how to decide the case, I am not really a judge, and I am not sure I want the job. Also, I believe that the Federal Circuit and the US Supreme Court are provided ample opportunity to tell us we are wrong. And the Director also can impanel another independent panel on rehearing, where a review of the record on the merits makes rehearing appropriate."

Those candidates advanced. At least in the time period from 2011 to 2015, we sought not only to enshrine due process and lack of interference, but to select administrative patent judge colleagues who were believers in such principles.

Let me now finish by jumping to another small part of the actual history.

The record establishes that there was an internal review process carried out by an AIA Review Committee - the ARC. I also remember my work serving on the ARC and reading line-by-line every one of the first 150 or so AIA decisions of the PTAB.

There is the worry that the ARC represented a first attempt by PTAB management to monitor and influence the decisions of the judge panels. Nothing could be less true.

The ARC emerged from a discussion involving myself and several other APJs - some APJs in management and some not - about the Senior Technical Assistant's Office at the United States Court of Appeals for the Federal Circuit. Some of you will know of its existence and its purpose. That office reviews, I believe - or at least used to review - every published decision of the Federal Circuit prior to issuance. It made sure that the decisions were consistent, and that the intention of the judges with respect to their decisions - whatever those decisions may be – hold together in form, and in the uniform use of precedent as between different decisions. That office never intended nor undertook to influence decisions substantively.

We sought exactly that same type of consistency mechanism in the creation of the ARC. The ARC's purpose was to ensure consistency, and to drive fastidious rigor in the presentation of a kind of work product that warrants a place in the federal judicial record in a way that cannot be pointed to as being representative of written mediocrity or haphazard rendering.

We charged one group of people - including myself -- with the task of reading all the decisions to help recommend and urge what we hoped would be a certain elegant commonality. The knowledge base of the different decisions had to exist in the same brains so that the necessary comparisons could be made. No changes of decisions were urged or coerced. Indeed, in some instances, ARC members who indicated that they would decide a case the other way, recommended better, cleaner, and more uniform language for the authoring judge to use in the opinion setting forth the decision of the authoring judge exactly as the authoring judge's panel had decided.

In sum, I think it fair and accurate to say that, as we come to consider the degree to which APJs do or do not feel free to decide cases solely on the merits, we at least can be 100% sure of this: that the launching pad for the service of the PTAB rests on a solid foundation of commitment to judicial independence. This commitment was, and probably still is in the heart and soul of the judges, and it was in the foundational processes of judge selection and woven into any original decision scrutiny by board management.

I sincerely appreciate being able to share these historical snippets for whatever value the Committee may deem them to possess.

Mr. JOHNSON of Georgia. Thank you.
Mr. Asimow, you may now begin.

STATEMENT OF MICHAEL ASIMOW

Mr. ASIMOW. Good morning, and thanks so much for inviting me here today.So, the reason I got invited was because of an ACUS study that I did about five years ago about adjudication outside the Administrative Procedure Act, of which there is a great deal in the Federal government, and the PTAB was one of my prize exhibits. Now, in fact, there is a question about whether PTAB is covered by the Administrative Procedure Act, which I don't have time to discuss, but I'd be happy to turn to it in the question period.

The problems that we are all talking about today all arise from the defective structure of the PTAB when it was first created. Because, unlike any other system of adjudication in the Federal government, there is no appellate process within the agency. That is very unusual, and it created a crisis because there was no way for the Director to manage the decisions of hundreds of Patent Judges. So, very suboptimal solutions were adopted to try to achieve coherence, consistency, and to carry out the policies of the Director of the USPTO.

So, I am not going to have time today to talk about whether we should restructure the PTAB, although, again, I would be happy to answer questions about it. I want to defend some of the measures that the PTAB took on a managerial level.

First, I am in favor of the use of precedent decisions. These are used across the Federal government and a very useful method of achieving consistency in adjudication. So, I think those are just fine.

The adoption of guidance documents, which are regulations that can be adopted without going through notice and comment, to settle policy questions is extremely useful, and probably should be more utilized by PTAB than it is already.

I am in favor of peer review systems, including the new innovations in that. It is perfectly okay, in my point of view, to have some judges critique the work of other judges, even before the decision becomes final.

The issue here before us today is management review, in which the GAO report makes it clear that management frequently intervened in pending cases. As a practical matter, the judges were intimidated and chilled and mostly followed the suggestions of management, which were really commands.

So, I think this violates a number of basic administrative law norms.

First, the lack of transparency. It just isn't fair; the Director's interference favors one of the parties to an inter partes proceeding against the other. Yet, the person on the losing side doesn't know what that input was and has no opportunity to rebut it, nor do you really know enough to decide whether to appeal the structure.

In addition to that, I believe the management interference violates the rule against ex parte communications. In particular, I call attention to a regulation adopted by PTAB which says ex parte communications regarding a specific proceeding with a board mem-

ber is not permitted, unless both parties have an opportunity to be involved in the communication.

I think that regulation has been flouted by the management interference practices. It violates the exclusive record principle, which says that a judge can only consider what is in the hearing record in making the decision. In general, it violates the principle that Administrative Judges in our system should be independent in law and fact and appearance. Management interference prevents that from happening.

Now, I know all this arises from the lack of a proper appellate mechanism, which was a very serious defect in the AIA, and has been remedied to a degree by the Supreme Court's decision in *Arthrex*, which says there has to be an appellate mechanism. So far, none has been created. Simply giving the Director power of interim review over all the hundreds and hundreds of cases flowing through the agency is not adequate. There needs to be a structure of APJs who are handling and creating an appellate tier within this agency, with then perhaps discretionary review by the Director. Still, as better appellate review is instituted within this agency, I hope that the need for management interference will be greatly lessened.

So, I would be happy in the question period to discuss possible changes, restructuring of the PTAB, as well as its interrelationship with the Administrative Procedure Act.

So, thanks very much for the opportunity to comment on the PTAB.

[The statement of Mr. Asimow follows:]

Testimony before Subcommittee on Courts, Intellectual Property and the Internet

Committee on the Judiciary
House of Representatives
July 21, 2022

Management Tools for Adjudication Before the Patent Trial and Appeal Board (PTAB)

Michael Asimow[1]

Thank you for inviting me to testify. This testimony is intended to situate adjudication before the Patent Trial and Appeal Board (hereinafter PTAB) in the universe of federal administrative adjudication and to comment on the management review techniques outlined in the Preliminary Observations of the GAO.

Adjudication before PTAB consists of both trials and appeals.[2] PTAB's appeal function concerns challenges by a patent applicant whose application has been rejected by PTO or whose patent is subject to re-examination. The trial (or inter partes) process arises from challenges to the validity of an existing patent and often occurs in connection with infringement litigation in federal court that is is stayed pending PTAB decision as the validity of the patent. My testimony

[1] Professor of Law Emeritus, UCLA Law School; Dean's Executive Professor of Law, Santa Clara Law School. asimow@law.ucla.edu 650-575-4858

[2] See generally Michael Asimow, Federal Administrative Adjudication Outside the Administrative Procedure Act (ACUS 2019) 163-171.

concerns PTAB's trial process rather than its appeal process. PTAB consists of several hundred Administrative Patent Judges (APJs) who are experienced in patent law and conduct trials in panels of three.

A. PTAB as federal administrative adjudication

The first part of my testimony situates PTAB in the universe of federal administrative adjudication. In comparing PTAB trial adjudication to trial decisions made by other federal agencies, several differences stand out.

1. No oral presentation of evidence. Unlike other federal adjudicating agencies, the PTAB does not employ oral evidentiary hearings. The PTAB employs the same types of discovery that are used in federal civil litigation. Witnesses are deposed and their deposition testimony and written affidavits become the record on which the APJs make their decisions. This innovation seems desirable and is a huge time saver.

2. Type B adjudication. Federal administrative adjudication can be divided into 3 categories: Types A, B and C. Type A is governed by the federal Administrative Procedure Act. Type B litigation is based on a statute requiring evidentiary hearings but is not under the APA. PTAB is Type B adjudication because statues require it to conduct evidentiary hearings but do not meet the test for APA coverage.[3] Part C is true informal adjudication because no evidentiary hearing is required.

The primary difference between Types A and B adjudication is that the presiding officers in Type A hearings are Administrative Law Judges

[3] The Federal Circuit has held that PTAB cases are covered by the APA. Synopsis, Inc. v. Mentor Graphics Corp., 814 F.3d 1309, 1322 (Fed. Cir. 2016). The court merely stated the conclusion, without discussing the caselaw on this issue. The *Synopsis* decision is questionable. See Dominion Energy Brayton Point LLC v. Johnson, 443 F.3d 12 (1st Cir. 2006). This memorandum proceeds on the assumption that the APA is not applicable to PTAB cases.

(ALJs) who are subject to various protections of their independence (such as prohibition on performance reviews). APJs have no comparable level of statutory protection.

The APA provides a number of additional protections for the independence of ALJs and the integrity of decisions. One such provision states that an ALJ may not "consult a person or party on a fact in issue, unless on notice and opportunity for all parties to participate." [4] Another provides that "the transcript of testimony and exhibits … constitutes the exclusive record for decision."[5] Since PTAB conducts Type B adjudication, these provisions of the APA do not apply to it. Nevertheless, as discussed below, these provisions constitute basic norms of adjudication and should be implemented by procedural regulations in Type B adjudication.

3. No appellate mechanism. Nearly all type A and Type B adjudicating schemes provide for some type of internal appeal from the decisions of presiding officers to higher levels of agency authority. The PTAB has no such mechanism. In *Arthrex,* the Supreme Court ruled that such an appeal mechanism was mandatory in order that the APJs be properly appointed. The Court held that the head of USPTO must have the ability to hear internal appeals.

The new provision on Interim Director Review should satisfy the requirements of the *Arthrex* decision. However, it will not be an effective management technique. The PTAB must create a review

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[4] APA, 5 U.S.C. §554(d)(1). The APA also contains a provision for separation of functions, prohibiting an AJ from being supervised or directed by an agency staff member engaged in investigative or prosecuting functions for the agency. Id, §554(d)(2). In addition, a person engaged in investigative or prosecuting functions for the agency may not participate or advise in the decision. Id. §554(d). The latter provision is inapplicable to the agency head. In my view, these provisions would not apply to the PTAB because it is a purely adjudicating agency and is not engaged in investigative or prosecuting functions.

[5] Id. §556.

mechanism involving a substantial number of APJs or other qualified personnel to review (on a discretionary basis) any APJ decisions in which either party or PTO management seeks review. Perhaps the director of PTO could retain a discretionary review power after the regular appellate mechanism functions to deal with cases involving important issues of policy.

B. Management of the adjudicating process.

As the GAO testimony makes clear, PTAB has employed a variety of techniques to manage the consistency and correctness of APJ decisions. The lack of an appellate review mechanism obviously made it imperative for the PTO to do so. I think most of the techniques PTO employs are appropriate, but I do question the appropriateness of the management review technique.

a. Precedent and informative decisions. I believe that the PTO's use of precedent and informative decisions is an acceptable management tool. Precedent decisions have been widely employed across federal and state administrative adjudication to improve the consistency and correctness of adjudicatory systems. Because they arise out of the adjudicatory process, an agency's decision to declare a prior decision as precedential is not considered rulemaking and thus does not trigger APA notice and comment rulemaking requirements.

ACUS has recommended the use of precedent decisions in Type B adjudication.[6] Informative decisions are a less familiar tool, since presumably the judges are not obligated to follow them. As a practical matter, informative decisions should be nearly as effective as precedent decisions in improving the consistency and correctness of trial-level decisions. I believe it is appropriate for PTO to impose employment sanctions against APJs who refuse to adhere to precedent decisions.

[6] ACUS Rec, 2016-4, Rec. 27.

b. Guidance documents. I believe the use of guidance documents is an acceptable management tool. Under the federal APA, guidance documents (interpretive rules and policy statements) can be adopted without going through costly notice and comment techniques.[7] They must be non-binding, leaving APJs discretion not to follow them. As a practical matter, however, APJs can be expected to follow guidance documents in most non-exceptional situations.

c. Peer review. I believe a system of peer review in which judges critique the work of other judges is an acceptable management technique. If the decision is already final, there can be no objection to a peer review system whose purpose is to educate judges to improve their decisionmaking technique and opinion writing. Similarly, even if the decision is not final, I think peer review that offers non-binding suggestions to judges as to how a pending decision could be improved is a good idea. Because the reviewing judges are not part of management and cannot impose any employment sanction, peer review is distinguishable from management review which is discussed next,

d. Management review

I am troubled by the system of management review that the PTAB has employed. This system enables PTO management to compel APJs to alter their decisions. Hopefully, the PTAB will phase out management review as it implements an adequate system of internal appellate review.

I believe that management review violates a number of relevant administrative law norms. The GAO investigation makes clear that APJs believe their decisions were affected by management interference and that many of them resented this incursion on their independence.

i. The management review system is not transparent. Even though its use has now been acknowledged, it is impossible for litigants

[7] APA §553(d)(2).

to tell what changes, if any, were made to APJ decisions because of management intervention. This is not fair to litigants before the PTAB who cannot ascertain how the APJs would have decided the case in the absence of management interference. Litigants who are on the losing side cannot rebut the management changes because they cannot find out what changes management recommended. In addition, the lack of transparency difficult for the losing party to decide whether to appeal the decision to the Federal Circuit.

ii. Management interference is an ex parte communication. It appears to violate PTAB's regulations that provide: "Ex parte communications. Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. §6(a) is not permitted unless both parties have an opportunity to be involved in the communication."[8]

The purpose of this regulation probably was to prohibit communications to APJs by the outside contending parties in the litigation. However, its terms appear to cover ex parte communication to APJs from management as well. These communications will favor one party to the inter partes proceeding over the other. All such communications to APJs should be on the record, whether they concerns factual testimony or questions of law, policy, or discretion, rather than being made ex parte. This is a basic norm of adjudication that ACUS has recommended should apply to all Type B adjudicating agencies.[9]

iii. The exclusive record principle means that APJs should make their decisions based entirely on the record made at the hearing or on facts established by judicial notice, not on other inputs regardless of their source. Management interference with the decisionmaking process may violate the exclusive record principle. Again, exclusive record is a

[8] 37 CFR §42.5(d). The term "Board member" includes APJs. 35 U.S.C. §6(a).
[9] ACUS Recommendation 2016-4, Recs. 2, 3, 4. These recommendations do not precisely describe PTAB management ex parte communications, but the spirit of the recommendations would preclude them.

basic norm of adjudication that ACUS recommends should apply to all Type B adjudication.[10]

iv. APJs, like all administrative judges, should be independent decisionmakers, not the puppets of their employer. Their employment security should not be threatened by ad hoc management techniques that are intended to influence their decisions and to compel them to decide a case in a way different from their own analysis. This is also a basic norm of fair adjudication.

Thanks for the opportunity to express my views.

[10] ACUS Recommendation. 2016-4, Rec. 1.

Mr. JOHNSON of Georgia. Thank you, Mr. Asimow.
Mr. Torczon, you may now begin.

STATEMENT OF RICHARD TORCZON

Mr. TORCZON. Good morning, Chair Johnson, Ranking Member Issa, and Members of the Subcommittee.

Thank you for inviting me to provide my views on the Patent Trial and Appeal Board. My involvement with the board spans over three decades, including nearly two decades as an Administrative Patent Judge deciding appeals, managing trials, and drafting board rules. I now practice mainly before the board representing patent owners, petitioners, and appellants.

Please note that I speak only for myself, not for my law firm, not for my clients, and not for any other organization.

My written statement is of record and provides content and support for the points I will summarize today.

First, tension inherently exists between political accountability and adjudicative independence. In *Arthrex* and other recent Supreme Court decisions, the court has favored political accountability for various textual and structural reasons. For purposes of this hearing, I assume *Arthrex* is correct and controlling.

Second, political interference is not new. What has changed, however, is the frequency and scope of that inference. Previously, political and management interference were rare and always recognized, at least some level, as improper. Now, it is routine, so routine it has become institutionalized.

The AIA accelerated the erosion of an ethos that is embodied in the Administrative Procedure Act which sets the norm for agencies. For example, the current layers of predecisional review are a new concept with predictable chilling effects. In fairness, most such interference does not directly affect the merits. However, critically, even minor interference creates a ratchet effect, such that, once some interference becomes the norm, more follows.

From the outside perspective, there are at least two problems with this.

First, parties, courts, Congress, and the public never know whether, or how much, interference has occurred in a given decision. Nothing is preserved in the case's record, and no internal communications are preserved for archives.

Second, flouting one administrative norm leads to flouting others. For example, Congress defines a rule as an agency statement of general or particular application and future effects. Board precedential decisions clearly meet this definition. Yet, they do not comply with any of the statutory rulemaking requirements. This rule by fiat is particularly harmful at the institution stage, where lack of judicial review enables unchecked departures from administrative norms that stakeholders cannot challenge.

Several possible solutions exist. The simplest is simply to codify transparency. Congress could require that all ex parte communications initiated from outside the panel must be made of record.

Alternatively, many have suggested creation of an independent review level. We should acknowledge the cost of diluting the Director's important policy role by creating yet another source of patent

authority. Unfortunately, however, it might be needed to ensure the board adjudications will occur on the merits and on the record.

Review authorities should be distributed over enough reviewers to be practical. Vesting all review responsibility in a single reviewer is facially impractical and would evoke the same skepticism that the Supreme Court's *Arthrex* decision has prompted.

The review authority should stay in its lane and not compete with the Director's policymaking. Review authority, especially if located inside the USPTO, must have budget protections and other comparable assurances of its actual independence.

Finally, if APJ work is subject to additional internal review, the rationale for three-APJ panels dissipates. Congress should consider whether single APJ trials would facilitate other process reforms, such as faster trials and live testimony.

In conclusion, thank you again for inviting me here today. I look forward to your questions.

[The statement of Mr. Torczon follows:]

Before the Subcommittee on Courts, Intellectual Property, and the Internet
House Judiciary Committee

Hearing on
The Patent Trial and Appeal Board After 10 Years, Part II:
Implications of Adjudicating in an Agency Setting

Written Statement of

Richard Torczon

Senior Counsel at
Wilson Sonsini Goodrich & Rosati

President-Elect of
the Association of American Patent Judges

Thursday, July 21, 2022, 10:00 am
Rayburn House Office Building, Room 2141

1. Introduction

Good morning Chairman Johnson, Ranking Member Issa, members of the Subcommittee on Courts, Intellectual Property, and the Internet. Thank you for offering me an opportunity to provide my views on the Patent Trial and Appeal Board (PTAB). This is a topic that has occupied my thoughts for far more than ten years, as an associate solicitor defending Board decisions and supporting Board rulemaking, as an administrative patent judge managing cases and drafting Board rules, and recently as a practitioner appearing before the Board. I am also president-elect of the Association of American Patent Judges, a nonprofit dedicated to educating the public about and preserving the history of the Board. Allow me to note that I speak only for myself and not for my employer or any other organization.

The Supreme Court's recent decision in *United States v. Arthrex, Inc.*, 141 S.Ct. 1970 (2021), has refocused attention on the balance between policy oversight by the Director of the United States Patent and Trademark Office (USPTO) and the decisional independence of each administrative patent judge (APJ). As I will explain, this question is not new, but it has become far more acute since the passage of the Leahy-Smith America Invents Act (AIA, Pub. L. 112-29).

2. History

Although some form of patent board has existed since just before the Civil War, the Board took its modern form in the 1920s, when the head of the Patent Office—then called the Commissioner—sought relief from having to review every Board decision. Congress responded with legislation permitting the Board to make final agency actions without Commissioner involvement. Still, the Commissioner retained some control as an *ex officio* member of the Board with the power to appoint panels to decide cases, but without power to overrule the Board.

Under the recent *Arthrex* holding, this 1920s-vintage Board complied with the Appointments Clause (U.S. Const., art. II, §2, cl. 2) because each APJ—then called an Examiner-in-Chief—was appointed by the President with Senate confirmation. Five decades later, as part of a broader reform effort to reduce the number of political positions in the civil service, Congress transformed Examiners-in-Chief from political appointees into competitive service employees. This change unwittingly set the stage for *Arthrex*.

Another key development occurred three decades ago, when the United States Court of Appeals for the Federal Circuit took up *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc), *sua sponte* for rehearing en banc over the question of the

Commissioner's involvement in a Board decision. Then—as now—patent subject-matter eligibility under 35 U.S.C. §101 was a controversial topic, and Commissioner Manbeck in his role as agency head had promulgated guidance on how §101 should be applied. The Commissioner learned of decisions in which the Board reversed a patent examiner's rejection of claim as being directed to ineligible abstract ideas, and was concerned that at least some members of the Board were not following that guidance. In *Alappat*, he *sua sponte* set the cases for rehearing and used his power to expand the panel to have a majority that would overrule the original decision. This practice has been pejoratively labeled "panel stacking". The Federal Circuit decided with vigorous dissents that the Commissioner could do so—not, as *Arthrex* decided, because the Constitution required it, but because the structure that Congress created permitted the Commissioner to do so to maintain a degree of policy control.

To me, the key lesson from *Alappat* was not that the statute was flawed because it permitted panel stacking—a quaint concern after *Arthrex*—but that to exercise such control the Commissioner must act formally and publicly, providing the affected party with notice and an opportunity to respond to whatever concern triggered the Commissioner's involvement. Because the Commissioner's involvement was explicit, it could also be factored into judicial review of the resulting decision. Far from

creating a dubious, cumbersome anomaly, I see *Alappat* as a vindication of Congressional intent and as a victory for government transparency and constitutional due process. Under recent practices, this transparency and due process has been covertly undermined, which should be a source of concern.

The Patent Act obviously has a central role in Board activity, but less obvious (at least at the Board and with some Directors) is that the Administrative Procedure Act (5 U.S.C., part I) controls Board processes. Director interference not only violates Congressional directives requiring open and independent adjudications, but also improperly avoids a key Congressionally mandated vehicle for setting general policy: rulemaking. In the context of AIA patent reviews, this shift has become particularly critical because Congress chose to shield much of the Director's actions from judicial review. Rulemaking not only provides openness to permit stakeholders to plan future actions, but it is also subject to facial challenge by concerned stakeholders in district court and as-applied challenge by affected stakeholders on appeal. It is also subject to Executive and Congressional oversight through legislated review processes.

Covert interference permits no such review outside the agency and leaves stakeholders in the dark about contemplated changes. Ironically, the currently level of Director and management interference accomplishes the opposite of what *Arthrex* says

the Constitution requires: political accountability. Covert interference permits the Director or Board manager to take credit when the outcome is praised but provides plausible deniability when the outcome is condemned. At present, it is unclear how many "Board panel" missteps should actually be attributed to the Director or Board managers rather than to APJ mistakes. You can also be sure that the recordkeeping requirements of the Federal Records Act are never met.[1]

3. <u>My experience</u>

I joined the Board shortly after *Alappat* and served there as an APJ for two decades. Before the AIA, I rarely experienced inappropriate Commissioner or management interference. Humans being humans, it did happen that a Commissioner

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[1] Although an isolated incident, when the AIA trial rules were promulgated, they were negotiated by an ad hoc group of USPTO officials and private attorneys. Although I looked for it, I was unable to identify any effort to comply with the Federal Advisory Committee Act or the statutory requirements of the Negotiated Rulemaking Act. While I believe this oversight occurred out of ignorance rather than malice, the fact remains that USPTO often acts as though administrative law does not apply to it.

or Board manager would try to take a short cut. Back then, however, the prevailing ethos prevented the sort of wholesale interference that has recently become the norm. For example, when I was in the Solicitor's office, we would not ask for a remand from judicial review without consent from the Board panel. This practice had the practical benefit of ensuring that the panel understood and recognized the problem, and was prepared to act when the case returned. If the panel refused to take the case back, we defended the decision (and often prevailed just as the panel predicted).

My most egregious experience happened in the late 1990s, when a Board manager came to my office as I was working late at night on a high-profile case. He sheepishly told me that the Commissioner was interested in having the case reach the "right" outcome. Sensing where the conversation was going, I cut him off and said, "I understand you to mean that I am to do my usual thorough job." He smiled with relief, knowing that he could tell the Commissioner that we had spoken without actually having to cross a line that we both knew to exist.

In another instance, a Director stipulated to a remand of a Federal Circuit appeal to the original Board panel for the sole ***dissenting*** APJ to write a new decision. No one consulted with the dissenter. Although judicial review is supposed to return a case only if an error is identified, no one actually identified an error. I helped my

colleague draft an order for additional briefing in the form of a belated rehearing request so the panel would have a record of the perceived problem. Ultimately, the additional briefing persuaded the dissenter to join the majority.

More commonly, management would interfere in cases, but usually out of sloppiness or a lack of appreciation for administrative law. Generally the interference would take the form of dismissing or reassigning a case without consulting the original panel. Whether from ignorance, carelessness, or malice, however, procedural irregularity should be avoided and must be transparent when it occurs.

While procedural irregularities have always occurred, they were formerly rare and a source of embarrassment. Unfortunately, as other testimony today shows, such irregularity is no longer remarkable at the Board.

4. Solutions

I am aware of a spectrum of potential solutions to the problems arising from Director involvement in nominally independent adjudication. The status quo is no solution because, while *Arthrex* confirmed the Director's control, it intended to ***increase*** the Director's accountability, not decrease it. Moreover, keeping the Director as even the nominal reviewing official revives the review burden that prompted Congress to create the current structure nearly a century ago. If the Commissioner was

overburdened in 1927, a modern Director would be far more overburdened and would be forced to delegate the actual review anyway, once again diluting any pretense of accountability.

Whether Congress chooses to make changes or not, it should keep in mind the vital, continuing need for transparency and due process for ***all*** stakeholders. Congress should also consider the possibility of more efficiently using the talents of APJs, who by law are "persons of competent legal knowledge and scientific ability" (35 U.S.C. §6(a)) and as a rule are dedicated and faithful public servants engaged in intellectually demanding work.

One common suggestion is to remove the Director from the process altogether by restoring Presidential appointment and Senate confirmation of APJs, perhaps using a streamlined process such as is used for some military officers. This has the advantages of historical precedent and consistency with public perception of Board adjudication as independent, but it creates more work for the President and Senate, and arguably dilutes the political accountability at the heart of *Arthrex*.

Another suggestion is to create an independent commission, like the Federal Energy Regulatory Commission (inside a department) or the International Trade Commission (standalone), with APJs serving in the role administrative law judges

serve. Spreading the Director's review function—and none of the Director's other functions—over several commissioners appointed by the President and confirmed by the Senate would resolve the issue of overburdening the Director. It would come, however, at the cost of decoupling the Director's policy and review roles, and would degrade the Director's ability to create and enforce patent policy within the Executive branch. A partial solution would be to leave at least the Board's appellate structure in its current form to keep at least the pre-grant appeals coordinated with the patent examining corps.

Yet another suggestion would recognize that adjudication is the core (ideally sole) function of APJs and transfer them from being Article I judges in the Executive branch to being Article I judges in the Judicial branch, much like bankruptcy judges. This model would provide greater geographic coverage and enhance the possibilities for live hearings. It might also effectively create a body to which district court judges could refer patentability questions for decision, something like dedicated patent magistrates.

Finally, Congress could keep the current structure, but require all interaction with an assigned APJ panel be on the record, even if it is from the Director or Board management. Moreover, the legislation should require the parties to have a reasonable

opportunity to address such supervisory input. This is simply a matter of due process. Parties before the Board generally have a property interest in the case—a patent owner has a constructive property interest in its patent, a patent applicant has an inchoate property interest in a patent, and a patent challenger has a property interest in the proceeding by virtue of having paid the entire considerable user fee for the right to challenge. Like any property owners, the parties have a right to notice and an opportunity to respond, whether that right is found in the Administrative Procedure Act or in the 5th Amendment.

Whatever solution Congress pursues, it should not forget the enormous talent of APJs. Many of the concerns about the Board (e.g., whether APJs have sufficient resources) and many proposals for improvement (e.g., live testimony) would be vastly simplified if APJs could provisionally decide a case as a single judge, like administrative law judges at FERC and ITC, and like magistrates and bankruptcy judges. The Federal Circuit in its first *Arthrex* decision rejected severing this provision because the court felt Congress wanted the quality check of three judges. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir. 2019). However, under a reviewed-APJ model, the quality check should come from the reviewer, whether the reviewer is the Director, a commission, or a district court judge. In fact, the three-

judge model is simply a vestige from when the Board was exclusively an appellate body. At least for its trial function, the Board would be far more efficient and far more flexible with single judges, which is a norm for trials in other venues.

5. Derivation

While Congress is considering the AIA after ten years, it should ask what happened to patent derivations. Patent derivations are a trial proceeding in which an inventor may show that a patentee took the inventor's invention and passed it off to the USPTO as its own. 35 U.S.C. §135. I think of derivations as the divorce practice of patent law because they invariably involve broken relationships and betrayed trust between co-inventors or joint research partnerships or former employers and employees. Derivations used to be quite common, making up perhaps 10% of all patent interferences and 100% of all design and plant patent interferences. Under the AIA, derivations are the only proceeding that supports the "Inventor" in First-Inventor-to-File because it is the only Board proceeding in which a first-filer can be compelled to give its patent to the actual inventor.

Since the AIA has been in effect very few derivations have been requested, and none have been successful. While it is possible that human nature has vastly improved

over this time, a far likelier explanation is that Congress, the Federal Circuit, and the USPTO have created so many procedural impediments that success is impossible.

Given the impossibility of a successful derivation challenge, Congress should consider either eliminating them—which would make the United States exclusively a first-to-file system—or it should reform derivation proceedings so they actually work, particularly for design and plant inventors, who are often small entities or individuals.

From what I can tell from the few attempted derivations, the one-year time bar (§135(b)) is so strict and so stringently applied that almost any amendment in the inventor's patent application dooms the inventor's challenge. Congress could either relax the time bar or it could allow the inventor to challenge the patent directly rather than file its own application and prosecute it to completion first. Other impediments might exist, but I cannot tell because tracking derivation requests is difficult from outside the USPTO. Whatever the cause, the U.S. is a first-***inventor***-to-file system in name only. Either Congress should either fix derivations or drop the pretense.

6. <u>Conclusion</u>

Thank you again for this opportunity to discuss the history and future of an important part of the patent system. The public, the parties, and the administrative patent judges deserve a system that works better, with greater transparency and fairness. Congress is in a position to make this happen.

Mr. JOHNSON of Georgia. Thank you, and I thank all the Witnesses for their testimony today.

We will now proceed under the five-minute rule with questions, and I will begin by recognizing myself for five minutes.

Ms. Wright, the GAO's testimony suggests that many Administrative Patent Judges felt pressure to change their decisions in response to direction from management. Based on your team's research, was this direction from management always made in writing? If not, can you also tell us what other forms this direction took?

Ms. WRIGHT. Certainly. I would say, with respect to the comments that were received during the management review, it really was a mixed approach. It did seem, however, that most of the comments were actually not in writing, and we discovered that through our discussions with the judges as well as with PTAB management. Sometimes it might have been a phone call, somebody walking into someone's office to have a discussion, but, certainly, there were not a lot of documented comments that were provided, from what we learned.

Mr. JOHNSON of Georgia. Thank you.

Mr. Torczon, from the GAO's testimony, it seems that the Administrative Patent Judges on a three-judge panel are often contacted by others at the agency about the case, about that case. Yet, there is an existing regulation that prohibits ex parte contacts with APJs. Are you aware of this apparent tension while you were an APJ?

Mr. TORCZON. Thank you.

As the person who drafted the rule in question, I can assure you that it has never been viewed as having internal application. Having said that, I would like to clarify. I mean, a typical Appeals Judge is deciding—by "deciding," I mean writing about 100 cases a year and participating on another 200 as a panel member. The number of cases in which there is actual interference is pretty small. So, I don't want it to seem like this is happening in every case.

The problem, of course, is that it is happening at all. It has two effects. One is it is a real problem in the case where it does happen, and it is also it does have a chilling effect. Because, particularly on certain hot-button issues like 101 patent eligibility, there is an excellent chance that, if you are not saying things exactly the way they are supposed to be said or you come out with a result that you think is right on the merits, but maybe doesn't fit in the right pigeonhole, you may get a visit; you may even be asked to change your opinion.

Mr. JOHNSON of Georgia. In light of the rule against ex parte communications being in place at this time, do you think legislatively mandating no ex parte contacts with APJs would go far enough to ensure judicial independence?

Mr. TORCZON. I absolutely think legislation would make a difference. Among other things, it would give clear empowerment and a clear sense of policy direction to the agency of what is supposed to occur. It would also, as a practical matter, give the APJs employment recourse if they are criticized at that point.

I think, largely, this comes down to a matter of culture. In a perfect world, we wouldn't need this because in a perfect world people would understand that the existing administrative norms already require what we are discussing. I think the problem is, culturally, we are well past that point.

Mr. JOHNSON of Georgia. Thank you.

Professor Asimow, one of the issues highlighted by the GAO is that Administrative Patent Judges sometimes face lower performance reviews or reassignment if they do not accept management-directed changes. How do other agencies handle this sort of dynamic in an adjudicatory setting?

Mr. ASIMOW. Well, if you are covered by the Administrative Procedure Act, there are various elaborate protections for Administrative Law Judges, and who, if they are subject to any kind of unfavorable employment action, can take that to the Merit Systems Protection Board. Now, this doesn't exist when you are outside the APA, and therefore, it is more difficult to achieve judicial independence in the situation that you describe. There isn't any clear-cut remedy for the APJ to pursue if they suffer some sort of negative employment result. It is a big problem, and obviously, undercuts the goal that Administrative Judges must be independent.

Mr. JOHNSON of Georgia. Thank you.

My five minutes have expired. We will now turn to the gentleman from Kentucky, Mr. Massie, for five minutes.

Mr. MASSIE. I thank the Chair.

I wasn't here for the AIA. So, just kind of looking back in history, but was part of the reason that it was established was that the stakeholders wanted more certainty in the outcomes, that maybe the juries weren't capable of adjudicating patent fluidity? Was that part of the motivation, that a layperson selected to be on a jury might not come up with the right answer? I will ask you, Mr. Smith.

Mr. SMITH. Can you hear me? Yes.

I am not sure that there was—well, let me answer the question this way without speaking to juries specifically. Because, of course, in going to the AIA, one not only avoids a jury, but a bench trial from a Federal District Court.

Mr. MASSIE. If you could speak about juries, I would appreciate it because that is my next question.

Mr. SMITH. Well, it is subsumed within the answer. Generally, well, the statute requires the judges of the PTAB to be both technically and legally qualified, and only they participate without any jury in the decision of the case. So, one necessarily gets, with a PTAB proceeding, the elimination of any uncertainties one might think a jury to introduce to the proceeding.

Mr. MASSIE. Would you like to comment on it, Mr. Torczon?

Mr. TORCZON. Yes. I think that there was an understanding that issues outside the technical or legal merits could influence the decision of any decisionmaker, and that one of the advantages of having an expert body is that they would be familiar with the technology. By statute, APJs are required to be, and usually within—or usually are deciding cases that are aligned to their area of technical expertise.

Plus, APJs decide far more patent cases than anybody else, even the Federal Circuit Judges, and so, as a consequence, are always very acutely aware of what the State of the case law is. So, I think the expectation is you would get advantages and efficiencies by having people who are directly familiar with both the technology and the law which may be lost on others.

Mr. MASSIE. Thank you.

So, just looking back—I wasn't here for the creation—but I find it odd that we created this panel that would invalidate patents because the juries weren't capable of understanding this, but infringement is still decided by juries, right? Isn't this true, that PTAB doesn't deal with infringement?

Mr. TORCZON. That is quite true, and, in fact, even invalidity is still typically, or often handled still in court.

Mr. MASSIE. So, I think it is kind of odd. I don't understand why this is a one-way system where, if you are an inventor, the only thing that comes out of PTAB, the only possible outcome that is an active outcome is your patent is dead. If you are an inventor and somebody is infringing on you, the PTAB doesn't—there is no offer of help there, and we are trusting—we say we can trust juries with the decision of infringement, but not with the decision of patent validity. In fact, they involve exactly, not precisely, but very largely, the same issue.

Do you believe that patent holders should at least, even after PTAB, always have the right to a jury trial?

Mr. TORCZON. I would have to unpack that question a little bit. I mean, certainly, if you are in District Court—

Mr. MASSIE. Should they be able to appeal it and get a jury trial?

Mr. TORCZON. So, you are proposing appeal of an administrative decision to a District Court with a jury trial. I would say that this goes to a more fundamental issue because that would be unique in review of an administrative decision—

Mr. MASSIE. Well, here is the problem that I have: There used to be a provision in our parliamentary rules on the floor of the House where you could rename a bill. I once offered an amendment to rename the bill to suspend the debt limit two years "A Bill to Kick the Can Down the Road and For Other Purposes." We got 40 votes on that amendment.

[Laughter.]

If I had been here for the AIA, I might have offered an amendment to rename it "The Seventh amendment Repeal Act," because this thing that is in our Constitution, which is the right to a jury trial, if the thing in question is more than $20, it has been suspended by AIA.

I know my time has expired, and I don't want to start us off on a bad foot. So, I would yield back to the Chair.

Mr. ISSA. It was a wonderful foot. I felt it.

Mr. JOHNSON of Georgia. Thank you.

We will now turn to the gentlelady from North Carolina, Ms. Ross, for five minutes.

Ms. ROSS. Thank you, Mr. Chair. Thank you to the Ranking Member and all the Witnesses for being here today to discuss this very important issue.

I represent a district in North Carolina that takes pride in its culture of innovation. My district is home to world-class research institutions, individual inventors, small startups, large technology companies, and everything in between.

Innovators deserve to have their rights enforced in a transparent manner consistent with the principles of due process. What is why the GAO's preliminary findings are so troubling. Seventy-five percent of the surveyed judges responded that the oversight practiced by the politically-appointed directors or other PTO management had affected their independence. This is unacceptable and contrary to the fundamental values that undergird our democracy. The integrity of the U.S. patent system must be maintained to ensure continued American innovation.

My first question is for Mr. Smith. As the inaugural Chief Judge who oversaw the agency's transition from the Board of Patent Appeals and Interferences to PTAB, your written testimony states that you sought to "enshrine due process and lack of interference."

Can you talk about your vision of how the board was meant to function and how that compares to what we have heard from the GAO today? Please also highlight what you believe are the root causes for those differences.

Mr. SMITH. To the first part of your question, I will offer these two things:

First, somewhat in distinction to what Judge Torczon has said, I think at least at the time I was at the board, the idea that there should be no ex parte communication operated not only with respect to ex parte communication coming from outside the agency, but also from within the agency; that the three judges empaneled to hear a case were to be hearing it by themselves without interference or discussion or contribution by any others inside or outside the office.

Secondly, I would say this, and this touches on the portion of my testimony that I had hoped to provide a little more insight around; namely, the operation of the ARC. The ARC was intended not to be an ex parte communication or other interference by other judges, including management judges, with respect to the merits of the decision, but merely one to drive uniformity in the written output of the board.

In fact, it was the case that members of the ARC sometimes provided to judges recommendations about how strongly they might State their opinions, even when those opinions were the opposite of what an ARC member might himself or herself have decide.

So, that is at least some of how, historically, we tried to drive independence, transparency, and the absence of interference in communication about cases.

Ms. ROSS. Thank you very much.

Mr. Torczon, as a former judge who now represents litigants appearing before PTAB, how did the GAO findings comport with your personal experiences? Do you find any of those findings particularly surprising?

Mr. TORCZON. The first answer is they are very consistent, not only with my experience, but also with what I hear from currently serving judges. No, none of them were surprising. Again, I think the report shows that there is a problem; it is not in every case,

but the lack of transparency makes it a problem because you never know when it is an issue.

Ms. ROSS. Okay. Then, where do you think—why don't we go to this next one for Ms. Wright very quickly?

Thank you for your work to shed light on this critical issue. I understand the final report will have recommendations. Are those recommendations limited to the recommendations for the PTO? Or will you have some legislative ideas that go with that?

Ms. WRIGHT. At this time, based on the findings that we are reviewing, it will likely be recommendations to PTAB or to USPTO. We think that there are certainly some issues to look at with respect to transparency, communications. So, those will be some of the things that we will continue to develop as we complete our work.

Ms. ROSS. Thank you, Mr. Chair. My time has expired, and I yield back.

Mr. JOHNSON of Georgia. Thank you.

Next will be the gentleman from Ohio, the Ranking Member of the Full Committee, Mr. Jordan, for five minutes.

Mr. JORDAN. Thank you, Mr. Chair. I would yield to the gentleman from California, Mr. Issa.

Mr. ISSA. I thank the gentleman.

Ms. Wright, you said that you thought this would be primarily the PTO. If you make recommendations and they make changes without legislation, would there be any reason they couldn't simply change back later?

Ms. WRIGHT. That is certainly a likelihood. Based on what we heard from the judges and others who we spoke with different directors take a different approach. There are some of them that are more heavy-handed, some that are a little bit more hands-off. So, there is probably a need to think about ways in which to ensure that there can be consistency, regardless of who the director is.

Mr. ISSA. Following up on that, Mr. Smith said that, in the interview process, candidates who failed to say, "Get out of my office" were not selected. In your interview process, did you find people who, in fact, admitted that they made changes based on these ex parte, effectively, orders to make changes?

Ms. WRIGHT. So, while we did hear from people that there were directions or comments provided that could alter or modify their decisions, none of the judges who responded to the survey or those we interviewed admitted, or stated, I should say, whether or not they subsequently adopted those changes. They certainly noted that they felt pressure to do so; they felt an obligation, particularly if it had potential repercussions on their performance reviews, but we did not hear specifically whether or not those changes were actually adopted.

Mr. ISSA. I don't think I would admit it, either. Following up on what Mr. Smith said, they did not throw the man out of the room; they did not ask him to leave, and they felt pressured. So, at a minimum, it could have had an effect on their decision process, without a doubt?

Ms. WRIGHT. It is possible, but hard to say, since we don't have the evidence, testimonial or otherwise, to show—

Mr. ISSA. In at least one case, did the Director actually make reversals in an ex parte and undisclosed fashion?

Ms. WRIGHT. I am sorry, can you repeat—

Mr. ISSA. Did you find cases that were reversed in any case by the Director, period? In other words, they made a preliminary, it was reversed, and the indication was on orders of the Director?

Ms. WRIGHT. Nothing in our work.

Mr. ISSA. You saw cases that got reversed after a preliminary; you just couldn't prove who did it?

Ms. WRIGHT. We did not note—we couldn't say definitively what changes were adopted and whether that resulted in an actual reversal. Judges noted that they got comments; they felt pressure; they felt obligated, but we did not have the information to definitively confirm.

Mr. ISSA. Mr. Torczon, I knew you would be chomping at the bit. Let me just ask one preliminary question, which is, if you were an Article III Judge, and someone walked in the room and had an ex parte discussion about how you should decide it, is there any question about what would happen if you walked in to see an Article III Judge with such a—even if you were Federal Circuit Judge, what would happen?

Mr. TORCZON. I think the result would be very different. In fact, this gets to a point that there actually is an internal review process at the Federal Circuit, but there is a huge difference between a staffer offering a suggestion to someone with life tenure and a supervisory or even supervisor-supported colleague giving you advice on how to write a decision when you are not life-tenured.

Mr. ISSA. Especially when your career could be affected by that same person.

Mr. TORCZON. Right, and sometimes the effects can be really subtle, too. If there are two dispositive issues in a case, one of them is a hot-button issue like section 101 and the other one isn't, I may choose to decide the case on the issue that is not dispositive and try to avoid the 101 issue entirely.

Plus, I can give you at least one example from my experience where I was on a panel. One of the judges was a management official. I indicated I would dissent, and the next thing I knew, the case had been assigned to a different panel. So, sometimes it can be fairly heavy-handed.

Mr. ISSA. There won't be time for you to answer this one, but when we get another round I want to make sure that both you and Mr. Asimow are prepared to talk about your divergent decisions. Because he felt that circumventing APA was okay and necessary, and you seem to feel that, without rulemaking, the process effectively was not what Congress had intended in the law.

You can just say yes because—

Mr. TORCZON. Yes. Yes, I would look forward to that.

Mr. ISSA. Thank you.

I yield back. I thank the gentleman.

Mr. JOHNSON of Georgia. Thank you.

We will now turn to the gentleman, Mr. Stanton, from Arizona for five minutes.

Mr. STANTON. Thank you very much, Chair Johnson. Thank you for holding this important hearing and substantive hearing.

I know you have additional questions you have for the Witnesses. So, I yield my time back to you, Mr. Chair.

Mr. JOHNSON of Georgia. I thank the gentleman. Ms. Wright, the GAO study required you to work closely with the USPTO and the PTAB management. Can you explain how your interactions with them went and did you have any concerns that you were not getting the information that you needed?

Ms. WRIGHT. Well, indeed we did have several meetings and conference calls with them, and I would say in the beginning it took a little bit of attention and effort to grease the skids, if you will. Over time, as the work continued, we were able to get information. Sometimes there were multiple discussions about the various document requests, but overall, I would say in the end, they were responsive to our requests for information.

Mr. JOHNSON of Georgia. Did you have any concerns that you were not getting the information that you needed?

Ms. WRIGHT. There was nothing obvious that would suggest that anything was being withheld from us. Sometimes it did take a little while to get the information that we were requesting, but in the end, to the extent that it was available, we did get the information.

One of the things we did ask about was whether or not there were written comments that were provided, an example that could be shared. That was something that we consistently heard that there weren't really many written comments to be able to provide to us.

Mr. JOHNSON of Georgia. Is there any information that you believe that you should have gotten, but you haven't yet to receive?

Ms. WRIGHT. Nothing outstanding comes to mind at this time.

Mr. JOHNSON of Georgia. Thank you. Mr. Torczon, your testimony suggests that there was a culture of judicial independence when the PTAB was the Board of Patent Appeals and Interferences. Where do you think that came from? Do recent developments suggest that this was more of a norm than a legal or regulatory requirement?

Mr. TORCZON. I think there were several factors that went into play. First, when I joined the board in the mid-'90s, patent law was just starting to become a highly visible topic. So, I think we have seen an increasing politicization of the agency since then.

I also think that one way that the AIA directly contributed to this is a very quick tripling of the size of the board. I think Chief Judge Smith deserves enormous credit for managing that process. That is a crazy growth curve.

I think one of the things is when I started at the board, overwhelmingly, people were coming from within the government, either the PTO or other agencies. So, the understanding of the basic norms of agency practice existed. While bringing a lot of people from outside of the government had undoubted benefits, one of the consequences was a weakening of that norm, plus at that time, they converted the position to have a two-year probationary period which meant your first two years at the board you also have less job security, whereas if you were coming in from another part of the PTO, you pretty much had job security right away.

So, I think there were a lot of factors that set into this, but there was no watershed thing and it is not like the AIA flipped the switch or anything. I just think the culture drifted over the years.

Mr. JOHNSON of Georgia. Thank you. Mr. Smith, I wish we had time to hear about how you were able to clear out that backlog, if you were able to, and incorporate the new volume that was coming in. That is a story for a book, I suppose. From my vantage point, part of the problem seems to be that APJs are legal and technical experts, capable of reading and digesting binding precedent from the Federal Circuit and the Supreme Court. Therefore, if the Director issues legal guidance on a contentious issue of substantive patent law, APJs may legitimately think that guidance departs from binding judicial case law. As we know, the USPTO has no substantive rulemaking authority.

In your view, how should this situation be handled?

Mr. SMITH. A panel judge never wants to have by following agency guidance not follow Federal Circuit or Supreme Court law. So, this was the subject of often discussion, we always undertook to take note of any guidance from the Director's Office and certainly to allow it to guide us. Always with the thought that any written decision goes to the Federal Circuit and the Federal Circuit never would say while you didn't follow our precedent, we affirm because you followed the guidance of the Director. So, always the mandate was that the North Star is Federal Circuit and Supreme Court jurisprudence.

Mr. JOHNSON of Georgia. Thank you. Okay, we will next hear from the gentleman from North Carolina, Mr. Bishop, for five minutes.

Mr. BISHOP. Thank you, Mr. Chair. I yield my time to Mr. Massie.

Mr. MASSIE. I thank the gentleman from North Carolina. Mr. Torczon, I realize the answer to the question I am about to ask could take all day or all five minutes, but I wanted to give you a chance to give me a brief answer.

In the beginning, in your testimony, you said for the purpose of the hearing. We will assume that *Arthrex*, we will go along with *Arthrex*. Does that imply that you have some disagreement that maybe you think the Supreme Court didn't get it right?

Mr. TORCZON. I think that the place they came out saying that a political head of an Executive Branch agency should have a significant role in outcomes is a very reasonable one and I am sure their reasonable minds can and do differ, but I am not a Supreme Court Justice. I am satisfied with that result. Their solution isn't a particularly good solution.

Mr. MASSIE. Their solution is not a good solution. Okay.

Mr. Smith, how about you?

Mr. SMITH. I think the Supreme Court, and for that matter, the Federal Circuit, put forward two clear alternatives, both of which are constitutionally and legislatively acceptable. Presidential appointment without significant review by the Director or for inferior officers, no Presidential appointment, but review by the Director which then triggers the next important and critical question, what kind of review? Is it a review of a kind that limits, eliminates ex

parte communication and allows transparency? So, it is a fine solution, if properly executed.

Mr. MASSIE. So, all these problems that we are grappling with and all the things that Ms. Wright has showed us here, how do we avoid this for the first 250 years of our country, the problems of where the judges at PTAB don't feel like they have independence? How do we avoid that for the first 250 years of the country with adjudicating patents?

Mr. SMITH. Well, of course, the development of the administrative and agency estate within the government is a long one and in the late 20th and early 21st century we have problems of that kind that we never had in the first 200 years because government wasn't that size. The primary protection was of the kind we have in Article III Courts, appointment by the President with the advice and consent of the Senate and then no change of salary of firing for how you decide a case. Inasmuch as those protections existed also in the Executive Branch, we also had insulation from the kinds of problems dealt with by the Supreme Court in the *Arthrex* decision.

Mr. MASSIE. Do PTAB Judges get bonuses? Do their salaries change based on their managers' appraisal of their performance?

Mr. SMITH. At least for a time and I don't know if it is true now, bonuses were paid to PTAB Judges, but not at all based on how they decided cases, but how much decisional workload they were willing to undertake, and this is part of the story with regard to reducing the 27,000 case backlog. Essentially, we asked the judges to work extra hours in order to help reduce that backlog.

Mr. MASSIE. I am going to ask unanimous consent to submit to the record a paper. It is called Pecuniary Interests of PTAB Judges-Empirical Analysis Related to Bonus Awards to Decisions which seems to find empirically that the ones who struck down more patents got paid more. I think that is a problem.

[The information follow:]

MR. MASSIE FOR THE RECORD

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The Pecuniary Interests of PTAB Judges -- Empirical Analysis Relating Bonus Awards to Decisions in AIA Trials

By Ron D. Katznelson[1]

ABSTRACT

Unlike Administrative Law Judges presiding over adjudications in administrative tribunals operated by other Federal agencies, Administrative Patent Judges (APJs) at the Patent Trial and Appeals Board (PTAB) of the U.S. Patent Office receive bonus awards of up to 20% of their base salary. This article details the features of the PTAB bonus plan and reports on an empirical analysis of the relationship between the annual bonus awards of individual APJs and the type of decisions they made in the year. The study found that in fiscal year 2016, PTAB judges involved in AIA trials earned a median of more than 14% of their base pay in bonus awards tied to their role as adjudicators. The article discusses case law holding that this substantial fraction *per se* implicates potential due process violation. In addition to these concerns, APJs appeared to have earned an average bonus of $255 per decision when granting institution, but only an average of $208 per decision when denying institution. They also appeared to have earned an average bonus award of $314 per Final Written Decision when canceling patent claims, but only an average of $2 per Final Written Decision when upholding all patent claims. It is shown that this resulted in an annual average APJ pecuniary bias totaling $5,760 out of an average annual APJ bonus of $21,166. A separate analysis of expanded panel decisions (decisions of panels with 4 or more APJs) revealed that on average, the select few APJs that participated in expanded panel decisions appeared to have been remunerated for decisions made in expanded panels with a "premium" of more than $64 per decision above the bonus they received for just making the decision. This article reveals for the first time in public the existence of a secret extra-panel review committee of the PTAB called the AIA Review Committee (ARC). The ARC receives for review Final Written Decision drafts prior to issuance, reviews and provides comments to the APJ panel through *ex-parte* communications that are concealed from the parties. Finally this article also discusses the apparent effort of the PTO to mischaracterize and play down the large magnitude of the PTAB bonus awards.

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[1] The Author is a member and past chair of the IEEE-USA Intellectual Property Committee. The views expressed herein are his own and are neither the official position of IEEE-USA nor IEEE. Except for the AIA trial dataset that the author received from counsel to US Inventor, Inc., no individual or entity has or will have, either directly or indirectly, supported, requested, paid for, or otherwise sponsored the research or writing of this article.

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1 Introduction

"*He has made Judges dependent on his Will alone, for the tenure of their offices, and the amount and payment of their salaries.*"

---The Declaration of Independence, ¶11 (U.S. 1776).

For our Founding Fathers of the Revolutionary period, this was an indictment of King George's usurpation of judicial independence and impartiality on account of his exclusive control of the judges' remuneration. The experience of Massachusetts was still fresh in our Founders' minds—an act of Parliament in 1773 had decreed that the salaries of judges would be paid by the King at his discretion, and forbade them from receiving salaries from the colony's legislature.

In the United States today, we have a Federal administrative tribunal at the U.S. Patent & Trademark Office (PTO)—the Patent Trial and Appeals Board (PTAB)—with judges for whom base salary paygrades alone were set by the legislator. They are promoted in paygrade and additionally receive up to 20% of base salary in bonus awards at the discretion of an Executive Branch official (the PTO's Director) and she has their awards set at levels that appear to influence the judges' decisions in conformance with her "policies."

The PTO admits that the ability of the Director to dictate the outcome of PTAB cases is a central feature driving administrative adjudication at the PTAB. In a recent U.S. Supreme Court decision in *U.S. v Arthrex Inc.*,[2] the Court held that the unreviewable authority wielded by Administrative Patent Judges (APJs) at the PTAB exercises authority of a "principal officer of the United States" and is incompatible with their appointment by the Secretary of Commerce to an "inferior office." Instead of declaring their appointment unconstitutional, the Court's remedial ruling was aimed at making PTAB judges "inferior officers." It did so by a ruling interpreting 35 U.S.C. § 6(c) as enabling the PTO Director to "review decisions rendered by APJs,"[3] subordinating them to the Director's full supervision.

The PTO's position in the case was that APJs are already "inferior officers" because they are subject to "significant oversight, direction, and control" by the Director, who is a Senate-confirmed "principal officer." The notion of PTAB judges' subordination to the Director's "significant oversight, direction, and control" as aspects of their "inferior officer" position was previously bolstered by the Federal Circuit's *Arthrex* decision below, observing that "[n]ot only does the Director exercise administrative supervisory authority over the APJs based on his issuance

[2] *United States v. Arthrex, Inc.*, No. 19-1434 (U.S. Jun. 21, 2021).

[3] *Id.* at * 27 ("What matters is that the Director have the discretion to review decisions rendered by APJs. In this way, the President remains responsible for the exercise of executive power—and through him, the exercise of executive power remains accountable to the people.")

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of procedures, he also has authority over the APJs' pay."[4] The utility and efficacy of that financial lever—APJs' base salary—and the Supreme Court's requirement for Director's review of APJs' decisions, are touted as key solutions for making APJs "inferior officers." However, these are not nearly as powerful, direct, and agile as another lever for "significant oversight, direction, and control:" it is a lever which neither the PTO, the Federal Circuit, nor the Supreme Court ever acknowledged is actually at play in greater force—the PTAB *bonus system*, with discretionary awards of up to 20% of the PTAB judge's annual base salary.

Ironically, the very framework the PTO argued (and the Federal Circuit accepted) as saving the APJ appointment statute from Constitutional infirmity under the Appointments Clause—the Director's power to direct, supervise, and control APJs as "inferior officers" (thereby dictating the outcome of PTAB cases)—is also the very framework that likely undermines *another* Constitutional principle. That other principle is the requirement that PTAB adjudications be independent, impartial, and fair, in keeping with the due process clause of the Fifth Amendment of the U.S. Constitution.

This article focuses on the PTAB bonus system as the least transparent, but most powerful instrument wielded by the Director to exert "significant oversight, direction, and control" over APJs that appears to influence the decisions of PTAB panels. The empirical analysis in the following sections shows that this mostly secret rewards system includes structural incentives for PTAB senior officials and judges to conduct themselves in ways that may profoundly undermine adjudicators' independence, impartiality, and fairness. This article shows that the "cost" of a statutory construction that shoehorns the solemn role of an independent and impartial "principal officer of the United States" into that of an "inferior officer" who is subject to pecuniary influences is the potential for due process violations. One cannot avoid one constitutional infirmity by construing the statute to create another.

2 The PTAB judges' compensation and bonus award plans

2.1 Base salary

The patent statute at 35 U.S.C. § 3(b)(6) provides that the PTO Director "may fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 ... at not greater than the rate of basic pay payable for level III of the Executive Schedule under section 5314 of title 5." This ES-III base salary cap is the same cap that applies to any Administrative Law Judge (ALJ) serving on other Federal government tribunals. *See* 5 U.S.C. §5304(g)(2).

The patent statute at 35 U.S.C. § 3(c) requires that "Officers and employees of the Office shall be subject to the provisions of title 5," which provision also applies to all

[4] *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1332-33 (Fed. Cir. 2019).

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APJs compensation, including cash bonus awards. It is remarkable that Congress saw neither a need to ensure adjudication impartiality through the statutory safe harbor of ALJ appointments (see Section 2.5), nor the potential for pecuniary bias introduced by the eligibility of APJs to receive bonus awards tied to adjudications.

2.2 PTAB bonus awards

There is little doubt that in accepting the statutory task of forming a new administrative tribunal under the America Invents Act (AIA), the PTO after 2012 strived to recruit, train, and retain APJs that can deliver quality adjudications. Understandably, the Office created machinery centered on reviews, error-correction, and performance ratings derived from its experience in *ex parte* appeals and the examining corps.[5] A troubling aspect of the PTAB bonus system, however, is that what works for examiners in examining applications in *collaboration* with the applicant, does not necessarily work for trial judges engaged in arms-length neutral impartial adjudication between opposing private litigants. As a result, the PTAB bonus system includes structural incentives for PTAB senior officials and judges to engage in activities that bring into question the adjudicators' independence, impartiality, and fairness.

To begin with, the PTO considers the PTAB a "*business unit*" that generates its own revenues. Those are generated from fees paid by users dominated by its largest "customers"—the frequent patent challengers, some of whom have individually lodged hundreds of petitions to invalidate patents. The PTAB is a tribunal that is essentially funded by those who come to it for one particular result in adjudication—cancelling patent claims.[6] They pay a fee of about $42,000 for the proceeding, where approximately half of these fees get refunded if there is no decision to institute an AIA trial. It is a business destined to shrink if it doesn't deliver results to its "customers." That is, if the PTAB does not grant enough petitions to institute AIA trials, and does not cancel enough challenged patent claims to make it worthwhile for patent challengers, demand for its services will decline, revenues will shrink, and APJs would have to be laid off.

The PTO has argued in several court proceedings that it is Congress—not the PTO Director—that sets the agency's budget through the legislative appropriations process.[7] Counsel for the PTO represented to the Federal Circuit that "APJs lack control over not just USPTO's congressionally controlled budget, but even over the

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[5] *See* the standard examiner PAP in: Statement of Robert D. Budens before the House Committee on the Judiciary and the House Committee on Oversight and Government Reform, 113th Cong. 2nd Sess. *POPA Testimony on USPTO Telework*, at PDF p28 (November 18, 2014).

[6] Rob Sterne & Gene Quinn, "PTAB Death Squads: Are All Commercially Viable Patents Invalid?" *IPWatchdog* (March 24, 2014).

[7] *E.g.* Brief of the U.S. Doc. 54 at 26-27, *Mobility Workx, LLC* v. *Unified Patents, LLC*, No. 20 1441 (Fed. Cir. November 9, 2020).

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President's budgetary proposal to Congress."[8] This statement belies operational realities, as the Performance Appraisal Plan (PAP) for top PTAB officials (Chief, Deputy Chief, and Vice Chief APJ's), expressly state that they "*prepare[ ] budget requests with justifications*."[9] Among the Chief APJ's missions is to apply "business acumen" in running a *growing* business "through continuing expansion with further appropriate growth in number of judges and addition of other personnel."[10] As these top PTAB officials must recognize, this cannot happen without maintaining a robust rate of trial institution decisions and making the PTAB an attractive venue for patent challengers in obtaining favorable Final Written Decisions to cancel patent claims.

In any event, the PTO's appropriation argument appears purely semantic because PTO user fees are segregated from Treasury's general fund and credited to the "[PTO] Appropriation Account,"[11] and thus designated for appropriation to the PTO. Even collections that exceed the amount appropriated are similarly secured for the PTO's future use.[12] The reality is simple: except for rare government shutdown circumstances, Congressional appropriations track fee revenues and if those were to decline appreciably, so would the PTAB budget, and a reduction in budget would inevitably lead to APJ layoffs.

Indeed, the PTAB bonus system's architects have approached it like any commercial enterprise's employee incentive plan, and the PTO's adoption of terms used in such private sector plans are not accidental. For example, the PTO has publicized "*gain-sharing* bonuses" as a benefit available to PTAB judges in its recruiting brochure.[13] This matches the inevitable conclusion (also borne out in this empirical study) that PTAB judges are financially rewarded for helping to generate revenue "*gains*." The PTAB PAPs also use the term "shareholders" found only in commercial business incentive plans;[14] contain a critical element called "Business Acumen;"[15] and reward senior PTAB officials that "[e]nsure the most *valuable* PTAB employees are

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[8] *Id.*

[9] See Table 3 and Table 4.

[10] See Table 4.

[11] *See* 35 U.S.C. § 42(b).

[12] 35 U.S.C. § 42(c) ("If fee collections by the [PTO] for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. To the extent and in the amounts provided in appropriations Acts, amounts in the Fund shall be made available until expended only for obligation and expenditure by the Office in accordance with paragraph (3).")

[13] *See* PTO's PTAB hiring brochure (April 14, 2014).

[14] Lead APJ PAP (FY 2018), at 11, 12 (rating element III, "Supporting the Mission of the Board/Leadership," the rating depends on "interpersonal behavior toward all internal and external *shareholders*."); *Id.* at 15 (rating element IV, "Internal/External Stakeholder Interactions," the rating depends on "providing presentations to external *shareholders* generally,").

[15] See critical element III in Table 2 through Table 4.

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rewarded."[16] Because the term "valuable" as an attribute of a judge is unusual at best, one cannot avoid the reasonable conclusion that those crafting the PAP consider a "*valuable*" judge as one that helps generate "value" to the PTAB—revenue "*gains*" to sustain PTAB operations.

In a manner similar to that used at the PTO's examiner corps, the PTAB administers an annual employee PAP for every APJ and senior PTAB executive. Pursuant to the authority in 5 U.S.C. §§ 4302, 4503.5, and 5307(d), the U.S. Office of Personnel Management (OPM) promulgated Performance Appraisal Regulations for Federal agencies,[17] requiring that the PAP appraisal period shall generally be 12 months.[18] Moreover; the PAP "shall be provided to employees at the beginning of each appraisal period (normally within 30 days);"[19] it must be provided to employees in writing;[20] and the PTO must maintain such PAP records for OPM audits.[21] In addition, 5 C.F.R. § 430.209(a) requires that the PTO "submit to OPM for approval a description of its [PAP and] any subsequent changes that modify any element of the agency's [PAP] system(s)."

In regulating such cash awards to Federal employees, 5 C.F.R. § 451.104(h) requires that "granting performance-based cash awards on the basis of a rating of record at the fully successful level … must make meaningful distinctions based on levels of performance." Such meaningful distinctions for APJ's cash awards can only be made if justified by a numeric rating entry and a corresponding percentage of the APJ's salary to be awarded in cash. A box for such numerical entry is provided in the Performance Rating section of the PAP.[22]

Agencies have discretionary authority to grant an employee a lump-sum cash award based on a "fully successful" or better rating of record. Awards based on the rating of record can be up to 10 percent of salary, or up to 20 percent for "exceptional performance."[23] Senior Executive Service members are also eligible for performance bonuses of up to 20 percent of their base salary.[24]

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[16] See critical element II in Table 2. (Emphasis added).
[17] 5 C.F.R. § 430.206.
[18] *Id.* § 430.206(a)(2).
[19] *Id.* § 430.206(b)(2).
[20] *Id.* § 430.206(b)(3).
[21] *Id.* § 430.209(f).
[22] *E.g. See* APJ PAP (FY 2008) p 18, "Performance Rating."
[23] *See* 5 U.S.C. § 4505a(a)(2) ("A cash award under this section shall be equal to an amount determined appropriate by the head of the agency, but may not be more than 10 percent of the employee's annual rate of basic pay. Notwithstanding the preceding sentence, the agency head may authorize a cash award equal to an amount exceeding 10 percent of the employee's annual rate of basic pay if the agency head determines that exceptional performance by the employee justifies such an award, *but in no case may an award under this section exceed 20 percent* of the employee's annual rate of basic pay.") (Emphasis added); 5 C.F.R. § 451.104; See generally 5 U.S.C. §§ 4302, 4503.
[24] 5 U.S.C. § 5384.

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Notwithstanding these provisions, the PTO has no *independent* authority to award *large* bonuses to APJs. Under OPM regulation in 5 C.F.R. § 451.106(b), when the agency recommends a bonus award that "would grant more than $10,000 to an individual employee, the agency shall submit the recommendation to OPM for approval." OPM may require records from PTO in support of such requests for approval, including under 5 C.F.R. § 451.106(h).

2.3 The PTAB PAPs for determining bonus levels

APJ PAP (FY 2018)	Lead APJ PAP (FY 2018)
Critical Performance Element (Weight)	**Critical Performance Element (Weight)**
I. Quality (35%). Ensuring quality decision-making by the PTAB.	**I. Quality (30%)**. Ensuring quality decision-making by the PTAB
II. Production (35%). Efforts to manage the Board's production needs. Point ratings received by Decisional Units (DU) per year: 5: Outstanding: ≥ 100 DU 4: Commendable: ≥ 92 DU 3: Fully Successful: ≥ 84 DU 2: Marginal: ≥ 75 DU 0: Unacceptable: < 75 DU	**II. Production (20%)**. Efforts to manage the Board's production needs. Point ratings received by Decisional Units (DU) per year: 5: Outstanding: ≥ 50 DU 4: Commendable: ≥ 46 DU 3: Fully Successful: ≥ 42 DU 2: Marginal: ≥ 37 DU 0: Unacceptable: < 37 DU
III. Supporting the Mission of the Board/Leadership (10%). Assisting in the effective operation of the PTO and the PTAB by providing leadership for supporting the missions of the PTO and PTAB.	**III. Supporting the Mission of the Board/Leadership (30%)**. Assisting in the effective operation of the PTO and the PTAB by providing leadership for supporting the missions of the PTO and PTAB.
IV. Internal/External Stakeholder Interactions (20%). Ensure responsive assistance to internal and external customers, and the public, to the extent permitted by law and regulation.	**IV. Internal/External Stakeholder Interactions (20%)**. Ensure responsive assistance to internal and external customers, and the public, to the extent permitted by law and regulation.

Table 1. Summaries of APJs and Lead APJ PAPs. *Source*: US Inventor FOIA page (links to APJ, and Lead APJ).

The PTO created specific PAPs for each PTAB employee type, differing in the critical elements and their weights used for overall rating the respective employee. As the summary in Table 1 shows, APJs and their immediate supervisors, Lead APJs, have identical PAP elements that differ only in relative weight, and wherein the Lead APJ's production goals are half of those set for APJs.

The number of Decisional Unit (DU) credits that APJs earn depends on the type of proceeding and the decision made, as detailed in the DU tables provided in the PAP Support Document in Appendix C. For example, the most recent table specifies that a decision in an *ex parte* appeal is worth 1.1 DU (1.5 DU for a decision involving 35 U.S.C. § 101); credit for a decision on institution of an IPR is 5.5 DU; Final

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Written Decision in IPR, 6.5 DU; institution of PGR/CBM, 6 DU; and Final Written Decision in PGR/CBM is worth 7.5 DU.[25]

APJs normally receive no DU credit for submitting dissenting or concurring opinions. They must ask permission from a Vice Chief APJ to receive any credit for that work.[26] This apparent bias predates AIA trials and a 2009 internal Board memorandum explains the reasons:

> "Concurrences, dissents, and remands are not normally efficient mechanisms for securing the 'just, speedy, and inexpensive' resolution of an appeal before the Board. As indicated in the PAPs, a productivity credit is not automatically earned for a concurring opinion, dissenting opinion, or remand. Accordingly, justification is required to explain the need to undertake the extra work and occasion the extra delay in order to ensure efficient and proper utilization of our resources."[27]

As a result, the PTAB issues unanimous decisions 98% of the time (institution decisions & FWDs), compared to the Federal Circuit, a court that also uses 3-judge panels but that must additionally defer to the fact finding of lower courts, stands at roughly 88%.[28] A commentator observed that "a policy that discourages dissent deprives the parties of true panel consideration, and robs the Federal Circuit of the ability to be informed by the contrary views of an APJ that disagrees with the majority."[29]

More than one PTAB official may serve as Vice Chief APJ. The summary of their PAP is shown in Table 2. The critical elements used for rating them do not include production goals, but instead include leadership goals and affirmative goals for timely completion of proceedings in compliance with the statute.

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[25] PAP Support Document, Appendix C, at 42-43.

[26] PAP Support Document, Appendix C, at 12 ("If a Judge works on a concurrence, dissent, or decision on remand, the Judge may submit a request for [DU credit], if appropriate, depending on the nature of the concurrence, dissent, or decision on remand and the amount of work involved.")

[27] James T. Moore, "Policy Clarification on Dissents, Concurrences and Remands." Internal BPAI email. (May 7, 2009).

[28] Scott McKeown, "Judicial Independence & The PTAB," *Patents Post-Grant Blog* (December 12, 2017).

[29] Gene Quinn, "Structural Bias at the PTAB: No Dissent Desired," *IPWatchdog* (June 6, 2018).

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Vice Chief APJ PAP (FY 2017)
Critical Performance Element (Weight)
I. Leading Change (10%). Lead PTAB through continuing development, enhancement, and optimization of organizational structure, policies, and proceedings. Lead PTAB with further appropriate adjustments in number of judges and other personnel. Lead PTAB through further phases of issuing AIA Trial final decisions and enhancement of rules of practice, precedential opinion process, and guidance to stakeholders.
II. Leading People (10%). Serve as Vice Chief Judge. Provide policy direction and guidance to the PTAB. Assist the Deputy Chief Judge and Chief Judge with Business Unit Head functions on the Executive Committee and Management Council of the Agency, and otherwise, as appropriate. Lead continuing activities directed at PTAB execution of duties given to the PTAB under the AIA. ***Ensure PTAB employees are efficiently working on mission-critical tasks***. ***Ensure the most valuable PTAB employees are rewarded***.
III. **Business Acumen (10%)**. Assesses, analyzes, acquires, and administers human, financial, material, and information resources in a manner that instills public trust and accomplishes the organization's mission. Uses technology to enhance processes and decision making. ***Executes the operating budget; prepares budget requests with justifications; and manages resources***. Advance development of improved PTAB IT systems and system integration to meet stakeholder needs and to support USPTO's mission. Encourage electronic filing and eliminate paper where possible. Manage allocation of budget resources to accommodate business unit needs. ***Ensure that user fees are used on only the most mission critical activities***. Further develop capabilities of larger management team.
IV. Building Coalitions (10%). Collaborate with other business units, where possible, to implement strategies for reducing *ex parte* appeals inventory ***within limits imposed by AIA trial inventory and deadlines***. Coordinate and share information within PTAB and with other business units. Interact with public to instruct on PTAB AIA trial and appeal practice and procedures. Ensure clear and consistent messaging is coordinated internally and communicated to stakeholders. Enhance stakeholder outreach, engagement and customer service—including to small businesses and independent inventors.
V. Results Driven (60%). AIA Trial Timeliness (\35%): Maintain AIA trial completion in 12 months, or in 18 months in cases with extensions for good cause. Maintain issuance of AIA trial decisions on institution within statutory period of 3 months**.** *Ex parte* Inventory/Pendency Reduction (\30%): Achieve a reduction of *ex parte* appeal inventory and achieve substantial progress toward an appeal pendency of 12 months. PTAB Decision Consistency (\35%): ***Facilitate and enhance regular extra-panel review of final AIA decisions***, excluding rehearing decisions, and ***management review of ex parte appeals decisions***. Ensure clear and consistent legal and procedural positions are taken on behalf of USPTO by PTAB judges and attorneys.

Table 2 Summary of Vice Chief APJ' PAP. *Source*: US Inventor FOIA page (link)

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Deputy Chief APJ PAP (FY 2018)
Critical Performance Element (Weight)
I. Leading Change (10%). Lead PTAB through continuing appropriate development, enhancement, and optimization of organizational structure, policies, and proceedings. Make further appropriate adjustments in number of judges and other personnel. Lead PTAB through further phases of issuing AIA Trial final decisions and appropriate enhancement of rules of practice, precedential opinions, and guidance to stakeholders.
II. Leading People (10%). Serve as Deputy Chief Judge. Provide policy direction and guidance to the PTAB. Assist the Chief Judge with Business Unit Head functions as appropriate. Lead continuing activities directed at PTAB execution of duties given to the PTAB under the AIA. ***Ensure PTAB employees are efficiently working on mission-critical tasks***.
III. Business Acumen (10%). Assesses, analyzes, acquires, and administers human, financial, material, and information resources in a manner that instills public trust and accomplishes the organilation's mission. Uses technology to enhance processes and decision making. ***Executes the operating budget; prepares budget requests with justifications; and manages resources***. Advance development of improved PTAB IT systems and system integration to support PTAB's mission. ***Manage allocation of budget resources to accommodate business unit needs***.
IV. Building Coalitions (10%). Collaborate with other business units, where possible and appropriate, to implement strategies for achieving USPTO objectives or PTAB objectives such as reducing *ex parte* appeals inventory/pendency ***within limits imposed by AIA trial inventory and deadlines***. Interact with public to collect feedback and to inform on PTAB AIA trial and appeal practice and procedures. Ensure clear and consistent messaging is coordinated internally and communicated to the public.
V. Results Driven (60%). AIA Trial Timeliness (\25%): Achieve AIA trial completion in compliance with applicable legal requirements in 12 months from institution, or in 18 months from institution in cases with extensions for good cause, for 95% of all AIA trials not subject to joinder. Achieve issuance of AIA petition decisions on institution in compliance with applicable legal requirements within statutory period of 3 months for 95% of all AIA petitions. *Ex parte* Inventory/Pendency Reduction (\25%): Achieve progress toward a reduction in the average time from jurisdiction passing to the Board to decision on regular *ex parte* appeals, or achieve progress toward a reduction of *ex parte* appeal inventory by issuing decisions in accordance with applicable legal requirements. PTAB Decision Consistency (\25%): In accordance with law and regulations, ensure that PTAB judges render clear and consistent decisions for proceedings before the PTAB. ***Ensure review of 25% of final AIA decisions***, excluding rehearing decisions, and **2% of regular *ex parte* appeals decisions**. Federal Circuit Remand Decision Timeliness (\25%): Ensure completion of decisions on remand in compliance with applicable legal requirements from the Federal Circuit in 12 months from issuance of the Federal Circuit's mandate for 50% of all such remands.

Table 3 Summary of Deputy Chief APJ's PAP. *Source*: US Inventor FOIA page (link)

In a critical rating element "Results Driven," the PAPs for all top PTAB officials including Vice Chief APJ, Deputy Chief APJ, and Chief APJ (see Table 2, Table 3, and Table 4) includes statutory AIA trial completion requirements of 12 months from institution, or in 18 months from institution in cases with extensions for good cause,[30] and issuance of AIA petition decisions on institution within statutory period of 3 months following the Patent Owner's reply to the petition.[31] In all three

[30] 35 U.S.C. §§ 316(a)(11) and 326(a)(11).
[31] 35 U.S.C. §§ 314(b) and 324(c).

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PAPs, these statutory deadlines are paramount, and the stated goal of reducing pendency and backlog of *ex parte* appeals decisions is subordinated "within limits imposed by AIA trial inventory and deadlines." Important components of these PAPs that are further discussed in the following sections of this article are emphasized in the table in boldface.

Chief APJ PAP (FY 2016)
Critical Performance Element (Weight)
I. Leading Change (10%). Lead PTAB through continuing expansion with further appropriate growth in number of judges and addition of other personnel. Lead PTAB through appropriate expansion of judge corps and hearings in regional offices. Lead PTAB through further phases of issuing AIA Trial final decisions. Lead upgrade in quality of support staff.
II. Leading People (10%). Serve as Chief Judge. Provide policy direction and guidance to the PTAB. Perform Business Unit Head functions on the Policy Council, Management Council and Executive Committee of the Agency, and otherwise, as appropriate. Lead continuing activities directed at PTAB execution of new duties given to the PTAB under the AIA. Motivate PTAB to keep tackling substantial *ex parte* appeal case backlog.
III. Business Acumen (10%). Assesses, analyzes, acquires, and administers human, financial, material, and information resources in a manner that instills public trust and accomplishes the organization's mission. Uses technology to enhance processes and decision making. ***Executes the operating budget; prepares budget requests with justifications; and manages resources***. … Advance development of improved IT systems and system integration. Manage reallocation of budget resources to accommodate geographic and human resources expansion. Drive confidence in management of Board by further developing capabilities of larger management team.
IV. Building Coalitions (10%). Collaborate with other business units, where possible, to implement strategies for reducing *ex parte* appeals inventory ***within limits imposed by AIA trial inventory and deadlines***. Interact with public to instruct on new PTAB jurisdiction and procedures.
V. Results Driven (60%). AIA Trial Timeliness (\35%): Reach AIA trial completion in 12 months, or in 18 months in cases with extensions for good cause. PTAB Expansion/*Ex parte* Inventory Reduction (\30%): *Facilitate Judge appointments with the submission to the Under Secretary of a sufficient number of proposed new APJs between May 22, 2016 and September 30, 2016, to achieve a reduction of ex parte appeal inventory by 10%.* PTAB Decision Consistency (\35%): ***Facilitate regular extra-panel review of at least 25% of final AIA decisions,*** excluding rehearing decisions***, and management review of at least 5% of ex parte appeals decisions***.

Table 4. Summary of Chief APJ's PAP. *Source*: US Inventor FOIA page (link)

It appears that the "AIA Trial Timeliness" elements in the PAPs were largely met. As shown in Figure 1, as of July 2020, the PTAB has met the statutory deadline in 94% of all AIA trials, and 98% of trials have been completed within 15 months.

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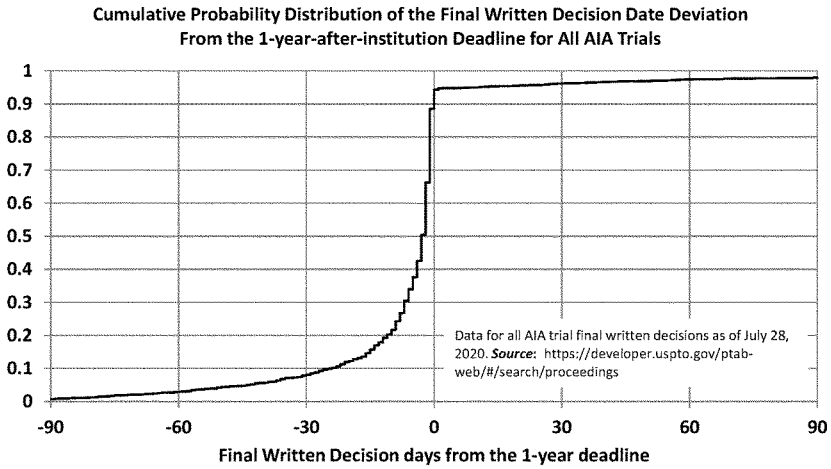

Figure 1. Distribution of time deviation from the 1-year deadline to Final Written Decision. *Source*: PTAB Database (source link shown in figure).

The importance of timely completion of AIA trials must not be underestimated. It relates to "the importance of quiet title to patent owners,"[32] as lengthy proceedings undermine the patent holder's ability to develop, protect, or license the patented technology.

2.4 Extra-panel reviews

The advantages described above come with some serious infirmities. Unfortunately, the PTAB bonus system includes structural incentives for PTAB senior officials and judges to engage in activities that may profoundly undermine adjudicators' independence, impartiality, and fairness.

Starting at the Chief APJ's PAP (Table 4), it includes in critical element V the facilitation of "regular extra-panel review of at least 25% of final AIA decisions, ... , and management review of at least 5% of *ex parte* appeals decisions." A similar goal is articulated in critical element V in the PAPs of the Deputy Chief APJ and the Vice Chief APJ. See Table 2 and Table 3. These top PTAB officials are thusly rewarded for creating and maintaining systems and procedures that cause persons *other than* the APJs named on the panel to influence the outcome of trial decisions in at least one fourth of all cases.

Not until the end of May 2021, when the PTO finally disclosed under the Freedom of Information Act (FOIA) the PAP Support Document (Appendix C), that more

[32] H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (emphasis added).

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details about such "extra-panel review" process became known. This recent disclosure revealed that at the PTAB judge level, APJ's are incentivized through critical element IV of their PAP with factors that deal with "circulation" of their drafts and "review." The PAP Support Document (at 4)[33] provides examples of factors that APJs should consider for improving ratings under element IV of their PAP: "judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other judges a sufficient amount [of time] for *review* taking into account that there may be other pressures on a *reviewing* judge's time." It is also plausible that "extra-panel review" occurs when junior judges on a panel are "mentored" by senior PTAB judges off the panel. "Mentoring" entitles these senior judges to improved rating under element IV of the APJ PAP. See "mentoring" in the PAP Support Document (at 3-4). This support document further adds (at 38) how complying with time limits for commencing decisions "circulation" can earn better ratings under PAP element IV:

> "Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals."

What is the ARC and why is it in the loop of issuing all panel decisions? Who in "management" reviews with "special dispatch" reexam and reissue appeal decisions before *ex parte* appeals?

2.4.1 The secret AIA Review Committee

The ARC, an acronym for the "AIA Review Committee," is a secret committee of the PTAB having a role and membership that have never been publically disclosed. According to the PAP Support Document (at 34), for volunteering to serve on the ARC, APJs can earn credit under critical elements II and III of the PAP, as "participation in the AIA Review Committee can count toward both Production and Supporting the Mission of the Board." It is unknown, however, how many DUs members of the ARC receive for each decision they review and comment on. It follows from the "circulation" quote above that the ARC receives *every* draft decision for review no later than 6 business days after it is received by other members of the panel. Whereas the fraction of decisions that the ARC actually reviews and comments on is unknown, as explained below, all its work product is conveyed to the APJ panels for consideration.

Importantly, the ARC's extra-panel review and comments influence panel decisions because APJ's are rewarded for adopting the ARC comments in their critical element I of their PAP. The PAP Support Document (at 19) includes guidance on earning credit under the Quality element with heading titled "ARC Comments." It states: "ARC comments are not binding, but instead suggestions that a panel may consider in preparing decisions." Had the PTO not intended for the ARC's extra-

[33] Because the PAP Support Document contains multiply-paginated subdocuments, all further references herein to page numbers are to the PDF page numbers.

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panel review to have material influence on the panel's decision, it would not have included it as a factor in the "Quality" element of the PAP. While not mandatory, earning higher "Quality" rating necessarily follows from greater conformity with the ARC recommendations.

2.4.2 The PTAB ex parte communication system may raise substantial concerns

Though it is unknown what communications occur in these extra-panel reviews, the entire system described above raises an appearance of an improper *ex parte* communication system because of the coupling of the PTAB bonus system with the ARC review. From the top PTAB officials who are rewarded for formulating and expanding the extra-panel review system, to the originators of the *ex parte* communication, and to its recipient APJs on panels, all are incentivized to work through and maintain this opaque *ex parte* adjudicatory system that may undermine independence and impartiality to levels that in some cases raise legal and even due process concerns.

First, whereas the "extra-panel review" material communicated to judges on the panel may have material influence on their decision, none of that material is provided to the parties for an opportunity to respond, rebut, or deny components thereof. This pervasive *ex parte* communication review system appears to contravene the prohibition against *ex parte* communication with a Board panel under the PTAB's own regulation.[34] This *ex parte* communication regulation does not exclude agency personnel from the prohibition. Indeed, it proscribes *communication* by *any* party where parties are denied "an opportunity to be involved in the communication." In a formal adjudication, like AIA trials, the APA imposes particular procedural requirements on the PTO.[35] The agency must timely inform the parties of "the matters of fact and law asserted,"[36] give all interested parties opportunity for "consideration of facts, arguments, ... or proposals of adjustment,"[37] and allow a party "to submit rebuttal evidence."[38] To the extent the input to the panel from the ARC, or any other PTO "extra-panel reviewer," provides new information invoking a "law asserted," or "arguments, ... or proposals of adjustment" without informing the parties, not giving them the opportunity for "consideration of facts, arguments," or without permitting them "to submit rebuttal

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[34] 37 C.F.R. § 42.5(d) ("Ex parte communications. Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. 6(a) is not permitted unless both parties have an opportunity to be involved in the communication."

[35] *Dell Inc. v. Acceleron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016) (Vacated the Board's cancellation of a claim and remanded because the patent owner was denied the right under the APA to address a matter presented only in oral argument.); *see also EmeraChem Holdings, LLC v. Volkswagen Grp. of Am., Inc.*, 859 F.3d 1341, 1348 (Fed. Cir. 2017).

[36] 5 U.S.C. § 554(b)(3).

[37] *Id.* § 554(c)(1).

[38] *Id.* § 556(d).

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evidence" to counter that new information, such *ex parte* communication violates the APA.

Second, a Federal Circuit case on point addressed *ex parte* communication *within the agency* in an employee removal case. The deciding (adjudicating) official at the agency received *internal ex parte* memoranda from a senior official at the agency raising new charges and information, and recommending removal of an employee without an opportunity for the employee to respond to the internal memoranda.[39] The Federal Circuit held that "[t]he introduction of new and material information by means of *ex parte* communications to the deciding official undermines the public employee's constitutional due process guarantee of notice ... and the opportunity to respond."[40]

Stone made clear that the appellant's due process claim depended upon having a property right.[41] While it is well established that AIA trials at the PTAB involve the Patent Owner's property right, not every *ex parte* communication violates due process. In *Stone*, the Federal Circuit provided three factors for determining whether *ex parte* communications violate due process: (1) whether the *ex parte* communication introduces new or merely "cumulative" information; (2) whether the adversely impacted party knew of and had a chance to respond to the communication; and (3) whether the communication was "of the type likely to result in undue pressure upon the deciding official to rule in a particular manner."[42] When *ex parte* communications satisfy these criteria, they constitute a due process violation, and such a "violation is not subject to the harmless error test."[43] Instead, the impacted party is automatically entitled, at a minimum, to an "entirely new" and "constitutionally correct" proceeding.[44]

A determination whether such *ex parte* communication violated a party's due process right in any PTAB case would be fact and case-specific. However, there is substantial likelihood that the *Stone* factors may be present in many cases with prejudice to Patent Owners' property rights due to the role of the bonus incentives in such communications. The fact that APJs presumptively receive higher bonus awards for conforming with such *ex parte* communication—essentially manifesting "undue pressure upon the deciding official to rule in a particular manner," may generate at least an *appearance* of due process violation. It is therefore expected that multiple Patent Owners who were, or stand to be, adversely affected by PTAB

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[39] *Stone v. FDIC*, 179 F.3d 1368 (Fed. Cir. 1999).
[40] *Id.* at 1377.
[41] *Id.* at 1374 ("[The appellant]'s "federal constitutional due process claim depends on his having a property right in continued employment. ... If [the appellant] does possess such a property interest, then the government cannot deprive him of this property without due process.")
[42] *Id.* at 1377.
[43] *Id.*
[44] *Id.*

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FWDs would be entitled to discovery of material related to the secret extra-panel review in their case.

2.5 APJs compared with Administrative Law Judges

There is a stark difference in safeguards for judicial independence when comparing the PTAB APJs to ALJs serving on administrative tribunals in other Federal agencies. Objective indicia of the appropriate standards for impartiality and independence can be inferred from comparing how APJs are compensated and retained at the PTAB to the standards set by statute and OPM regulations for their ALJs counterparts.

First, ALJs salaries are set by an outside agency whereas the Director of the PTO has the power to "fix the rate of basic pay for the administrative patent judges."[45] In contrast with the PTO's APJs, ALJs may *not* be rated on job performance, nor receive performance appraisal reviews or related bonus awards.[46] Second, unlike the PTO's authority in dealing with APJs, agencies have only circumscribed ability to discipline and remove ALJs.[47] Agencies may generally do so, including reduction in pay, "only for good cause established and determined by the Merit Systems Protection Board [a body independent of the agency] on the record after opportunity for hearing before the Board."[48] Otherwise, ALJs essentially have life tenure because they do not serve for a period of set years in office—an ALJ receives "a career appointment and is exempt from the probationary period requirements."[49] In contrast, "[i]n the first year of the probationary period, new [APJs] must demonstrate increased productivity during their first year at the Board."[50] Moreover, APJs may be influenced through their discussion with agency superiors, particularly when asked to serve on expanded PTAB panels, whereas ALJs are generally prohibited from having *ex parte* contacts (including with agency officials) concerning a fact at issue.[51]

The PTAB does not have a formal procedural mechanism for parties to move to disqualify APJs for conflict or bias. The APA provides that parties may move to exclude for "personal bias or other disqualification of a presiding or participating

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[45] 35 U.S.C. § 3(b)(6).

[46] 5 C.F.R. § 930.206(a)-(b).

[47] *See Butz v. Economou*, 438 U.S. 478, 513 (1978) (providing ALJs absolute immunity based on their quasi-judicial function and "more importantly" the statutory structures that "assure that the [ALJ] exercises his independent judgment on the evidence before him")

[48] 5 U.S.C. § 7521(a)-(b).

[49] 5 CFR 930.204(a).

[50] APJ PAP (FY 2018) at 6; PAP Support Document, Appendix C, at 24-25 (requiring ramping up from 30% in the first 3 months to 100% at the end of the first probationary year).

[51] 5 U.S.C. § 554(d)(1).

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employee."[52] ALJs "may not perform duties inconsistent with their duties and responsibilities as administrative law judges."[53] In contrast, APJs are rewarded under the PTAB bonus plan for various on-the-job activities including tasks unrelated to, and "inconsistent with their duties and responsibilities as" APJs, such as charitable fundraising for the Combined Federal Campaign (CFC).[54]

3 Data and methods

The author necessarily employed a manual process for verifying APJ panel composition and *correctly* identifying the APJs who actually participated in each decision. Likewise, a manual process was used to lookup the APJs' bonus levels in an online database. Given these manual-intensive tasks, this article reports only on the first phase of a multiyear study on the PTAB bonuses – one fiscal year. Fiscal year 2016 was selected for the first phase because that year marked a time wherein initial transients in petition queuing and decision flows have subsided and where PTAB workflow largely stabilized.

3.1 Selection of cases

This study focuses on PTAB decisions in FY 2016 (October 1, 2015 through September 30, 2016) and bonus awards made that year to APJs involved in these decisions, including all AIA trial types: *Inter Partes* Reiew (IPR), Post Grant Review (PGR), and Covered Business Method Review (CBM). The author used two datasets, both from the Lex Machina PTAB database. The first includes 1,372 such AIA trial cases that had petition decisions made in FY 2016, with the two possible outcomes (granted, or denied institution) depicted in Figure 2 and Table 5. This count of institution decisions is slightly smaller than that obtained on the PTO's PTAB statistics website.[55] It is believed that the difference is because the latter statistics also include cases that were petitioned but dismissed prior to an institution decision.

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[52] *Id.* § 556(b).

[53] *Id.* § 3105.

[54] The PAP Support Document, Appendix C, in a critical element called "Supports Effective PTAB Functioning," provides (at 58) an example of credit for APJs by "[v]olunteering to work on the Combined Federal Campaign (CFC)." See OPM's website on the CFC ("CFC is the world's largest and most successful annual workplace charity campaign, with almost 200 CFC campaigns throughout the country and overseas raising millions of dollars each year. ... The Director of OPM has designated responsibility for day-to-day management of the program and to its CFC office.") It is unclear how volunteering for charitable fundraising managed by OPM results in "Effective PTAB Functioning." However, this CFC component does create the *appearance* that the PTO has agreed to have PTAB personnel spend user fee revenues to support OPM Director's pet charity project, perhaps as a consideration for gaining OPM's approval for an unusually rich PAP bonus plan.

[55] See www.uspto.gov/sites/default/files/documents/aia_statistics_october2016.pdf#page=8. Verification that PTO's category "denied institution" includes cases dismissed prior to institution decision is available at http://developer.uspto.gov/ptab-web/#/search/decisions

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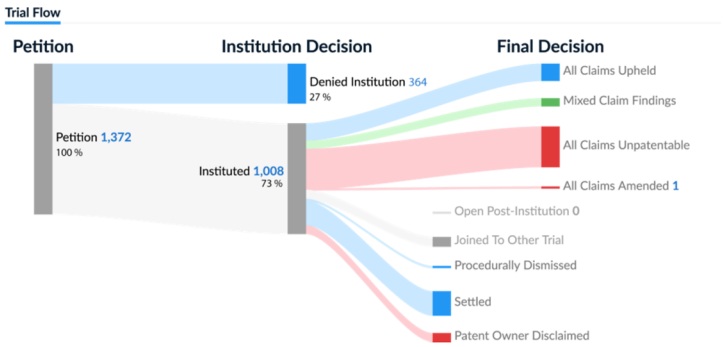

Figure 2. All AIA trial institution decisions made in FY 2016 (total of 1,372), of which 1,008 (73%) were granted and 364 (27%) were denied institution. *Source*: Legal Analytics, Lex Machina, Inc.

The second dataset included 582 AIA trial cases in which there were FWDs during FY 2016. The breakdown of those decisions on the merit is depicted in Figure 3 and Table 5. Note that there is little overlap between the 1,372 cases with institution decisions in FY 2016 and the 582 cases with FWD decisions in the same year; the ultimate disposition of the former cases (shown on the right hand side of in Figure 2) is not considered in the study except for very few cases that are already included in the latter cases. Furthermore, other decisions in the selected cases during these proceedings, including interlocutory decisions or decisions in motion practice, are not included in this study.

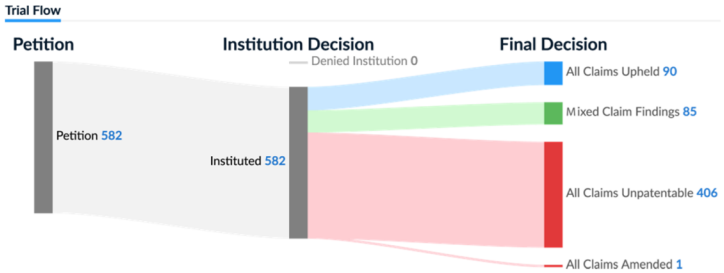

Figure 3. All Final Written Decisions made in AIA trials in FY 2016 (total of 582), which upheld all claims in 90 (15%) decisions, and cancelled claims in 492 decisions (all claims unpatentable or amended, or mixed claim findings). *Source*: Legal Analytics, Lex Machina, Inc.

Table 5 summarizes the cases of this study and the number of APJs taking part in the decisions. A single category of decisions adverse to Patent Owner wherein some or all of the patent's original claims were cancelled is defined as "Cancelled Claims." It includes FWD with "All Claims Unpatentable," "Mixed Claims Findings" and one case with "All Claims Amended."

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Oct. 1, 2015 through Sep. 30, 2016	Institution Decisions	Final Written Decisions
Total # of Cases	1,372	582
# of cases by PTAB Panel Size	Total [Inst., Denied]	Total [Cancelled, Upheld]
3	1317 [956, 361]	549 [459, 90]
4	55 [52, 3]	23 [23, 0]
5	--	10 [10, 0]
Granted Institution	1,008 (73%)	
Denied Institution	364 (27%)	
FWD Cancelled Claims		492 (85%)
FWD All Claims Upheld		90 (15%)
# APJs Involved on panels	121	106
# APJs with ≥ 1 Inst. AND ≥ 1 FWD AND Bonus info.	103	
# APJs with ≥ 1 (Inst. OR FWD) AND Bonus info.	122	

Table 5. Summary statistics of AIA trials with Institution Decisions and Final Written Decisions (FWD) by PTAB panel size, made in FY 2016. The statistical analysis covered such decisions made by 103 APJs who served on panels that made at least one decision on institution ***and*** at least one FWD in FY 2016. Aggregate bonus analysis covered 122 APJs who served on panels that made at least one decision on institution ***or*** FWD in FY 2016. *Source*: Legal Analytics, Lex Machina, Inc.

3.2 Identification of APJs involved in the decisions

While the list of cases in available datasets such as available from the Lex Machina PTAB database includes the full names of the APJs participating in adjudicating each case, the named APJs are listed per entire *proceeding,* and not separately for the specific decisions on institution or the FWD on the merit. As such, the list of APJs for each proceeding often included more than 3 APJs, even when a particular decision involved only 3 APJs on the panel. Because the study of each decision requires the specific list of APJs on *that decision*, a manual inspection of institution and final decisions in cases having more than 3 APJs listed in the proceeding was undertaken to determine which APJ's name(s) should be removed from that list for that specific decision. For example, a given proceeding shows a list of APJs named *Name1*, *Name2*, *Name3*, and *Name4*. Manual inspection of the institution decision (first cover page of the decision) revealed that only *Name1*, *Name2*, and *Name3* participated, whereas APJ *Name2* later dropped out and was replaced by APJ *Name4*. The FWD decision was verified as having APJs *Name1*, *Name3*, and *Name4*.

In some instances, expanded panels with more than 3 APJs made institution decisions or FWD. For the purpose of this study and for reasons explained in Section 3.4, each APJ received one count for such decision regardless of the panel's size.

3.3 Source for PTAB judges' bonus award information

The OPM maintains the Enterprise Human Resources Integration (EHRI) dataset, which contains records of most civilian employees of the U.S. Federal Government

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including their paygrade, base salary, and bonus awards (if any) by year. A not for profit organization ***FederalPay.org*** has created an online search tool that allows public access to the OPM data through searching by agency, employee name, or job description. The searchable database contains records for all Federal employees who earn over $100,000 per year, or who are in the highest paid 10% in their respective agencies.[56]

After verified name disambiguation for two judges, a search by the APJ names identified the FY 2016 salary and bonus information[57] for all but one of the PTAB Judges. Except for that APJ (who was excluded from the study), the APJ's base salaries and bonus awards for FY 2016 were tabulated alongside their PTAB decision counts for that year for use in the statistical analysis.

3.4 Empirical model for APJ bonus levels

This study focuses on only two decisional phases in AIA trials—the initial decision whether to institute the trial, and the Final Written Decision on the merits regarding the patentability of the patent claims. Although the APJ PAP indicates that APJs' performances are rated based on multiple factors, the production element—the number of Decisional Units (DUs) in the year—weighs only 35% in the overall rating of the APJ performance for bonus purposes. Nevertheless, senior PTAB officials review, and are aware of, the APJs' decisions and their nature. PTAB management's supervision and reward tools include the rating of APJs on other less tangible factors included in the APJ PAP: "ensuring quality decision-making by the PTAB" (Element I, 35%), "assisting in the effective operation of the PTO and the PTAB by providing leadership for supporting the missions of the PTO and PTAB" (Element III, 10%), and "ensure responsive assistance to internal and external customers, and the public, to the extent permitted by law and regulation" (Element IV, 20%). Moreover, PTAB senior officials' incentive structure in their own PAP require them to "[e]nsure the most valuable PTAB employees are rewarded." Table 2 (Vice Chief APJ PAP, Element II, 10%). The composite effect of all these factors, and indeed the discovery of what PTAB considers a "valuable" APJ, may be determined by how APJs were "rewarded"—by "following the money."

Empirical analysis of APJ's cash bonus awards' relation to the number and type of decisions they made was undertaken by multiple linear regression on the total number of each of the four decision types in which the APJs participated in FY 2016. Accordingly, the analysis is based on the following model specification:

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[56] Further information is available at www.federalpay.org/articles/employee-lookup.

[57] www.federalpay.org/employees. In the section titled "Employee Lookup Tool," *Select*: "All Years" the "Patent and Trademark Office" from the Agency field; and enter the APJ's name followed by clicking on "Search." This results in a summary table display for the APJ. Click further on the APJ's name hyperlink to obtain a new table with compensation breakdown by salary and bonus award for this APJ.

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$$(1)\quad Bonus_i = \alpha + \beta_D \begin{pmatrix} Institution \\ Denials_i \end{pmatrix} + \beta_G \begin{pmatrix} Institution \\ Grants_i \end{pmatrix} + \beta_C \begin{pmatrix} FWD\ Cancelled \\ Claims_i \end{pmatrix} + \beta_U \begin{pmatrix} FWD\ Upheld \\ all\ Claims_i \end{pmatrix} + \varepsilon_i$$

where the dependent variable $Bonus_i$ is the bonus awarded in the fiscal year to APJ i, and where the regressand (independent) variables $Institution\ Denials_i$, $Institution\ Grants_i$, $FWD\ Cancelled\ Claims_i$, and $FWD\ Upheld\ all\ Claims_i$, are the numbers of AIA trial decisions in FY 2016 in which APJ i participated, respectively deciding to deny institution, grant institution, cancel claims, or uphold all claims. The unknown intercept parameter α and the four β slope coefficients are the estimates for the entire ensemble of APJs obtained by the regression, wherein ε_i is the residual from the predicted value of the model for APJ i.

The regression in Equation 1 is essentially a "black box" analysis, evaluating how the composite of *all* bonus rating elements (not merely the production element) reward APJ's work as a function of their decision types. It thus requires no knowledge of, and does not employ, the number of DUs APJs might have received for each decision type. Because the independent variables are all integers representing the number of decisions of each type, the *effective* credit APJs received per decision type is reflected through the value of the β slope coefficients derived from the regression.

The study's dataset counts a panel decision for an APJ on the panel whether or not he/she appears as the presiding judge (or author) on the decision. This approach is taken in part because all APJs on the panel participate, deliberate and vote on the decision, and because "any of the three APJs assigned to a case may draft written work product in the case, and in all circumstances all three APJs provide input on significant writing assignments."[58] Moreover, isolating the contribution of the production element (actual number of DU credits APJ i received) in the composite rating is impossible because the sharing of DUs among panel members is unknown.[59]

3.5 The mix of proceeding types – AIA trials versus *ex parte* appeals

The PTO has argued in court that APJs lack structural incentives to institute AIA trials *per se* because there is no need for APJs to grant petitions and institute AIA trials in order to ensure that they have sufficient opportunities to earn DUs—they can be assigned to another jurisdiction to work on *ex parte* appeals at will for earning such additional DUs.[60] If this were true, APJs that work on AIA trials

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[58] PTAB Standard Operating Procedure 1 (SOP-1) at 3, Rev 15 (September 20, 2018).

[59] Although "[b]y default, the authoring Judge is assigned the entire amount of credit due for a decision[,] [p]anel members may divide the credit for a decision amongst themselves, so long as they indicate in the mailing email how much credit each member will receive of the standard total credit for the decision." Appendix C, PAP Support Document at 3.

[60] U.S. Br. *Mobility, supra* note 7 at 39 ("The PTAB has more than enough work, including substantial numbers of both AIA cases (in which APJs make decisions on institution) and other Board cases (in which no decision on institution is involved, such as ex parte

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would be expected to have a variable mix of jurisdictional decision types throughout the year, including *ex parte* appeal decisions that together with AIA trial decisions, earn them comparable DU totals with no significant impact on their bonus award levels. In other words, if the PTO's argument on the indifference as to the jurisdiction from which DUs are earned were correct, the total bonus award levels should be independent of the relative mix of decision types for the year.

This hypothesis can be tested as follows. Let X represent the relative share of *ex parte* appeal decisions in the APJs decisions during the year from both PTAB jurisdiction categories:

$$X = \frac{(\#\ of\ Appeal\ Decisions)}{(\#\ of\ Appeal\ Decisions) + (\#\ of\ Decisions\ in\ AIA\ trials)} \tag{2}$$

where the $\#\ of\ Decisions\ in\ AIA\ trials$ is taken as the sum of the number of decisions on institution and FWDs. Under the PTO's contention, an APJs decisions share X may vary across APJs, without any systemic effect on the APJ's bonus compensation, as the PTAB is purported to have more than enough work, including *ex parte* appeals to support any mix. Unlike AIA trial proceedings, the institution of which are at the discretion of APJ panels,[61] *ex parte* appeals are instituted by the action of the patent *applicant* upon filing an appeal brief.[62] The finite number of appeals to which an APJ can be assigned is uncontrollable by the APJ's decisions on patentability, whereas the APJ decision to institute an AIA trial directly increases the number of such proceedings on which the APJ works.

Under the null hypothesis $\boldsymbol{H}_0$, (PTO's contention), decisional credits for APJs are commensurate with hours worked; the APJ bonus earned should be independent of whether those decisional credits were accrued by doing AIA trial or by *ex parte* appeal work. In other words, under the null hypothesis $\boldsymbol{H}_0$, the bonus level earned should reflect the quality-adjusted *output* of the APJ but not X, the *relative numerical mix* of decisions made by the APJ in ex parte appeals versus decisions in AIA trials. Therefore, under the null hypothesis $\boldsymbol{H}_0$, it is expected that the top bonus-earning APJs are so classified due to their high absolute work output but had participated in a relative numerical mix of ex parte appeal decisions and AIA trial decisions that is not significantly different than that of the bottom bonus-earning APJs.

In contrast, under hypothesis $\boldsymbol{H}_1$, APJs seeking higher financial rewards would benefit by being assigned to AIA trials rather than appeals. They would stand to

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appeals). The Board received over 6,700 ex parte appeals in fiscal year 2020, and currently has a significant backlog of over 7,500 such appeals. ... There is no need for APJs to grant petitions and institute AIA trials in order to ensure that they have sufficient work.")

[61] 35 U.S.C. §§ 314 and 324.

[62] 35 U.S.C. § 134.

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earn higher bonuses on two accounts: first, their decision to institute an AIA trial proceeding secures for *themselves* a larger number of decisional units within the proceeding they instituted, including the FWD. Second, unlike APJs working on appeals, APJs instituting AIA trials generate more aggregate workload for the entire pool of APJs, for which they may be tacitly rewarded with higher bonuses. By instituting AIA trials, the APJs ensure that they have sufficient work so as to avoid taking on ex parte appeals and be able to earn higher bonuses.

Hypotheses $\boldsymbol{H}_0$ and $\boldsymbol{H}_1$ can be tested by observing the decision shares for two ensembles of APJs – the top 20 and bottom 20 bonus earners. Having selected these two APJ ensembles, each APJ's relative decision share is regarded as a realization of the random variables X_t and X_b, designating the relative decision shares for the top and bottom bonus earners respectively. They each have a probability distribution function over the ensemble of the random variables X_t and X_b respectively. The two hypotheses are thus stated as follows:

$\boldsymbol{H}_0$: X_t and X_b have equal probability distribution functions.
$\boldsymbol{H}_1$: X_t is stochastically smaller than X_b.

See Appendix B for the definition of "stochastically smaller" and the statistical analysis for testing these hypotheses. The results are reported in 4.4.

4 Results

4.1 APJ compensation and bonus award levels

Of the 122 APJs participating with at least one AIA trial decision in FY 2016, 109 (89%) earned a bonus, from the lowest of $5,010 to the maximum of $33,910, with an average APJ bonus of $21,166. Of those 122 APJs, 98 (80%) earned more than $10,000 in bonus award. The distribution of the bonus awards as a percentage of base salary for the 122 APJs is shown in Figure 4. For 78 of them (64%), the figure shows the bonus award at 10% or more of their base salary, which means they were deemed having demonstrated "exceptional performance."[63] Apparently, the PTAB turned on its head the term "exceptional," making the "exception" into a majority. For 19 APJs (16%), bonus awards were right at the cap at 19.9% of base pay to avoid exceeding the maximum level permitted by statute.

[63] *See* 5 U.S.C. § 4505a(a)(2) ("A cash award under this section shall be equal to an amount determined appropriate by the head of the agency, but may not be more than 10 percent of the employee's annual rate of basic pay. Notwithstanding the preceding sentence, the agency head may authorize a cash award equal to an amount exceeding 10 percent of the employee's annual rate of basic pay if the agency head determines that exceptional performance by the employee justifies such an award, *but in no case may an award under this section exceed 20 percent* of the employee's annual rate of basic pay.") (Emphasis added); 5 C.F.R. § 451.104; see generally 5 U.S.C. §§ 4302, 4503.

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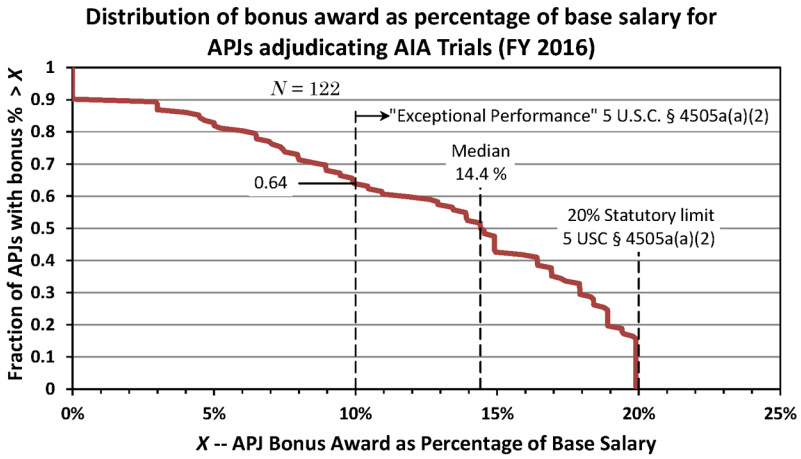

Figure 4. Cumulative distribution of bonus awards for 122 APJs that participated in AIA trials in FY 2016. *Compensation level source*: FederalPay.org.

The distribution of the total compensation (base salary and bonus) of the 122 APJs is depicted in Figure 5, with comparison to the 2016 salaries for ALJs and Federal district court judges. Of those 122 APJs, 108 (89%) earned more than ALJs and one in five APJs made more than the salary paid to Federal district court judges.

The PTO's extravagant *reliance* on the APJ bonus system appears contradictory to the specific regulatory instrumentalities with which Congress vested the PTO Director for managing timely completion of AIA trials. The PTO admitted as much by stating that the need for DU production performance evaluation criteria for APJs "reflect the current situation in which the PTAB is handling a large volume of AIA petitions"[64] and "because PTAB was trying *to clear a backlog*."[65] But where did this "large volume" "backlog" come from? It came from institution of AIA trials at a reckless rate that far exceeded the statutory limit determined by the mandatory requirement for "the efficient administration of the Office, and the ability of the Office to timely complete proceedings."[66] This mandatory limit is in part the reason Congress vested with the PTO Director plenary discretion to *deny* institution, even when the threshold for institution is met, and that decision is "final and nonappealable."[67] Accordingly, the preamble to the institution regulation

[64] U.S. Br. *Mobility, supra* note 7 at 41.
[65] PTO counsel, *Mobility, supra* note 7 (Oral Argument at 43:40, May 3, 2021).
[66] 35 U.S.C. §§ 316(b) and 326(b).
[67] 35 U.S.C. §§ 314(d) and 324(e). Where "a federal court has a virtually unflagging obligation to assert jurisdiction" to decide cases before it, *Reyes Mata v. Lynch*, 576

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appropriately explains that "the Board may decline to institute a proceeding where the Board determines that it could not complete the proceeding timely."[68]

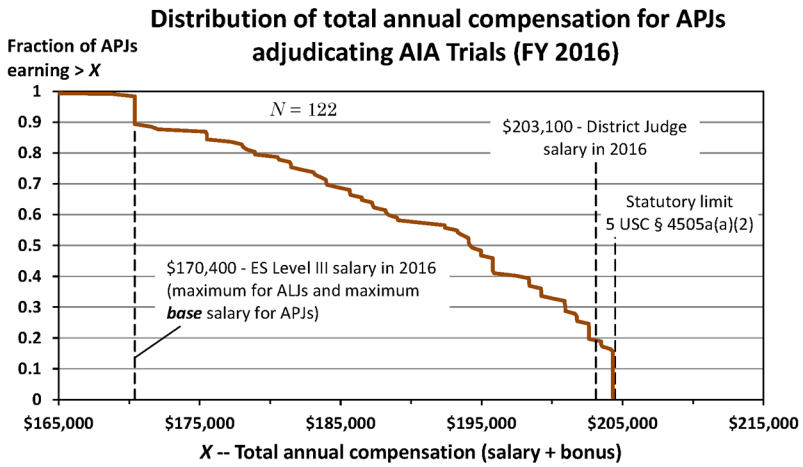

Figure 5. Distribution of total FY2016 compensation for PTAB APJs who worked full time that year with at least one AIA trial decision (FWD or Institution) in the year. *Sources*: Compensation level: *FederalPay.org*; ES Level III maximum for ALJ at 2016 OPM ALJ pay Schedule; District Judge salary based on the Judicial Compensation table for federal judges.

The PTAB excessive use of bonus awards for inducing the majority of APJs to sustain "exceptional" workload including overtime, rather than maintaining their workload at regular levels by judicious denials of excessive institutions appears as a pattern of the PTO's deviation from Congressional intent.

U.S. 143, 144 (2015), the PTO Director "is permitted, but never compelled, to institute an IPR proceeding." *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) ("[Section] 314(a) invests the Director with discretion on the question whether to institute review … " (emphasis omitted)); *In re Power Integrations, Inc.*, 899 F.3d 1316, 1318 (Fed. Cir. 2018) ("If the Director decides not to institute, for whatever reason, there is no review. In making this decision, the Director has complete discretion to decide not to institute review.") (Citations omitted).

[68] 77 Fed. Reg. 48679, 48702 (August 14, 2012).

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4.1.1 Mere existence of substantial bonus awards to PTAB judges raises due process concerns

The fact that PTAB judges are awarded substantial bonuses related to their adjudications may be *per se* a due process violation. In *Ward v. Village of Monroeville,*[69] the Supreme Court found violation of due process in a judgement for contested traffic violation imposed by a village mayor sitting as a judge, when a substantial part of village income is derived from the fines, forfeitures, costs, and fees imposed by him in his mayor's court.[70] The Court explained that the due process "test is whether the mayor's situation is one 'which would offer a possible temptation to the average man as a judge ... which might lead him not to hold the balance nice." *Ward* held that structural bias due to "possible temptation" may exist when the mayor has an interest in the village's revenues and thus may be motivated to maintain the high level of contribution from the mayor's court.[71] "The Supreme Court's test does not call for proof of actual temptation. The mere possibility of temptation ... is all that is required."[72]

As to whether the revenue tied to adjudications is "substantial" in comparison to total revenue of the entity of which the judge is "a partisan," Judge O'Malley noted that although a very small fraction of total revenue comes from cases where the impartiality of the mayor may be questioned, "[t]he *Ward* Court examined *all* fine revenue generated by the mayor's court when it determined substantiality, not just the fine revenue generated in contested cases. This Court is constrained by the *Ward* court's analysis and must do the same."[73] As to what in the "the ambit of *Ward*" constituted a "substantial" fraction, Judge O'Malley observed: "Certainly, any person suddenly deprived of 10% or more of his income would find the loss 'substantial.'"[74] Accordingly, the relevant revenue is not the fraction tied to decisions where a bias might be shown, but all revenue at play tied to all adjudications; if it exceeds 10% of the total revenue of the entity, a structural bias is deemed present in *per se* violation of due process.

The holdings in *Ward* and in *Rose* apply with even greater force to PTAB judges and their "substantial" bonus awards. In part, this is because unlike the village total revenue of which the mayor was a "partisan" subject to "temptation" in *Ward*, the total revenue of the entity of which the APJs are "partisans" is *their own total personal* income, of which they have full *personal* interest and control. The specific revenues from their role as judges are the bonus awards tied to their adjudications;

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[69] 409 U.S. 57 (1972).
[70] *Ward,* U.S. 57 at 60.
[71] *Id.*
[72] *Depiero v. City of Macedonia,* 180 F.3d 770, 782 (6th Cir. 1999).
[73] *Rose v. Village of Peninsula*, 875 F. Supp. 442, 451 (N.D. Ohio 1995) (O'Malley, J.) (emphasis in original).
[74] *Id.*; *see also DePiero*, 180 F.3d at 780 (adopting 10% from *Rose* as "articulate and persuasive").

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such a fraction is greater than 10% for more than a majority of APJs, as Figure 4 shows. Clearly, any APJ "suddenly deprived of 10% or more of his income would find the loss substantial."[75] This means that regardless of whether or not the apparent pecuniary bias shown below is actually present, the PTAB bonus system where the amount at play tied to adjudication is more than 10% of a PTAB judge income, may be a *per se* violation of due process.

As Federal Circuit Judge Pauline Newman recognized in addressing this issue,[76] the introduction of these potential due process infirmities in AIA trials is particularly difficult to reconcile with a tradition of due process of law that historically governed patent validity challenges. Here, a quasi-judicial structure is created essentially to replace judicial proceedings,[77] and in fact to provide an estoppel in judicial proceedings, to nonetheless conduct adjudications subject to judge compensation procedures which would not be available to the Judicial Branch of government.

4.1.2 The PTO's misleading accounts of the magnitude of APJ bonus awards

The troubling aspect of the PTO's public discourse on the PTAB bonus plan is that it sought to portray the bonus awards as insignificant. In the *New Vision Gaming v. SG Gaming* case before the Federal Circuit raising the due process violation claim, the PTO represented to the Court that "APJs with 'fully successful' or higher performance reviews are eligible for performance award bonuses of up to $10,000, which represent less than 6% of most APJs' pay. An outstanding performance rating is reserved for '*rare*' instances of 'high-quality performance' that 'substantially exceed fully successful standards.'"[78] In oral argument in that case, counsel to the PTO explained to the panel that "these are small bonuses, we are not talking about law firm bonuses, so less than 6% of the average APJ pay."[79] In *Mobility Workx* v. *Unified Patents,* a case raising the same due process claim before the Federal Circuit, the PTO briefing repeated its "less than 6% of most APJs' pay" party line.[80]

As Figure 4 shows, the median bonus award was about 14%, well over the "6% of the average APJ pay," and the $10,000 bonus level was *not* "*rarely*" exceeded—an *average* of $21,166 bonus to APJ's involved in AIA trials is by definition not "rare" but rather typical. "Exceptional performance" rating for 64% of APJs is far from from being "rare." In making these representations, counsel to the PTO was less than candid with the Court when contradicting the facts in *her own very case*—2 out of the 3 APJs on the panel in the *New Vision* PTAB case earned bonus awards of

[75] *Rose*, 875 F. Supp. at 451.
[76] *Mobility, supra* note 7 (Oral Argument at 24:40, May 3, 2021) (Newman, CJ).
[77] H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (The purpose of AIA trials is "providing quick and cost effective *alternatives* to litigation.") (emphasis added).
[78] *New Vision Gaming & Development, Inc., v. SG Gaming, Inc.* Appeal No. 20-1399, Doc. 71, at 10 (Fed. Cir. October 11, 2020) (emphasis added).
[79] *New Vision, supra* note 78 (Oral argument at 32.50 Fed. Cir. April 9, 2021).
[80] U.S. Br. *Mobility, supra* note 7 at 9-10.

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more than $16,200 in 2018,[81] the same year they instituted the AIA trial in this case.

There are other manifestations of PTO's apparent effort to conceal the magnitude of the PTAB bonus awards. US Inventor, Inc. (USI) sought records under the Freedom Of Information Act (FOIA) from the PTO of its submissions to OPM seeking approval from OPM under 5 CFR § 451.106(b) for bonus awards of "more than $10,000 to an individual employee." In its denial of the FOIA request, the PTO stated that it "identified no records responsive to your request," explaining that "[t]he Agency did not pay out any individual award of greater than $10k to PTAB Judges (non-SES members) during the period of 2012-2020."[82] USI administratively appealed this remarkable denial, showing substantial evidence that the PTO did in fact award bonuses to APJs larger than $10,000. [83] In denying USI's FOIA appeal, the PTO explained that the custodian of such records "reviewed her office's records and confirmed that no such bonuses were recommended during the years 2012-2020. The Agency notes that the requirement for OPM approval of awards in excess of $10,000 concerns *individual awards*. There is no requirement to consult OPM if an employee receives *more than one individual award that cumulatively total* in excess of $10,000."[84]

So the apparent inconsistency is resolved by a "technicality:" the PTO apparently split its large annual bonus awards for APJs into multiple individual awards of less than $10,000 each in a way that circumvents OPM regulations. As the APJ PAPs show, however, the appraisal period is the *full fiscal year*, meaning that the ratings and bonus awards were typically determined for the full fiscal year.[85] For many APJs, the PTO must have split the bonus award that was determined at the end of the fiscal year into as many as 4 individual awards of less than $10,000 each, so no OPM approval was required. This resulted in the avoidance of the independent checks and controls set by OPM regulations in 5 CFR § 451.106(b), and kept a low profile within the government on the large magnitude of PTAB judges' bonus awards.

4.2 Analysis of bonus levels in relation to APJ decision types

The results of the Analysis of Variance and the regression for the 103 APJs of the study (those who participated in deciding at least one institution and one FWD) are shown in Table 6. The *F* statistics of 16.9 indicates that the model of Equation 1 is significantly efficient across the ensemble of APJs, as the observed variance explained by the model is 16.9 times larger than the unexplained variance.

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[81] USI's FOIA Appeal A-21-000001 (May 25, 2021) (Exhibit 3).
[82] *Id.* (Exhibit 2).
[83] *Id.* (Exhibit 3).
[84] PTO's denial of USI FOIA Appeal A-21-000001 (June 22, 2021) at 2 (emphasis added).
[85] USI FOIA page (APJ, and Lead APJ PAPs) at 1 ("Rating Period: 10/1/2017-9/30/2018.")

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ANOVA

	df	SS	MS	F	Significance F	R Square
Regression	4	4.75E+09	1.19E+09	16.900	1.43981E-10	0.41
Residual	98	6.89E+09	70261318			
Total	102	1.16E+10				

Coefficients			Standard Error	t Stat	P-value	Probability of Coeff > 0
α	Intercept	9106.3	1958.9	4.6486	1.67E-06	0.999998
β_D	Institution Denials	208.5	153.1	1.3625	0.087	0.9135
β_G	Institution Grants	254.7	73.6	3.4609	2.69E-04	0.9997
β_C	FWD Cancelled Claims	313.6	108.9	2.8792	0.002	0.9980
β_U	FWD all claims upheld	2.4	352.0	0.0069	0.497	0.5027

Table 6. Regression coefficients obtained for the specification in Equation 1.

As modeled in Equation 1, the four estimated coefficients can be regarded as the average bonus portion in dollars that PTAB judges earned per decision of the respective type. For example, in FY 2016, PTAB judges appeared to have earned an average bonus of β_C = \$313.6 per Final Written Decision when cancelling patent claims, but only an average of β_U = \$2.4 per Final Written Decision when uphold all patent claims. Similarly, PTAB judges appeared to have earned an average bonus of β_G = \$254.7 per decision when granting institution, but only an average of β_D = \$208.5 per decision when denying institution.

It is not at all surprising that the estimated coefficients are all positive—APJs receive larger bonus awards for more decision work. However, to determine the apparent *difference* in reward for the two possible *outcomes* of such decisions, the *difference* in these coefficients and the standard errors of such differences are analyzed to determine the statistical significance of their deviation from zero (or bias). For that purpose, two *difference coefficients* are defined for detecting AIA trial institution and FWD pecuniary biases as follows:

(3) $$d_{INST} = \beta_G - \beta_D \; ; \; d_{FWD} = \beta_C - \beta_U \; ;$$

wherein the difference coefficients d_{INST} and d_{FWD} measure respectively the apparent APJ's pecuniary bias in granting over denying institutions, and in deciding to cancel patent claims over upholding all of them. The regression model for these difference coefficients is developed in Appendix A with the pertinent results of Table 7 summarized below.

Coefficients			Standard Error	t Stat	P-value	Probability of Coeff > 0
d_{INST}	Inst. Grants - Denials	46.1	193.0	0.2389	0.41	0.59
d_{FWD}	FWD Cancelled-Upheld	311.2	376.6	0.8263	0.20	0.80

As shown above, the one-tail p-values for the difference coefficients d_{INST} and d_{FWD} permit the rejection of a null hypothesis that they are zero (unbiased) in favor of the

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alternate hypothesis of bias with probabilities that they are positive of 0.59 and 0.8 respectively. While not established with *extreme* confidence, these factual propositions are established here with *sufficient* confidence of 59% and 80% for d_{INST} and d_{FWD} respectively. The D.C. Circuit explained that "[t]ypically, a scientist will not so certify evidence unless the probability of error, by standard statistical measurement, is less than 5%. That is, scientific fact is at least 95% certain. Such certainty has never characterized the judicial or the administrative process. It may be that the 'beyond a reasonable doubt' standard of criminal law demands 95% certainty. But the standard of ordinary civil litigation, *a preponderance of the evidence*, demands only 51% *certainty*."[86] Indeed, as pertaining to the PTAB, the standard applied in agency review under the APA is proof by a preponderance of the evidence.[87]

Accordingly, this FY 2016 study factually establishes the appearance of a PTAB decision and incentive process that is tainted with structural pecuniary bias prejudicing patent owners. By the *preponderance of evidence* (59% confidence), *PTAB judges appear to gain more financial rewards when deciding to institute an AIA trial than when deciding to deny institution.* It is also established by *clear and convincing evidence* (80% confidence)[88] that *PTAB judges appear to earn higher cash awards when deciding to cancel patent claims in Final Written Decisions than when deciding to uphold all claims.*

The empirical value from the table above for d_{INST}= \$46.1 means that on average, APJs' bonus award was higher by \$46.1 per decision when granting institution then when denying institution; and d_{FWD} = \$311.2 means that on average, APJs received \$311.2 more per FWD decision when cancelling claims than when upholding all claims. This is manifest appearance of pecuniary bias.

The values of d_{INST} and d_{FWD} indicate the degree of pecuniary bias per decision and when they are not zero, the portion of an APJ's bonus earned due to the pecuniary bias is included only in the terms involving d_{INST} and d_{FWD} in the bonus Equation 5 (Appendix A), namely:

$$d_{INST}\left(\begin{matrix}Institution\\ Grants_i\end{matrix}\right)+d_{FWD}\left(\begin{matrix}FWD\ Cancelled\\ Claims_i\end{matrix}\right)$$

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[86] *Ethyl Corp. v. Env't Prot. Agency*, 541 F.2d 1, 28 n 58 (D.C. Cir. 1976) (emphasis added, citation omitted).

[87] *Dir., Office of Workers' Comp. Programs, Dep't of Labor v. Greenwich Collieries*, 512 U.S. 267, 277–78, 280 (1994) (citing *Steadman v. SEC*, 450 U.S. 91 (1981)).

[88] McCauliff, Catherine MA., "Burdens of Proof Degrees of Belief Quanta of Evidence, or Constitutional Guarantees?" 35 *Vand. L. Rev.* 1293, 1328 Tbl.5 (1982) (A survey of 170 federal judges generated a mean, median, and statistical mode of 0.75 probability for the clear-and-convincing evidence standard.)

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The average numbers of institution grants and FWDs cancelling claims by an APJ during the year were 28.35 and 14.31 respectively. Accordingly, of the average APJ bonus of $21,166, the pecuniary bias is $d_{INST} \times 28.35 = \$46.1 \times 28.35 = \$1,307$ in institution decisions plus $d_{FWD} \times 14.31 = \$311.2 \times 14.31 = \$4,453$ in FWDs, **$5,760** total. The empirical evidence of over $1,300 average pecuniary bias for institution knocks-out the PTO's representation to the Federal Circuit that "APJs don't make more money if they institute"[89]—they actually do, on bonuses alone, and they are given opportunities to earn additional bonus award on the merits stage where they earn and average of $4,453 more for cancelling claims than when upholding all claims.

However, APJ's received identical number of DU credits deciding to institute an AIA trial as to deny institution. Similarly they earned identical number of DU credits per FWD to cancel patent claims as to uphold all patent claims. Therefore, APJ rating under the "Production" element *itself* must be presumed neutral. If DU credits increase bonus awards in the same way, what could account for the empirically-observed bias manifested in the non-zero difference coefficients d_{INST} and d_{FWD}? The answer must lie in the structure and operation of the APJ PAP elements *other than* the "Production" element, as explained below.

As Table 1 shows, beyond the "Production" critical element, APJs are rated on largely subjective but critical elements that, in the aggregate weigh 65% in the overall PAP rating. Such ratings for each APJ are reflected in the bonus amounts captured in the left-hand side of Equation 1. To the extent that any such non-production ratings are *correlated* with the four types of decisions that *are* captured on the right-hand side of Equation 1, such higher levels of bonuses will necessarily be expressed through the four respective coefficients derived by the least-squared-error regression process. Therefore, APJs must have received higher bonus awards on account of their PAP elements *other than* the production element when making more decisions to grant institution, or when making more FWD to cancel claims. This means that, whether intended or not, APJs were indirectly or tacitly rewarded for such decisions not through their "Production" ratings but through their rating elements such as "Quality," "Supporting the Mission of the Board," or "Internal/External Stakeholder Interactions."

It is safe to conclude that had APJ's been rated for purposes of setting bonus awards solely based on their production performance, the regression results would have produced unbiased coefficients d_{INST} and d_{FWD}. that would not have differed from zero by any statistical significance measure. Rather, it is the *other* critical elements in the APJ PAP that opened the less transparent door for PTAB officials to tacitly reward APJs for the outcome of their decisions, whether they did so consciously or not. While there is no evidence that the examples below actually occurred, they are

[89] PTO counsel, *Mobility, supra* note 7 (Oral Argument at 20:50, May 3, 2021); PTO counsel, *New Vision, supra* note 79 (Oral argument at 31.12, April 9, 2021) ("APJs do not make more money if they institute.")

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presented to illustrate plausible circumstances in which the correlations discussed above were present.

For example, with what the PTO called "*gain-sharing* bonuses" in its APJ recruitment brochure,[90] it would hardly be a surprise if APJ's that participated disproportionately in higher number of decisions to grant institution received higher ratings for "Supporting the Mission of the Board" element of their PAP. This is particularly plausible when such decisions are perceived to help "*gain*" workflow for the PTAB and where its top officials that rated the APJs were themselves incentivized to "ensure the most *valuable* PTAB employees are rewarded."

As another example, APJs likely received higher ratings for their "responsive assistance to … external customers" under the "Internal/External Stakeholder Interactions" critical PAP element, when such interactions were far more numerous and frequent. That necessarily happened with petitioners—some of whom are the heaviest users of the PTAB and are its top repeat "customers." It would hardly be a surprise if these APJs, having interacted with, and developed better understanding of, these "customers'" positions were also the APJs who participated in disproportionately higher number of decisions favorable to petitioners.

In yet another example, APJs likely received higher performance ratings under the critical "Quality" element as being "consistent with … written guidance applicable to PTAB proceedings issued by the Director or the Director's delegate,"[91] for more frequently applying a new biased rule governing institution. That rule (that became effective during the study period) created an *irrebuttable presumption* that "a genuine issue of material fact created by [patent owner-adduced] testimonial evidence will be viewed in the light most favorable to the petitioner."[92] Indeed, the PTO's bias for granting institution was reflected in the preamble text promulgating this rule in 2016.[93] It would hardly be surprising if APJs deciding more often to grant institutions did so by expressly applying this presumption. In contrast, when APJs instead applied the plain language of the institution statute in 35 U.S.C. §§ 314(a) or 324(a) without making the presumption called for in the 2016 rule, they applied no bias favoring institution and thereby likely granted fewer institutions. But in doing so, they could have received lower "Quality" ratings, ostensibly for failing to accurately follow the prevailing regulation. This has likely contributed to the regression outcome $\beta_G > \beta_D$. for Equation 1 (or $d_{INST} > 0$ in Equation 6).

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[90] *See supra* note 13.

[91] APJ PAP (FY 2018) at 2.

[92] 37 C.F.R. §§ 42.108(c) and 42.208(c) (2016).

[93] 81 *Fed. Reg.* 18750, 18756 (April 1, 2016).("A presumption in favor of petitioner for disputed facts, which may be fully vetted during a trial when cross-examination of declarants is available, is appropriate given the effect of denial of a petition.") Because of its bias, Director Andrei Iancu later repealed that section of the regulation. *See* 85 *Fed. Reg.* 79120 (December 9, 2020).

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Finally, as described in Section 2.4.1, where the mention of ARC comments is made in the "Quality" element of the PAP, a reasonable APJ would draw the inference that earning higher "Quality" rating inevitably follows from greater conformity with the ARC recommendations. Coupling this with the fact that 85% of FWD's were adverse to Patent Owners, and that by default, PTAB judges earn no DUs for any dissents they author, leads to the likelihood that higher "Quality" ratings of judges were correlated with a greater number of their decisions that were adverse to Patent Owners.

4.2.1 The appearance of pecuniary adjudication bias further elevates due process concerns

As explained in Section 4.1.1, regardless of the bonus amount attributable to potential pecuniary bias, the *full* amount of the bonus awards to APJs tied to their adjudications is at play *per se* when considering due process implications.[94] That amount is the average APJ bonus reported here ($21,166), which exceeds 10% of the average APJ income. On top of this potential *per se* due process violation, more than a quarter, $5760 on average, is shown empirically to account for actual apparent pecuniary APJ bias, which further elevates the due process concerns.

To be sure, while the results of the empirical analysis discussed above establish that higher bonus levels were correlated with APJs decisions adverse to patent owners (apparent bias), that *correlation* does not establish a *causal* relation. But established *causality* or *actual* bias is not the standard for Constitutional due process analysis. The *appearance* of bias is sufficient in a due process challenge predicated on the erosion of the "feeling so important to a popular government that justice has been done."[95] "Indeed, justice must satisfy *the appearance* of justice, and this stringent rule may sometimes bar trial by judges who have no actual bias and who would do their very best to weigh the scales of justice equally between contending parties."[96] This principle, which "applies with equal force to ... administrative adjudicators,"[97] and the empirical evidence in this study on the appearance of APJs' pecuniary bias, lends further support to the widespread due process concerns pertaining to the structural incentives at the PTAB.

4.3 Panel size effects

Panel size is a decision-specific attribute and in this article it means the number of APJs whose names appear on the first page of the decision (See 3.2). Table 1 shows the distribution of panel size in FY 2016: of 1,372 institution decisions, 55 were made by expanded panels of 4 APJs; none were made by a panel larger than 4. Out of 582 FWDs, 23 were made by expanded panels of 4 APJs, and 10 were made by

[94] *Rose*, 875 F. Supp. at 451.
[95] *Marshall v. Jerrico, Inc.*, 446 U.S. 238, 242 (1980) (cleaned up).
[96] *Id.* at 243 (cleaned up, emphasis added).
[97] *Gibson v. Berryhill*, 411 U.S. 564, 579 (1973).

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expanded panels of 5 APJs—the largest panel size in the study period. Remarkably for this study period, in *all* cases with expanded panels of any size in FWDs (33), the expanded panel decisions were *all* adverse to the Patent Owner—not even *a single final decision* favored the Patent Owner. Of all 55 expanded panel institution decisions, only 3 decisions denied institution.

Investigation of the identity of APJs who served on expanded panels revealed highly skewed distribution, wherein a small group of APJs were disproportionately filling the expanded panel slots. This is shown in Figure 6.

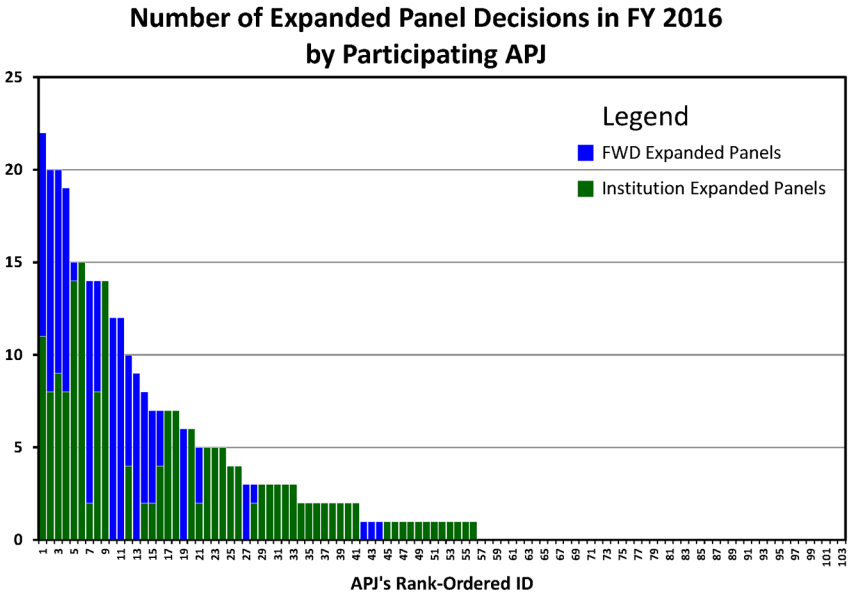

Figure 6. The number of expanded panel decisions made by each enumerated APJ, broken down by the type of decision. The total number of APJ decisions shown in the bars exceeds the total of number of expanded panel decisions (88) because multiple APJs have taken part in the same expanded panel decisions.

The fact that only a small select group of APJs participated in all expanded panel decisions during this study period, most of which were decided in one direction (against the Patent Owner), suggests that these select APJs were designated based on their known predisposition for the observed outcome—the "policy" the Director apparently favored.

On further analysis, the data shows that on average, these select APJs effectively earned a bonus "premium" for having made the decisions in expanded panels, a premium above what they received for just making the decisions. This "premium"

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result was empirically obtained by adding the number of expanded panel decisions made by APJs to the regression model. A modified regression model described in Appendix A was constructed in Equation 6 by adding to Equation 1 (or Equation 5) the additional term $\beta_{EXP}(Exp.Panel\ Decisions_i)$, where the additional independent variable $Exp.Panel\ Decisions_i$ is the total number of expanded panel decisions in which APJ i participated, and β_{EXP} is the coefficient for $Exp.Panel\ Decisions_i$ measured in dollars per expanded panel decision, as obtained from the regression analysis. The modified model of Equation 6 thereby separately resolves empirically through the coefficient β_{EXP} any incremental value (if any) to bonus earners attributable to decisions that were made in expanded panels.

The results of the modified regression are shown in Table 8 in Appendix A, where it is shown that β_{EXP} is a non-zero *positive* coefficient with a confidence level of 64% (preponderance of the evidence).

Had the bonus award been solely reflective of the APJ's DU credits through their production element II of the PAP, APJs participating in expanded panels would have seen *reduced* DUs and bonuses in comparison with APJs that did not share DUs in expanded panels. This is because some of their decisional DU credits are divided (diluted) among more than 3 APJs. This would be more pronounced for APJs with a greater number of expanded panel decisions. One would therefore expect that this would be captured by the term $\beta_{EXP}(Exp.Panel\ Decisions_i)$ through a *negative* value of β_{EXP}, accounting for a negative offset in credit due to dilutive sharing of the same number of decisions with more APJs.

However, the regression result in Table 8 of Appendix A shows otherwise. It shows a positive value for β_{EXP} of $64.34. This means that pecuniary rewards for participating in expanded panels more than made up for the dilution of the available DUs under production element II of the PAP. It means that on average, the select few APJs that participated in expanded panel decisions were remunerated for every decision made in expanded panels a "premium" of more than $64 above what they received for just making the decision.

The PTAB procedures in effect during this study period specified broadly that "[i]n an appropriate circumstance, the Chief Judge may designate an expanded panel consisting of any number of judges to decide a case."[98] However, no regulation, guidance, or written procedures required the Chief Judge to provide in the record an explanation for the decision to expand the panel. Parties would find that their panel was expanded by simply receiving Board action that, for the first time, names an expanded panel.[99] This may have changed somewhat under the most recent

[98] SOP-1, Rev. 14, at 5 (May 8, 2015).

[99] For example, in *Broad Ocean Motor LLC et al. v. Nidec Motor Corporation*, IPR2014-01121, there were 3 members on the panel issuing Paper 71 (December 10, 2015) (Order on Motion to Amend). Without any notice, in the next Board action a 5 member panel issued Paper 82 (February 8, 2016) (Order on Requests for Oral Argument).

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revision of SOP-1, which now contains in Appendix 2, a sample Panel Change Order stating without explaining the reasons for the expansion as follows:

> "The parties are notified that an expanded panel has been designated in the above referenced proceeding(s). See PTAB Standard Operating Procedure 1, Rev. 15. Administrative Patent Judges AAAAA and BBBBB are added to the panel."[100]

4.3.1 PTAB expanded panel practice may raise due process concerns

The practice of expanding PTAB panels, often called "panel stacking," is criticized as offending due process.[101] By statute, the PTO Director chooses the composition of PTAB panels, but cannot independently order a rehearing of a panel decision.[102] However, she can, and has designated additional APJs to sit on expanded panels, as shown above. The PTO has argued that the Director could manipulate panel compositions to achieve desired outcomes.[103] In *Utica Packing Co.* v. *Block*, 781 F.2d 71 (6th Cir. 1986), however, the court found a due process violation where the Secretary of Agriculture replaced an administrative judge to change a case's outcome.[104] The court observed that "(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."[105] The Federal Circuit addressed panel expansion in *ex parte* appeals and held that the Director's ability to expand panels was permissible as the key to retaining policy control over PTAB decision.[106] However, the *Alappat* decision expressly reserved judgment on whether panel-stacking violates due process or the provisions of the APA.[107]

The empirical finding in this study of a bonus "premium" for expanding panels and the fact that expanded panels appear to predominantly favor the petitioner, raises substantial questions of APJ panels' impartiality and objectivity given the

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[100] SOP-1, Rev. 15, at 23 (September 20, 2018).

[101] *See* Richard A. Epstein, "The Supreme Court Tackles Patent Reform," 19 *Federalist Soc'y Rev.* 124, 128 (2018) ("The notion of due process ... is mocked when the PTAB is allowed to stack a panel with sympathetic judges, contrary to the practice of every other court."); John M. Golden, "PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful," 104 *Iowa L. Rev.* 2447, 2469 (2019) ("There should be no backroom puppetmaster who effectively makes the decision for which other agency actors are the legally accountable adjudicators."); Gene Quinn, "USPTO admits to stacking PTAB panels to achieve desired outcomes," *IPWatchdog*, (August 23, 2017).

[102] 35 U.S.C. 6(c) ("Only the Patent Trial and Appeal Board may grant rehearings.")

[103] Brief for the United States at 37, *U.S. v. Arthrex, Inc.*, Nos. 19-1434, 19-1452, 19-1458 (Fed. Cir. November, 2020); *Yissum Research Dev. Co. of the Hebrew Univ. of Jerusalem v. Sony Corp.*, 626 F. App'x 1006 (Fed. Cir. Dec. 7, 2015) (Oral Argument at 47:20) (affirmed without opinion).

[104] *Utica Packing,* 781 F.2d at 74-75, 78.

[105] *Id.* at 78.

[106] *In re Alappat*, 33 F.3d 1526, 1534 (Fed. Cir. 1994) (*en banc*).

[107] *Id.* at 1536.

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extremely opaque nature of the process for expanding PTAB panels. The appearance of a pecuniary interest of APJs in expanding panels heightens even further concerns that due process is violated in such proceedings. The matter is a bit more complicated by practices employed after this study period, when the PTO adopted a comprehensive policy for establishing Precedential Opinion Panels (POP) in 2018.[108]

4.4 The mix of proceeding types – AIA trials versus *ex parte* appeals

The relative mix of decision types (AIA trials and *ex parte* appeals) for the 103 APJs in this study was analyzed. Following the notations in Section 3.5, Figure 7 shows the empirical cumulative probability distribution of X_t and X_b for the top 20 bonus earners and bottom 20 bonus earners. It shows that the top 20 APJ bonus earners in FY2016 were predominantly engaged in AIA trials, with the median of only 5.1% work share of decisions on *ex parte* appeal decisions. In contrast, the bottom 20 bonus earners were predominantly engaged in *ex parte* appeal decisions, with a median of 54.2% share of decisions being *ex parte* appeal decisions.

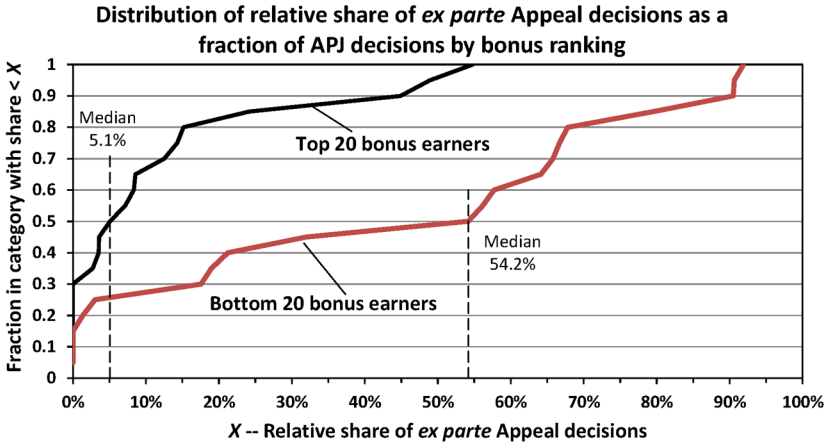

Figure 7. FY 2016 distribution of the relative share per Equation 2 of *ex parte* appeal decisions in all patentability decisions by full-time APJs working on AIA trials. Relative share distributions are shown for two categories of APJs involved in AIA trials: the top 20 bonus earners and the bottom 20 bonus earners.

The analysis in Appendix B is summarized in Table 10, which shows that the null hypothesis H_0—that the relative mix of decision types do not differ between top and bottom bonus earners—can be rejected with extreme confidence (p value < 0.002) in

[108] PTO, *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, (Sept. 20, 2018). (POP typically comprise the Director, the Commissioner for patents, and the Chief APJ).

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favor of H_1—that the relative mix of decision types differ for these two categories. The implication is clear: APJs working on AIA trials earn smaller bonuses when assigned to work on more *ex parte* appeals. The PTO's assertion that APJs have no financial incentives to generate more work for themselves by instituting AIA trials and thereby remain engaged in such trials belies the empirical data in Figure 7 and the fact that H_0 can be rejected with extreme confidence .

4.4.1 Why do APJs working predominantly on AIA trials earn larger bonus awards than those working predominantly on ex parte appeals?

The PTO contends that APJs' DU credits are fungible—that the Board "currently has a significant backlog of over 7,500 [*ex parte*] appeals, ... [and there] is no need for APJs to grant petitions and institute AIA trials in order to ensure that they have sufficient work."[109] The results above prove otherwise. The reasons for this finding are that through incentives and restrictions, APJs working on AIA trials are discouraged or otherwise prevented from taking on a greater fraction of their workload in *ex parte* appeals. First, APJs working in the AIA trial jurisdiction of the PTAB cannot be automatically paneled on *ex parte* appeals. According to the Board's procedures,

> "To request *ex parte* appeals to be added to his or her docket, a judge who is assigned to be paneled on cases in other jurisdictions of the Board should contact the designee(s) to request a certain number of additional *ex parte* appeals, up to a designated maximum, and also notify the judge's supervisor. The judge's supervisor must approve all requests in excess of the designated maximum number."[110]

The APJ's supervisors and PTAB officials from whom permission must be obtained have presumptive pecuniary interest in *denying permission.* As Table 2 through Table 4 show, senior PTAB official's PAPs contain in critical element V the goal "AIA Trial Timeliness" that requires maintaining AIA trial completion in 12 months and issuance of institution decision within statutory period of 3 months. As Table 2 and Table 3 show, critical element II in the PAPs of both Vice Chief APJ and Deputy Chief APJ require them to "[e]nsure PTAB employees are efficiently working on mission-critical tasks." Accordingly, these officials' interests are to ensure that APJs assigned to AIA proceedings are not distracted by extraneous appeals work that could undermine their ability to meet the statutory deadlines on AIA trial work already in progress. Denying APJs permission to earn additional DU awards on *ex parte* appeals effectively protects those senior officials' own performance measures and bonuses. While they do have countervailing interests in reducing *ex parte* appeals backlog, Table 2 through Table 4 show that their PAP critical element IV calls "for reducing *ex parte* appeals inventory *within limits imposed by AIA trial inventory and deadlines.*"

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[109] Brief of the U.S. Doc. 54 at 39, *Mobility Workx, LLC* v. *Unified Patents, LLC,* No. 20 1441 (Fed. Cir. November 9, 2020).

[110] SOP 1 at 5.

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In a world in which *ex parte* appeals take second seat to AIA trials, PTAB senior officials protect the resources required to adjudicate AIA trials at the expense of delaying *ex parte* appeal decisions, which have no statutory completion deadline. This priority is also evident in the disparity of incentives imparted to APJs through the bonus rating levels and DU credits. According to the PAP Support Document, APJs earn only 1.1 DU for each *ex parte* appeal decision but typically 13 DU for an IPR proceeding.[111] It is not surprising to find that when it comes to additional DU credit, APJs would prefer to earn them more easily in AIA trial work, where they require no special permission for such cases to be placed on their docket. That is why APJs working predominantly on AIA trials earn larger bonus awards than those working predominantly on *ex parte* appeals.

5 Conclusion

Congress previously intended APJs to be independent and impartial adjudicators.[112] That goal appears to have been abandoned in the enactment of the AIA for AIA trials, as the Congress and the PTO set up an adjudicatory system tainted with structural bias. The U.S. Supreme Court has held that impartiality requirements under the due process clause apply to agency adjudication.[113] Because actual bias is often very difficult for litigating parties to prove, courts establish prophylactic measures to promote judges' impartiality—and its appearance—and to help ensure, as the Supreme Court said almost 100 years ago, that adjudicators hold "the balance nice, clear and true."[114]

The PTO's control of APJs through a bonus plan undermines their perceived independence and impartiality and complicates the PTAB's missions. Because many of the features of the PTAB's procedures and bonus plan raise substantial due process concerns, this article makes the case that Congress should go back to the drawing board and correct the infirmities. The PTO should increase its transparency about the way in which the Director "supervises" PTAB judges.

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[111] PAP Support Document, Appendix C, at 42-43. This includes 5.5 DU for institution decision, 1 DU for motion practice, and 6.5 DU for FWD.

[112] *See* H.R. Rep. No. 104-784, at 32 (1996) (seeking to "insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system").

[113] *Schweiker v. McClure*, 456 U.S. 188, 195-96 (1982).

[114] *Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 878–79 (2009) (quoting *Tumey v. Ohio*, 273 U.S. 510, 532 (1927)).

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Appendix A

Statistical Analysis of the difference in decisional outcomes

To express the model of Equation 1 in terms of the difference coefficients d_{INST} and d_{FWD}, the following substitution equations are derived from Equations 3:

$$\beta_G = d_{INST} + \beta_D \; ; \beta_C = d_{FWD} + \beta_U \tag{4}$$

Substituting β_G and β_C above in Equation 1 yields:

$$\begin{aligned} Bonus_i = \alpha + \beta_D \left[\binom{Institution}{Denials_i} + \binom{Institution}{Grants_i} \right] + d_{INST} \binom{Institution}{Grants_i} + \\ + \beta_U \left[\binom{FWD\ Upheld}{all\ Claims_i} + \binom{FWD\ Cancelled}{Claims_i} \right] + d_{FWD} \binom{FWD\ Cancelled}{Claims_i} + \varepsilon_i \\ = \alpha + \beta_D \binom{Institution}{Decisons_i} + d_{INST} \binom{Institution}{Grants_i} + \beta_U (FWD_i) + d_{FWD} \binom{FWD\ Cancelled}{Claims_i} + \varepsilon_i \end{aligned} \tag{5}$$

where the separate terms for institution denials and grants are shown combined as the total institution decisions, with similar simplification by combining both types of FWDs. Equation 5 is thus an equivalent regression model that permits the estimation of the difference coefficients d_{INST} and d_{FWD} directly, along with their respective standard errors to permit evaluating their significance levels. The results of this regression are shown in Table 7.

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*R Square*
Regression	4	4.75E+09	1.19E+09	16.900	1.43981E-10	0.41
Residual	98	6.89E+09	70261318			
Total	102	1.16E+10				

	Coefficients		*Standard Error*	*t Stat*	*P-value*	*Probability of Coeff > 0*
α	**Intercept**	9106.3	1958.9	4.6486	1.67E-06	0.999998
β_D	**Institution Denials**	208.5	153.1	1.3625	0.087	0.91
d_{INST}	**Inst. Grants - Denials**	**46.1**	**193.0**	0.2389	**0.41**	**0.59**
d_{FWD}	**FWD Cancelled-Upheld**	**311.2**	**376.6**	0.8263	**0.204**	**0.80**
β_U	**FWD all claims upheld**	2.4	352.0	0.0069	0.497	0.50

Table 7. Regression coefficients obtained for the specification in Equation 5.

Because this is the same model as in Equation 1, its F statistics, residual errors, and R^2 are identical to those shown in Table 6. As shown in Table 7, the one-tail p-values for the difference coefficients d_{INST} and d_{FWD} permit the rejection of a null hypothesis that they are zero. This is not with extreme confidence, but with sufficient confidence: the proposition that they are positive can be established with a probability of 0.59 (preponderance of evidence) and 0.8 (clear and convincing evidence) for d_{INST} and d_{FWD} respectively.

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A.1. Resolving expanded panel effects

As shown in Figure 6, 56 of the 103 APJs participated in at least one expanded panel decision in FY 2016. The dataset identifies the APJs that participated in expanded panel decisions and the individual decisions. The total number of expanded panel decisions (institution plus FWD) in which each APJ i participated is designated by $Exp.Panel\ Decisions_i$ and was added to the model of Equation 5 to form the modified model of Equation 6 that separately resolves empirically any incremental value ("premium") to bonus earners attributable to decisions that were made in expanded panels.

$$Bonus_i = \alpha + \beta_D \begin{pmatrix} Institution \\ Decisons_i \end{pmatrix} + d_{INST} \begin{pmatrix} Institution \\ Grants_i \end{pmatrix} + \\ + \beta_U (FWD_i) + d_{FWD} \begin{pmatrix} FWD\ Cancelled \\ Claims_i \end{pmatrix} + \beta_{EXP} \begin{pmatrix} Exp.Panel \\ Decisions_i \end{pmatrix} + \varepsilon_i \quad (6)$$

Here, β_{EXP} is the coefficient for $Exp.Panel\ Decisions_i$ measured in dollars per expanded panel decision, obtained from the regression analysis. The regression results for the modified model are shown in Table 8.

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*	*R Square*
Regression	5	4.76E+09	9.52E+08	13.426	6.0201E-10	0.41
Residual	97	6.88E+09	70890154			
Total	102	1.16E+10				

	Coefficients		*Standard Error*	*t Stat*	*P-value*	*Probability of Coeff > 0*
α	**Intercept**	9133.4	1969.1	4.638	1.76E-06	0.999998
β_{EXP}	**Expanded Panels**	64.3	178.0	0.362	0.359	**0.64**
β_D	**Institution Denials**	212.7	154.2	1.380	0.084	0.92
d_{INST}	**Inst. Grants - Denials**	36.6	195.6	0.187	0.426	**0.57**
d_{FWD}	**FWD Cancelled-Upheld**	298.2	380.0	0.785	0.216	**0.78**
β_U	**FWD all claims upheld**	6.4	353.7	0.018	0.493	0.51

Table 8. Regression coefficients obtained for the specification in Equation 6.

The modified regression shows that β_{EXP} is a non-zero positive coefficient with confidence level of 64% (preponderance of the evidence) and wherein the results for the other coefficients are not appreciably different than those in Table 7.

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Appendix B

Non-parametric test of two bonus earner categories at PTAB

Non parametric comparison of two distributions

The random variables X_t and X_b designate the relative decision shares of *ex parte* appeals for the top and bottom bonus earners respectively. They each have a probability distribution function over the ensemble of the random variables X_t and X_b respectively. The sample values are shown under the columns X_t and X_b in Table 9. The two hypotheses are thus stated as follows:

H_0: X_t and X_b have equal probability distribution functions.
H_1: X_t is stochastically smaller than X_b.

				X_t					X_b
Bonus Rank	Bonus	AIA Trial Decisions	Appeal Decisions	Appeal Workload Ratio	Bonus Rank	Bonus	AIA Trial Decisions	Appeal Decisions	Appeal Workload Ratio
1	$33,910	91	0	0.0%	84	$11,764	26	7	21.2%
2	$33,910	88	0	0.0%	85	$11,288	10	95	90.5%
3	$33,910	96	0	0.0%	86	$11,076	13	25	65.8%
4	$33,910	68	0	0.0%	87	$10,224	14	0	0.0%
5	$33,910	76	0	0.0%	88	$8,520	49	0	0.0%
6	$33,910	52	0	0.0%	89	$8,520	17	8	32.0%
7	$33,910	72	2	2.7%	90	$7,947	22	26	54.2%
8	$33,910	82	3	3.5%	91	$7,668	14	25	64.1%
9	$33,164	81	3	3.6%	92	$7,592	32	1	3.0%
10	$33,910	75	4	5.1%	93	$7,058	52	0	0.0%
11	$33,910	78	6	7.1%	94	$6,816	25	32	56.1%
12	$33,910	88	8	8.3%	95	$5,010	19	40	67.8%
13	$33,910	75	7	8.5%	96	$0	73	1	1.4%
14	$33,910	98	14	12.5%	97	$0	47	10	17.5%
15	$33,910	84	14	14.3%	98	$0	47	11	19.0%
16	$33,910	84	15	15.2%	99	$0	22	30	57.7%
17	$33,910	69	22	24.2%	100	$0	5	10	66.7%
18	$33,910	59	48	44.9%	101	$0	25	97	79.5%
19	$33,910	71	68	48.9%	102	$0	15	145	90.6%
20	$33,910	85	103	54.8%	103	$0	13	147	91.9%

Table 9. List of the top and bottom APJ bonus earners sorted by bonus rank

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Because the statistical distribution of the shares X_t and X_b of *ex parte* appeals in the workload of APJ cannot be adequately modeled by specific known probability distributions, methods for unknown probability distributions—non-parametric tests—are applied. The null hypothesis that the sample of appeal workload share in the top bonus earners, X_t, and the bottom bonus earners, X_b, are drawn from the same underlying probability distribution is tested. If this null hypothesis can be rejected, one may conclude that the difference in the share distribution is statistically significant. The Mann-Whitney non-parametric two-sample test,[115] also known as the Wilcoxon Rank Sum test, is used for this purpose. Its statistical formulation is as follows:

Let $\boldsymbol{x}$ and $\boldsymbol{y}$ be two random variables having cumulative probability distribution functions F and G respectively. The variable $\boldsymbol{x}$ is called *stochastically smaller* than $\boldsymbol{y}$ if $F(a) > G(a)$ for every a. The Mann-Whitney non-parametric test uses samples x_i, $i = 1\ldots n$, and y_j, $j = 1\ldots m$, drawn from two such ensembles to test the null hypothesis $F = G$ against the alternative hypothesis that $\boldsymbol{x}$ is stochastically smaller than $\boldsymbol{y}$. Mann & Whitney showed in their seminal paper that their test is suited for large or small samples and they specifically provide tables for tests using sample sizes n and m from 1 to 8.

Lehmann subsequently showed[116] that the Mann-Whitney test is unbiased and holds for discontinuous cumulative distribution functions. This is particularly applicable in our application wherein the workload share values X_t and X_b are discrete valued rational numbers, necessarily having cumulative distribution functions with discontinuities at those values. Moreover, the Mann-Whitney test is robust, resulting in fewer wrongfully significant results in the presence of one or two extreme values in the sample under investigation.[117]

We denote the workload share values for the top bonus earner group by x_i, $i = 1\ldots 20$, and the corresponding values for the bottom earners by y_j, $j = 1\ldots 20$. We assume that x_i and y_j are realizations of random variables $\boldsymbol{x}$ and $\boldsymbol{y}$ respectively. We formulate our hypothesis as follows:

> $\boldsymbol{H}_0$: $\boldsymbol{x}$ and $\boldsymbol{y}$ have equal cumulative probability distribution functions.
> $\boldsymbol{H}_1$: $\boldsymbol{x}$ is stochastically smaller than $\boldsymbol{y}$.

These hypotheses are tested and the results for this Mann-Whitney test are shown in Table 10.

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[115] Mann, H. B., & Whitney D. R., "On a test of whether one of 2 random variables is stochastically larger than the other," 18 *Annals of Mathematical Statistics,* 50-60. (1947).

[116] Lehmann, E. L. "Consistency and Unbiasedness of Certain Nonparametric Tests," 22 *Annals of Mathematical Statistics,* 165-179 (1951).

[117] Siegel, S. & Castellan, N.J. Jr., *Nonparametric statistics for the behavioral sciences,* 2nd Ed., McGraw-Hill. (1988).

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Ex parte Appeal Decision Share ccomparison by bonus earner category		
Mann-Whitney Test for Two Independent Samples		
APJ Sample	**Top 20 Bonus Earners**	**Bottom 20 Bonus Earners**
count	20	20
sample mean	0.127	0.4
median	0.06103	0.55154
rank sum	304	516
U	306	94
Rank Test Results	one tail	two tail
alpha	0.05	
U	94	
mean	200	
std dev	36.76	
z-score	-2.88359	
U-crit	139.04	127.45
p-value	**0.0020**	0.0039
Statistically significant	**yes**	yes

Table 10. Results of non-parametric statistical tests comparing two sample distributions of Appeal Workload in two bonus earner groups listed in Table 9.

First, note the large difference in their means and medians. Second, with extreme statistical significance ($p\ \ value = 2 \times 10^{-3}$ one-tailed), one can reject the null hypothesis H_0 in favor of H_1, i.e., x (X_t in our case) is stochastically smaller than y (X_b in our case). Mann–Whitney $U = 94$, $n = 20$, $m = 20$). This is a precise statistical confirmation of what can be casually observed in the list of values in columns X_t and X_b of Table 9.

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Appendix C
PAP Support Documents

Produced by PTO under FOIA Request F-21-00111 on May 27, 2021

Electronic copy available at: https://ssrn.com/abstract=3871108

Supporting Document to Administrative Patent Judge Performance Appraisal Plan FY2017

Element 1: Quality

[Placeholder-nothing to add here.]

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Element 2: Production

Item 2. Supporting information related to Major Activities

Crediting for decisions and orders in AIA trial proceedings is currently undergoing evaluation. Should any changes in methodology in assigning credit to decisions and orders be recommended for implementation during the course of the fiscal year, Judges will be notified well in advance, and provided the opportunity to give comments and feedback on any proposed changes.

In performing the major activities described in the Performance Appraisal Plan, judges will normally seek efficiency gains and utilize available resources to enhance annual production. Such efficiency gains include effective use of collaboration tools, administrative resources, and any additional resources available as a result of other Board programs (e.g., Detailee program).

Item 3. Supporting information related to Criteria for Evaluation

The previous Fully Successful and Marginal goals for decisional units produced annually reflected a current-year plus one (+1) adjustment for non-first year judges in view of the challenges faced by the Board in the current fiscal year. Such goal adjustments may be necessary in future Performance Appraisal Plan revisions to deal with unusual or extraordinary challenges facing the Board.

There is no particular ramp up number in productivity for new judges in a probationary period. The new judge should focus on building relationships with their colleagues and basic decision writing concepts. The progress made by a new judge toward hitting the fully successful productivity goal is evaluated on a case-by-case basis based on the individual needs of the new judge through discussion with that new judge's Lead Judge as a result of feedback from the new judge's mentoring judges and direct observations by the Lead Judge.

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Regarding production adjustments for extended medical leave and special projects, judges should keep their Lead Judge informed of an ongoing event, so that the Lead Judge is aware and any appropriate documentation (such as Doctor's notes, etc.) can be gathered as appropriate. Any adjustments in production will be reasonable in view of the individual circumstances. Judges who have a potentially disproportionate amount of APJ2 and APJ3 work as a result of mentoring or docket imbalance should inform their Lead Judge as soon as possible, so that the issue(s) may be addressed.

Judges will be provided the opportunity to explain and justify low decisional units earned and unusual patterns of case mailing.

Element 3: Supporting the Mission of the Board/Leadership

Item 2. Supporting information related to Major Activities

Activities related to the attributes described include:

- Shares efficient processes and methods with other internal stakeholders.

  -leading section, ex parte appeals, or trial meetings

  -preparing or presenting material at section, ex parte appeal, or trial meetings

  -preparing or presenting training or continuing legal education material

- Puts organizational objectives before personal interests.

  -participating in hiring efforts

  -volunteers willingly for organizational activities when opportunities become available.

- Inspires and empowers other internal stakeholders by example and by encouragement to think positively about work related challenges

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and to seek constructive solutions, to achieve organizational goals and objectives, and to achieve higher levels of performance.

-mentoring newer judges or patent attorneys

- Contributes significantly to the design and implementation of organizational methods and strategies that maximize internal stakeholder potential and which contribute to organizational objectives.

  -participating on Board committees that further the mission of the Board

  -preparing or presenting training or continuing legal education material

  -development of rules or policies

- Where change is required to better meet organizational objectives, adapts well to change (role model) and helps other internal stakeholders adapt and professionally thrive in a new and changing organizational environment.

Element 4: Internal/External Stakeholder Interactions

Internal stakeholders include Board co-workers (e.g., subordinates, other judges, and superiors), other USPTO employees, and USPTO contractors.

With respect to the circulation and mailing of decisions, it is expected that there may be some circumstances that impact the ability of a judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, judges should make every effort to respect the

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time of their colleagues in maintaining an even workflow and to allow other judges a sufficient amount for review taking into account that there may be other pressures on a reviewing judge's time.

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Supporting Document to Administrative Patent Judge Performance Appraisal Plan FY2018

Element 1: Quality

ARC comments are not binding, but instead suggestions that a panel may consider in preparing decisions.

Element 2: Production

Item 2. Supporting information related to Major Activities

Crediting for decisions and orders in AIA trial proceedings is currently undergoing evaluation. Should any changes in methodology in assigning credit to decisions and orders be recommended for implementation during the course of the fiscal year, Judges will be notified well in advance, and provided the opportunity to give comments and feedback on any proposed changes.

In performing the major activities described in the Performance Appraisal Plan, judges will normally seek efficiency gains and utilize available resources to enhance annual production. Such efficiency gains include effective use of collaboration tools, administrative resources, and any additional resources available as a result of other Board programs (e.g., Detailee program).

Item 3. Supporting information related to Criteria for Evaluation

There is no particular ramp up number in productivity for new judges in a probationary period. The new judge should focus on building relationships with their colleagues and basic decision writing concepts. The progress made by a new judge toward hitting the fully successful productivity goal is evaluated on a case-by-case basis based on the individual needs of the

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new judge through discussion with that new judge's Lead Judge as a result of feedback from the new judge's mentoring judges and direct observations by the Lead Judge.

Regarding production adjustments for extended medical leave and special projects, judges should keep their Lead Judge informed of an ongoing event, so that the Lead Judge is aware and any appropriate documentation (such as Doctor's notes, etc.) can be gathered as appropriate. Any adjustments in production will be reasonable in view of the individual circumstances. Judges who have a potentially disproportionate amount of APJ2 and APJ3 work as a result of mentoring or docket imbalance should inform their Lead Judge as soon as possible, so that the issue(s) may be addressed.

Judges will be provided the opportunity to explain and justify low decisional units earned and unusual patterns of case mailing.

Element 3: Supporting the Mission of the Board/Leadership

Item 2. Supporting information related to Major Activities

Activities related to the attributes described include:

- Shares efficient processes and methods with other internal stakeholders.
  -leading section, ex parte appeals, or trial meetings
  -preparing or presenting material at section, ex parte appeal, or trial meetings
  -preparing or presenting training or continuing legal education material

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- Puts organizational objectives before personal interests.
  -participating in hiring efforts
  -volunteers willingly for organizational activities when opportunities become available.
- Inspires and empowers other internal stakeholders by example and by encouragement to think positively about work related challenges and to seek constructive solutions, to achieve organizational goals and objectives, and to achieve higher levels of performance.
  -mentoring newer judges or patent attorneys
- Contributes significantly to the design and implementation of organizational methods and strategies that maximize internal stakeholder potential and which contribute to organizational objectives.
  -participating on Board committees that further the mission of the Board
  -preparing or presenting training or continuing legal education material
  -development of rules or policies
- Where change is required to better meet organizational objectives, adapts well to change (role model) and helps other internal stakeholders adapt and professionally thrive in a new and changing organizational environment.

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Element 4: Internal/External Stakeholder Interactions

Internal stakeholders include Board co-workers (e.g., subordinates, other judges, and superiors), other USPTO employees, and USPTO contractors.

With respect to the circulation and mailing of decisions, it is expected that there may be some circumstances that impact the ability of a judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other judges a sufficient amount for review taking into account that there may be other pressures on a reviewing judge's time.

Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

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Supporting Document to Administrative Patent Judge Performance Appraisal Plan FY2019

Element 1: Quality

ARC Comments. ARC comments are not binding, but instead suggestions that a panel may consider in preparing decisions.

Element 2: Production

Item 2. Supporting information related to Major Activities

Crediting. Decisional units (DUs) associated with *ex parte* appeals, *ex parte* reexamination proceeding appeals, *inter partes* reexamination proceeding appeals, and AIA proceedings are credited as follows in the table below. Decisional units associated with interference and derivation decisions should be discussed with a Lead Judge.

Activity	Credit	Exceptions	Notes
Ex parte Appeal Decision	1.0 DUs	*Ex parte* Appeal Decision prepared with assistance of Patent Attorney = 0.5 DUs	--
Ex parte Appeal Rehearing Decision	1.0 DUs	--	--
Ex parte Reexamination Decision	2.5 DUs	--	--
Inter partes Reexamination Decision	4.0 DUs	Decisions issued under 37 C.F.R. § 41.77(f) will be awarded 2.5 DUs.	--
Reexamination Rehearing Decision	1.0 DUs	--	--

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*Ex parte and Reexamination h*earing Under 35 U.S.C. § 134	0.3 DUs per APJ per hearing day	--	Credit assigned per hearing day scheduled, not based on the number of hearings that actually occur on the hearing day.
AIA Trial Institution Decision for *Inter Partes* Reviews (IPR DI)	5.0 DUs	Joinder Institution Decisions will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order.
AIA Trial Institution Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM / PGR DI)	5.5 DUs	Joinder Institution Decisions will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order.
AIA Trial Final Written Decision for *Inter Partes* Reviews (IPR FWD)	6.0 DUs	--	AIA Final Written Decision credit DOES NOT include credit for the associated motions to amend and motions to exclude, which are credited separately.
AIA Trial Final Written Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM /PGR FWD)	7.0 DUs	--	AIA Final Written Decision credit DOES NOT include credit for the associated motions to amend and motions to exclude, which are credited separately.
AIA Trial Rehearing Decision	1.0 DUs	--	--
AIA Trial Decision on Motion to Amend	1.0 DUs	--	--
AIA Trial Decision on Motion to Exclude	0.2 DUs	--	--
AIA Trial Order/Motion Decision	0.5 DUs	Orders that involve solely ministerial recordkeeping will be awarded 0.1 DUs. Examples of such orders include: Pro Hac Vice orders; orders authorizing withdrawal of an attorney; orders revising scheduling orders; orders included in *initial* conference call summaries; conference call summaries that do not include an order; and orders to expunge documents, correct clerical errors, or allow additional	This includes any other paper that is not an Institution Decision, Final Written Decision, or Rehearing Decision.

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		pages in a paper. If the panel deems it appropriate, such orders may be issued as single judge orders.	

By default, the authoring Judge is assigned the entire amount of credit due for a decision. Panel members may divide the credit for a decision amongst themselves, so long as they indicate in the mailing email how much credit each member will receive of the standard total credit for the decision. Panels may wish to designate authorship of such decisions as "Per Curiam."

If a Judge works on a concurrence, dissent, or decision on remand, the Judge may submit a request for ADUs, if appropriate, depending on the nature of the concurrence, dissent, or decision on remand and the amount of work involved.

Decisional credit is not awarded more than once for the same (or virtually the same) decision going out in more than one case. This includes Order/Motion Decisions, Decisions to Institute, and Rehearing Decisions. This does not include Final Written Decisions, except Final Written Decisions that address multiple joined petitions in the same paper. Authoring judges are required to indicate in the mailing email if the same decision is going out in more than one case.

Should any crediting changes be recommended for implementation during a fiscal year, Judges will be notified in advance, and provided the opportunity to give comments and feedback.

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Production resources. In performing the major activities described in the Performance Appraisal Plan, Judges will normally seek efficiency gains and utilize available resources to enhance annual production. Such efficiency gains include effective use of collaboration tools, administrative resources, and any additional resources available as a result of other Board programs (e.g., Detailee program).

Item 3. Supporting information related to Criteria for Evaluation

Probationary Judges. The productivity goals are not applied to Judges who are in their first year of the probationary period, relative to their start date. However, a Judge should work toward ramped-up production that ultimately reaches the level of at least the fully successful production level by the end of the ninth month from the start of the Judge's first probationary year. Although some deviation is expected, a new Judge's production might ramp-up as follows (relative to the number of months from the probationary year start date):

- Months 1-3: 30% of Fully Successful goal (6.3 DUs for the quarter);
- Months 4-6: 50% of Fully Successful goal (10.5 DUs for the quarter);
- Months 7-9: 70% of Fully Successful goal (14.7 DUs for the quarter); and
- Months 10-12: 100% of Fully Successful goal (21 DUs for the quarter).

In addition, the new Judge should maintain at least the fully successful production levels throughout the second probationary year. Also, during

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the probationary period, the Judge should focus on building relationships with their colleagues and basic decision writing concepts. Throughout the probationary period, the new Judge's Lead Judge should collect feedback from the new Judge's mentoring Judges and directly observe the new Judge to aid the new Judge in reaching and maintaining at least the fully successful production goal. If a Lead Judge identifies any concerns with a new Judge's prospect of reaching and maintaining at least the fully successful production goal, then the Lead Judge should discuss the situation with the new Judge and develop a strategy to address any impediments that is preventing the new Judge from attaining the fully successful production goal. The Lead Judge also should alert a Vice Chief Judge of the situation so that appropriate remediation can be done.

Examples of Situations for Additional Decisional Units, Production Goal Adjustments, and Deferment. Judges may request additional decisional units (ADUs), a production goal adjustment, or a deferment of production in managing their production during the fiscal year.

Additional Decisional Units. ADUs are awarded for uncredited or under-credited time spent drafting and mailing a decision. For instance, if a Judge spends 200 hours working on a decision to institute in an AIA trial because the case involves an inordinate number of grounds, issues, and pre-DI motions, the Judge may seek ADUs for the time spent on the decision to institute given its complexity.

Production Goal Adjustment. A production goal adjustment involves a reduction in the total number of DUs require to reach a certain production

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goal. For example, if a Judge spends 150 hours on a rulemaking special project, the Judge may request a production goal adjustment of 110 hours after subtracting a 40 hour base deductible. As another example, if a Judge is on extended medical leave for 320 hours as an extenuating circumstance, the Judge may request a production goal adjustment of 320 hours.

Deferment. A deferment is a postponement of production for a particular rating period (e.g., a quarter) to account for a Judge's atypical usage of annual and/or sick leave during the rating period. For example, if, during the first quarter of the fiscal year, a Judge uses a combination of annual and sick leave totaling 150 hours, which is many hours more than the Judge has earned at this point in the fiscal year, the Judge may request the Lead Judge to grant a deferment of 150 hours of production when evaluating the Judge's quarterly performance.

Example Production Assessment Situations. Production goals may be measured at any time during the fiscal year, including monthly or quarterly, and an APJ is expected to have earned that portion of the expected annual decisional units at least equal to the percentage of the rating period that has been completed, and the APJ must be at least at marginal performance. For all calculations, decisional units will be rounded up, and production goals will be rounded down, to the nearest whole number. For example, if the annual goal is to achieve 75 DUs for a rating above unsatisfactory and an APJ's production is assessed for a particular quarter of the fiscal year, the APJ would be expected to have earned at least 18 DUs (75 DUs required * 25% = 18.75 DUs, rounded down to 18 DUs

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required) for that quarter to achieve a rating above unsatisfactory. Similarly, if the annual goal is to achieve 75 DUs for a rating above unsatisfactory and an APJ's production is assessed for a particular month of the fiscal year, the APJ would be expected to have earned at least 6 DUs (75 DUs required * 0.08% = 6.25 DUs, rounded down to 6 DUs required) for that month to achieve a rating above unsatisfactory.

Miscellaneous. Judges who have a potentially disproportionate amount of APJ2 and APJ3 work as a result of mentoring or docket imbalance should inform their Lead Judge as soon as possible, so that the issue(s) may be addressed.

Judges will be provided the opportunity to explain and justify low decisional units earned and unusual patterns of case mailing.

Element 3: Supporting the Mission of the Board/Leadership

Item 2. Supporting information related to Major Activities

Activities related to the attributes described include:

- Shares efficient processes and methods with other internal stakeholders. For example:
    - leading meetings such as section meetings; and
    - preparing or presenting training or continuing legal education material

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- Puts organizational objectives before personal interests. For example:
    - participating in hiring efforts; and
    - volunteering for organizational activities when opportunities become available.
- Inspires and empowers other internal stakeholders by example and by encouragement to think positively about work related challenges and to seek constructive solutions, to achieve organizational goals and objectives, and to achieve higher levels of performance. For example:
    - mentoring newer judges or patent attorneys.
- Contributes significantly to the design and implementation of organizational methods and strategies that maximize internal stakeholder potential and which contribute to organizational objectives. For example:
    - participating on Board committees that further the mission of the Board;
    - preparing or presenting training or continuing legal education material; and
    - helping to develop rules or policies.
- Where change is required to better meet organizational objectives, adapts well to change (role model) and helps other internal stakeholders adapt and professionally thrive in a new and changing organizational environment.

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Element 4: Internal/External Stakeholder Interactions

Definition of Internal Stakeholders. Internal stakeholders include Board co-workers (e.g., subordinates, other judges, and superiors), other USPTO employees, and USPTO contractors.

Decision Circulation and Mailing. With respect to the circulation and mailing of decisions, there may be some circumstances that impact the ability of a Judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, Judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other Judges a sufficient amount for review taking into account that there may be other pressures on a reviewing Judge's time.

Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

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Supporting Document to Administrative Patent Judge[1] Performance Appraisal Plan

Statement of Policy for Interpreting the Performance Appraisal Plan. Because the work at the Board differs from Judge to Judge in terms of subject matter and jurisdiction, the Performance Appraisal Plan will be applied as appropriate in order to take into account the work and activities performed by a particular Judge throughout the year. The Performance Appraisal Plan is intended to be applied holistically so that the raters achieve uniform application for equivalent contributions.

Board Management will strive to provide consistency in application of the Performance Appraisal Plan.

Judges are rated against the standards set forth in the Performance Appraisal Plan, and are not rated by comparison to other Judges. This Supporting Document is intended to provide additional transparency for Judges as to the standards and activities mentioned in the applicable Performance Appraisal Plan.

Element 1: Quality

ARC Comments. ARC comments are not binding, but instead suggestions that a panel may consider in preparing decisions.

[1] The description in Elements 1 and 2 of this document are also used as supporting documentation for the
Lead Administrative Patent Judge Performance Appraisal Plan (LAPJ PAP). The description in Elements 3 and 4 do not apply to the LAPJ PAP. The Performance Appraisal Plans shall be interpreted based upon a reasonable person standard.

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Decision Circulation and Mailing. With respect to the circulation and mailing of decisions, there may be some circumstances that impact the ability of a Judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, Judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other Judges a sufficient amount for review taking into account that there may be other pressures on a reviewing Judge's time.

Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

Element 2: Production

Item 1. Supporting information related to Major Activities

Crediting. Decisional units (DUs) associated with *ex parte* appeals, *ex parte* reexamination proceeding appeals, *inter partes* reexamination proceeding appeals, and AIA proceedings are credited as follows in the table below. Decisional units associated with interference and derivation decisions should be discussed with a Lead Judge.

Activity	Credit	Exceptions	Notes

Electronic copy available at: https://ssrn.com/abstract=3871108

Ex parte Appeal Decision	1.1 DUs	*Ex parte* Appeal Decision prepared with assistance of Patent Attorney = 0.6 DUs	--
Ex parte Appeal Decision *addressing 35 U.S.C. § 101*	1.6 DUs	*Ex parte* Appeal Decision addressing 35 U.S.C. § 101 prepared with assistance of Patent Attorney = 0.8 DUs	--
Ex parte Reexamination Decision	2.5 DUs	--	--
Inter partes Reexamination Decision	4.0 DUs	Decisions issued under 37 C.F.R. § 41.77(f) will be awarded 2.5 DUs.	--
Reexamination Rehearing Decision	1.0 DUs	--	--
Ex parte and Reexamination hearing Under 35 U.S.C. § 134	0.3 DUs per APJ per hearing day	--	Credit assigned per hearing session scheduled, not based on the number of hearings that actually occur during the hearing session.
AIA Trial Institution Decision for *Inter Partes* Reviews (IPR DI)	5.5 DUs	Joinder Institution Decisions (including decisions denying institution) will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order. AIA DI Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Institution Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM / PGR DI)	6.0 DUs	Joinder Institution Decisions will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order. AIA DI Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Final Written Decision for *Inter Partes* Reviews (IPR FWD)	6.5 DUs	--	Final Written Decision on the merits. AIA Final Written Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Final Written Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM /PGR FWD)	7.5 DUs	--	Final Written Decision on the merits. AIA Final Written Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Rehearing Decision	1.0 DUs	--	--

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AIA Trial Decision on Motion to Amend – Preliminary Guidance	1.0 DUs	–	–
AIA Trial Final Written Decision on Revised Motion to Amend	1.5 DUs	--	A Final Written Decision on a Motion to Amend where no Revised Motion to Amend was filed is awarded 1.0 DUs, as indicated below.
AIA Trial Final Written Decision on Motion to Amend (no Revised Motion filed)	1.0 DUs	–	–
AIA Trial Decision on Motion to Exclude or Motion to Strike	0.2 DUs	--	--
AIA Trial Order/Motion Decision	0.5 DUs	Orders that involve solely ministerial recordkeeping will be awarded 0.1 DUs. Examples of such orders include: Pro Hac Vice orders; orders authorizing withdrawal of an attorney; orders revising scheduling orders; orders included in *initial* conference call summaries; conference calls satisfying the Motion to Amend conference requirement; conference; conference call summaries that do not include an order; and orders to expunge documents, correct clerical errors, or allow additional pages in a paper. If the panel deems it appropriate, such orders may be issued as single judge orders.	This includes any other paper that is not an Institution Decision, Final Written Decision, or Rehearing Decision.

By default, the authoring Judge is assigned the entire amount of credit due for a decision. Panel members may divide the credit for a decision amongst themselves, so long as they indicate in an email to crediting (PTABAppealsCrediting@uspto.gov or PTABAIACrediting@uspto.gov)

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how much credit each member will receive of the standard total credit for the decision. Panels may wish to designate authorship of such decisions as "Per Curiam."

If a Judge works on a concurrence, dissent, or decision on remand, the Judge may submit a request for Additional Decisional Units ("ADUs"), if appropriate, depending on the nature of the concurrence, dissent, or decision on remand and the amount of work involved.

Decisional credit is not awarded more than once for the same (or virtually the same) decision going out in more than one case. This includes Order/Motion Decisions, Decisions to Institute, and Rehearing Decisions. This does not include Final Written Decisions, except Final Written Decisions that address multiple joined petitions in the same paper. Authoring judges are required to indicate in the mailing email if the same decision is going out in more than one case.

Limitations on crediting specified above for joinder decisions do not affect consolidated cases.

An ex parte hearing session typically consists of one to six hearings. Two hearing sessions typically are scheduled each hearing day. It is possible that a judge may preside over two hearing sessions in one day.

A final written decision on the merits does not include terminations upon request for adverse judgement (37 C.F.R. § 42.73(b)) or under 37 C.F.R. § 42.72.

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Should any crediting changes be recommended for implementation during a fiscal year, Judges will be notified in advance, and provided the opportunity to give comments and feedback.

Production resources. In performing the major activities described in the applicable Performance Appraisal Plan, Judges will normally seek efficiency gains and utilize available resources to enhance annual production. Such efficiency gains include effective use of collaboration tools, administrative resources, and any additional resources available as a result of other Board programs (e.g., Detailee program).

Item 2. Supporting information related to Criteria for Evaluation

Probationary Judges. The productivity goals are not applied to Judges who are in their first year of the probationary period, relative to their start date. However, a Judge should work toward ramped-up production that ultimately reaches the level of at least the fully successful production level by the end of the ninth month from the start of the Judge's first probationary year. Although some deviation is expected, a new Judge's production might ramp-up as follows (relative to the number of months from the probationary year start date and with a Fully Successful goal of no fewer than 84 for the FY for non-probationary Judges):

- Months 1-3: 30% of Fully Successful goal (6.3 DUs for the quarter);
- Months 4-6: 50% of Fully Successful goal (10.5 DUs for the quarter);
- Months 7-9: 70% of Fully Successful goal (14.7 DUs for the quarter); and

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- Months 10-12: 100% of Fully Successful goal (21 DUs for the quarter).

In addition, the new Judge should maintain at least the fully successful production levels throughout the second probationary year. Also, during the probationary period, the Judge should focus on building relationships with their colleagues and basic decision writing concepts. Throughout the probationary period, the new Judge's Lead Judge should collect feedback from the new Judge's mentoring Judges and directly observe the new Judge to aid the new Judge in reaching and maintaining at least the fully successful production goal. If a Lead Judge identifies any concerns with a new Judge's prospect of reaching and maintaining at least the fully successful production goal, then the Lead Judge should discuss the concerns with the new Judge and develop a strategy to address any impediments that are preventing the new Judge from attaining the fully successful production goal. The Lead Judge also should notify a Vice Chief Judge of the concerns so that appropriate assistance can be provided.

Part-time Judges. Judges working a part-time schedule have a production goal that is prorated to correspond to the number of hours worked relative to a Judge working a full-time schedule.

Item 3. Supporting Information Related to Production Management Tools.

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In managing their production during the fiscal year, Judges may seek (1) additional decisional units (ADUs); (2) a production goal adjustment (PGA); or (3) a deferment of production.

Additional Decisional Units. ADUs are credits that may be authorized for work associated with drafting and mailing a particular decision (i.e., uncredited or under-credited time given the circumstances of the decision). For example, ADUs may be authorized where a decision is drafted but not mailed because, for example, the parties to an *inter partes* case settle their dispute, or a patent applicant files a Request for Continued Examination. ADUs also may be authorized where the case is extraordinarily complex, causing the Judge to spend significantly more time than normally required to draft and mail a routine decision.

Production Goal Adjustment. Production goal adjustments involve a reduction in the total number of DUs required to reach a certain production goal. Production goal adjustments are not made for the extra work associated with a particular decision, but instead are awarded to account for (1) extenuating circumstances (e.g., FMLA leave); or (2) special projects.

> *Extenuating Circumstances*. Production goals may be adjusted for extenuating circumstances including, but not limited to: (1) extended sick leave, defined as sick leave in excess of 8 days (i.e., 64 hours) per fiscal year; (2) extended annual leave, defined as annual leave in excess of 20 days (i.e., 160 hours) per fiscal year; (3) FMLA approved leave (whether annual and/or sick leave is substituted for leave without pay or not); (4) approved leave without pay; (5) military leave; (6) jury duty; and (7) religious compensatory time (where

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production was counted during the earning of the compensatory hours).

Special Projects. Production goals also may be adjusted for assisting the Board with special projects, such as rulemaking, committee participation, details, and acting in managerial capacity (e.g., as an Acting Lead Judge), that exceed a total of 40 hours (i.e., 40 hour deductible).

Production goal adjustments will be made on an hour-for-hour basis based upon the amount of time expected for each decisional unit as APJ1. For all calculations, decisional units will be rounded up, and production goals will be rounded down, to the nearest whole number. Any adjustments in production goals will be reasonable in view of the circumstances.

Deferment. A deferment is a postponement of production for a particular rating period (e.g., a quarter) to account for a Judge's atypical usage of annual and/or sick leave during the rating period (i.e., delayed production). The Judge must make up the deferred production later in the fiscal year. A deferment is available for atypical usage of annual and/or sick leave and not generally leave that falls under production goal adjustments (e.g., FMLA leave). The Judge must make up the deferred production later in the fiscal year, unless a Production Goal Adjustment is subsequently authorized.

Process to Request ADUs, Production Goal Adjustments, and Deferments. Judges are encouraged to request ADUs, PGAs, and deferments when appropriate, and no such requests, whether granted or denied, will be viewed negatively for performance appraisal purposes.

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Additional decisional units (ADUs). Judges should timely request ADUs from their Lead Judge, but need not do so in advance. When requesting ADUs, Judges should be mindful that requests should be commensurate with the number of DUs normally accorded to work as APJ1. As needed, a Lead Judge may consult with a Vice Chief Judge about an ADU request before making a decision. If a Judge disagrees with the Lead Judge's decision on the ADU request, then the Judge may seek review by a Vice Chief Judge.

Production goal adjustments. For PGA requests based on sick leave and annual leave, Judges (1) may only make up to two requests per year; and (2) may only make requests after August 1 of each fiscal year. Judges must provide all documentation necessary to validate the PGA request to their Lead Judge, including copies of earnings and leave statements if the PGA relates to extended leave. The documentation should be adequate to support the Judge's calculation of leave taken since the previous fiscal year ended (i.e., a calculation of leave taken since October 1st of the previous year).

For PGA requests other than extended leave, Judges should submit a provisional request in advance (unless not possible given the situation) to their Lead Judge. The provisional request should anticipate the amount of time to be used for the triggering activity. The Lead Judge should decide the request based upon the anticipated time. After the Judge completes the triggering activity, the Judge should submit official production goal adjustment requests to their Lead Judge (copying their Vice Chief Judge) for approval. If advance consultation with a Lead Judge is not possible

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given the situation, then the Judge should consult with the Lead Judge as soon as practicable. If a Judge ultimately requires more time than originally anticipated in the provisional request, the Judge may revisit the production goal adjustment with the Lead Judge for possible modification when the Judge submits the official request.

Advance approval for PGAs may also be excused if the request is based on a special project that exceeded the anticipated scope indicated at the outset of the project, provided that the Judge in charge of the project approves of the amount of time spent on the project that is the subject of the PGA request. Similarly, a Judge may seek a PGA without prior approval for a combination of special projects that do not, when viewed in isolation, meet the 40-hour "deductible," but exceed the 40-hour threshold when viewed in combination, provided that the hours spent on each project are consistent with the expectations of the projects in question.

Deferment. A Judge should make the deferment request to their Lead Judge before the end of a rating period. As needed, a Lead Judge may consult with a Vice Chief Judge about a deferment request before making a decision on the deferment request. If a Judge disagrees with the Lead Judge's decision on the deferment, then the Judge may seek review by a Vice Chief Judge.

Production Assessments. Production goals may be measured at any time during the appraisal year, including monthly or quarterly, at which point the Judge will be expected to have earned that portion of the expected annual decisional units at least equal to the percentage of the

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rating period that has been completed. Production goal adjustments and deferrals will be taken into account to determine the expected decisional units required. The Judge must exhibit at least at marginal performance during the rating period specified.

A production assessment is not intended to be a wooden review of production without regard to the nuances of how decision drafting and crediting may occur due to the practicalities and nature of PTAB work. If a Judge (1) has completed the work to earn decisional units in a particular rating period, (2) has not yet received credit for the decisional units during the rating period, and (3) will receive the decisional unit credit in the following rating period, then the Lead Judge may take this circumstance into consideration in assessing the Judge's production for the rating period. That is, a Judge may be below the production goal for a rating period because the Judge has not yet received decisional unit credit for completed work. The Lead Judge should take the Judge's completed, but yet uncredited work, into account in determining whether the Judge's performance meets at least the marginal level. This situation may occur, for example, in the context of AIA trials as the end of a rating period approaches where Judges are diligent in drafting decisions, but will not receive decisional unit credit until several weeks later after the start of a new rating period. This situation may also occur when decisions are submitted to a paralegal with a sufficient amount of time to review prior to the end of the rating period, but the paralegal is unable to return the reviewed decision with sufficient time remaining in the rating period to allow the decision to mail prior to the end of the rating period. Other reasonable delays outside of the Judge's control will also be taken into consideration,

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e.g., management review, a case being considered for precedential or informative designation, etc.

Production or Crediting Questions. If a Judge has questions or concerns regarding production goals or crediting, the Judge should contact their Lead Judge, Vice Chief Judge, Deputy Chief Judge, or Chief Judge, as appropriate.

Examples of Situations for Additional Decisional Units, Production Goal Adjustments, and Deferment.

As a general guideline for use in calculating how many ADUs/PGAs to request, Judges should assume that 1 DU correlates to about 20 hours of work. The 20 hours/DU is only a guide for ADU/PGA requests, and there may be situations where the time spent does not adequately correlate to a given DU amount (e.g., the time on a case was spent inefficiently, or on work only indirectly related to the case in question, and the ADU request should not correspond to the hours guideline).

Additional Decisional Units. ADU requests should consider the extent to which the time involved in mailing a decision exceeds the average time necessary to complete a decision, and compare that excess amount of time to the 20 hours/DU guideline. ADU requests of less than .5 DUs are not permitted because variations of 10 hours or less from an average case are viewed as normal case-to-case variation.

Production Goal Adjustment. PGA requests should use the same 20 hours/DU guide when determining how much of an adjustment to request.

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For example, if a Judge spends 150 hours on a rulemaking special project, the Judge may request a PGA based on 110 hours, after subtracting a 40-hour base deductible. The 110 hours corresponds to a PGA of 5.5 DUs using the 20 hours/DU metric as a guide (110/20 = 5.5).

A Judge may also seek a PGA for extended sick leave or annual leave. Extended sick leave is defined as total leave in excess of 8 days (64 hours) for a full-time Judge. Extended annual leave is defined as total annual leave in excess of 20 days (160 hours) for a full-time Judge. These leave thresholds are prorated for part-time Judges. PGAs are available for leave taken above these thresholds, subject to the requirements noted above in the process section. As an example, if a Judge uses 12 days (96 hours) of sick leave, to determine the amount of extended sick leave available for a PGA, the Judge subtracts the 8 day threshold from the 12 days of sick leave taken. The result is 4 days, or 32 hours (12 days – 8 days = 4 days = 32 hours) available for a PGA request. To determine the amount of DUs that correspond to the 4 days/32 hours of extended sick leave, the Judge should divide the 4 days by the 20 hours/DU threshold. In this case, the PGA request would be 1.6 DUs (32 hours divided by 20 hours/DU). Similar calculations can be made for PGAs stemming from using more than 20 days (160 hours) of annual leave. Judges may receive PGAs for both sick leave and annual leave if the Judge exceeds both thresholds. As noted above, the PGA request can only be made after August 1, and the Judge must provide adequate documentation to support the calculation of leave taken.

Deferment. Deferments are separate from PGA requests, and can be requested at the end of any quarter. A deferment is a postponement of

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production for a particular rating period (e.g., a quarter) to account for a Judge's atypical usage of annual and/or sick leave during the rating period. For example, if, during the first quarter of the fiscal year, a Judge uses a combination of annual and sick leave totaling 150 hours, which is many hours more than the Judge has earned at this point in the fiscal year, the Judge may request the Lead Judge to grant a deferment of 150 hours of production when evaluating the Judge's quarterly performance.

Example Production Assessment Situations. Production goals may be measured at any time during the fiscal year, including monthly or quarterly, and an APJ is expected to have earned that portion of the expected annual decisional units at least equal to the percentage of the rating period that has been completed, and the APJ must be at least at marginal performance. For all calculations, decisional units will be rounded up, and production goals will be rounded down, to the nearest whole number. For example, if the annual goal is to achieve 75 DUs for a rating above unsatisfactory and an APJ's production is assessed for a particular quarter of the fiscal year, the APJ would be expected to have earned at least 18 DUs (75 DUs required / 12 months = 6.25 DUs per month; 6.25 DUs per month * 3 months = 18.75 DUs, rounded down to 18 DUs required) for that quarter to achieve a rating above unsatisfactory.

As noted above, PGAs involve a reduction in the total number of DUs required to reach a certain production goal, which applies to the DU thresholds set forth in the PAP. For example, based on an annual fully successful DU requirement of 84 DUs, a full-time judge with 3.5 approved PGAs over the fiscal year based on a combination of special projects and

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leave must achieve 71.5 DUs for a rating above unsatisfactory, 80.5 for a rating of fully successful, 88.5 for a rating of commendable, and 96.5 for a rating of outstanding.

Miscellaneous. Judges who have a potentially disproportionate amount of APJ2 and APJ3 work as a result of mentoring or docket imbalance should inform their Lead Judge as soon as possible, so that the issue(s) may be addressed.

Judges will be provided the opportunity to explain and justify low decisional units earned and unusual patterns of case mailing.

The same activity can count for more than one element in certain circumstances, not limited to the following examples. As an example, participation in the AIA Review Committee can count toward both Production and Supporting the Mission of the Board. Further, excess production and volunteering for quarterly closeout appeals can count toward Production and may also count towards Supporting the Mission of the Board.

Element 3: Supporting the Mission of the Board

Item 1. Supporting information related to Major Activities

Generally, Judges who successfully perform their judicial responsibilities in connection with decision writing will earn at least a Fully Successful rating for Supporting the Mission of the Board. Performing additional activities supporting the Board's mission, such as those described in this section, can augment a Judge's rating in this element. Certain activities traditionally associated with Production, such as excess

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production and volunteering for quarterly closeout appeals, may also count toward this element. On the other hand, engaging in activities detrimental to the Board's mission may cause a Judge to drop below a Fully Successful rating in this element.

The totality of a Judge's contributions to supporting the mission of the Board will be used to determine the Judge's overall rating in this element. In this regard, the Board will determine whether the Judge nearly always, usually, more often than not, infrequently, or very rarely or never, performs one or more of the following activities: i.e., supporting PTAB statutory duties and policies, supporting effective decision making, supporting effective PTAB functioning, serving as a role model, and supporting PTAB educational efforts. For reviews, each Judge is responsible for providing their Lead Judge sufficient detail, in writing, describing their contributions to this element (e.g., description of activity, time commitment, and/or level of participation).

Recognition will be given for volunteering for activities supporting the Board's mission, whether or not the Judge was actually selected to participate. Any special circumstances (e.g., extended leave, probationary judge, ARC member) will be taken into account in evaluating a Judge's contribution to supporting the mission of the Board.

Lists of examples

The following lists are provided as examples of the various activities a Judge may perform to support the mission of the Board. The lists are merely illustrative and are not exhaustive. Judges are encouraged to bring to the attention of their Lead Judge any other activities that the Judge believes supports the Board's mission, along

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with a brief explanation as to how the activity contributes to Supporting the Mission of the Board.

[a] **Supports PTAB Statutory Duties and Policies**. Example activities include:

- Participating in rulemaking
- Serving on ARC
- Keeping current with the law/cases
- Following applicable laws, regulations, and Office/Board policies
- Attending training sessions
- Assisting in the application of, and the development of policies related to, an aspect of the law, e.g., 35 U.S.C. § 101
- Reviewing and providing comments on decisions nominated for precedential designation
- Maintaining a neutral appearance in proceedings

[b] **Supports Effective Decision Making**. Example activities include:

- Volunteering for quarterly close-out/end-of-year *ex parte* cases
- Prioritizing older over newer cases
- Sending cases for prompt processing and mailing
- Taking on additional *ex parte* cases with an AIA docket
- Meeting deadlines
- No unexplained end-loading

[c] **Supports Effective PTAB Functioning**. Example activities include:

- Volunteering for committee work (even if not necessarily accepted)
- Serving on a committee (PAP, JAC, Training Committee, etc.)
- Assisting in hiring
- Participating in All-Hands activities
- Participating in Regional Office activities
- Traveling for a hearing (Regional Office or Alexandria) while on TEAPP

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- Volunteering to take another judge's place in a trial or *ex parte* case
- Volunteering to work on the Combined Federal Campaign (CFC)
- Attending PTAB lunches (Regional Office, Alexandria, Shirlington, TEAPP)
- Responding promptly to inquiries/correspondence
- Utilizing the "Issues of Interest Checklist" to notify management of issues of interest

[d] **Serves as a Role Model**. Example activities include:

- Mentoring new and/or fellow judges, both formally and informally
- Working with and/or supervising law clerks
- Working with and/or supervising patent attorneys
- Working with and/or supervising summer interns
- Working with and/or supervising detailees from other offices
- Participating in panel discussions and providing constructive feedback

[e] **Supports PTAB Educational Efforts**. Example activities include:

- Speaking engagements
- Serving as a Technology Center (TC) group contact
- Teaching/training the examining corps
- Public relations
- Presenting at Training Tuesday
- Attending conference(s) (e.g., PTAB Bench & Bar, AIPLA, PTAB Bar Association, PLI, ChIPs)
- Volunteering at the PTAB Community Day Table

Judges may also support effective PTAB functioning and serve as a role model by performing the following activities:

- Inspiring and empowering others by example and by encouragement to think positively about work related challenges and to seek constructive solutions, to achieve organizational goals and objectives, and to achieve higher levels of performance.

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- Where change is required to better meet organizational objectives, adapting well to change (role model) and helping others adapt and professionally thrive in a new and changing organizational environment.

Decision Circulation and Mailing. With respect to the circulation and mailing of decisions, there may be some circumstances that impact the ability of a Judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, Judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other Judges a sufficient amount for review taking into account that there may be other pressures on a reviewing Judge's time.

Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

Item 2. Supporting information related to Criteria for Evaluation
The rating official shall consider satisfaction of this element based upon a reasonable person standard.

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Element 4: Professionalism

Item 1. Supporting information related to Criteria for Evaluation

The rating official shall consider satisfaction of this element based upon a reasonable person standard.

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Supporting Document to Administrative Patent Judge[1] Performance Appraisal Plan

Statement of Policy for Interpreting the Performance Appraisal Plan. Because the work at the Board differs from Judge to Judge in terms of subject matter and jurisdiction, the Performance Appraisal Plan will be applied as appropriate in order to take into account the work and activities performed by a particular Judge throughout the year. The Performance Appraisal Plan is intended to be applied holistically so that the raters achieve uniform application for equivalent contributions.

Board Management will strive to provide consistency in application of the Performance Appraisal Plan.

Judges are rated against the standards set forth in the Performance Appraisal Plan, and are not rated by comparison to other Judges. This Supporting Document is intended to provide additional transparency for Judges as to the standards and activities mentioned in the applicable Performance Appraisal Plan.

Element 1: Quality

ARC Comments. ARC comments are not binding, but instead suggestions that a panel may consider in preparing decisions.

[1] The description in Elements 1, 2, and 4 of this document are also used as supporting documentation for the Lead Administrative Patent Judge Performance Appraisal Plan (LAPJ PAP), with differences noted below. The description in Element 3 does not apply to the LAPJ PAP. The Performance Appraisal Plans shall be interpreted based upon a reasonable person standard.

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Decision Circulation and Mailing. With respect to the circulation and mailing of decisions, there may be some circumstances that impact the ability of a Judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, Judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other Judges a sufficient amount for review taking into account that there may be other pressures on a reviewing Judge's time.

Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

Element 2: Production

Item 1. Supporting information related to Major Activities

Crediting. Decisional units (DUs) associated with *ex parte* appeals, *ex parte* reexamination proceeding appeals, *inter partes* reexamination proceeding appeals, and AIA proceedings are credited as follows in the table below. Decisional units associated with interference and derivation decisions should be discussed with a Lead Judge.[2]

[2] Throughout this document, if the document instructs a Judge to discuss an issue with or consult with a Lead Judge, if the Judge is a Lead Judge, that instruction should be construed as a similar instruction for the Lead Judge to discuss the issue or consult with their Vice Chief Judge.

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Activity	Credit	Exceptions	Notes
Ex parte Appeal Decision	1.1 DUs	*Ex parte* Appeal Decision prepared with assistance of Patent Attorney = 0.6 DUs	--
Ex parte Appeal Decision *addressing 35 U.S.C. § 101*	1.6 DUs	*Ex parte* Appeal Decision addressing 35 U.S.C. § 101 prepared with assistance of Patent Attorney = 0.8 DUs	--
Ex parte Reexamination Decision	2.5 DUs	--	--
Inter partes Reexamination Decision	4.0 DUs	Decisions issued under 37 C.F.R. § 41.77(f) will be awarded 2.5 DUs.	--
Reexamination Rehearing Decision	1.0 DUs	--	--
Ex parte and Reexamination hearing Under 35 U.S.C. § 134	0.3 DUs per APJ per hearing day	--	Credit assigned per hearing session scheduled, not based on the number of hearings that actually occur during the hearing session.
AIA Trial Institution Decision for *Inter Partes* Reviews (IPR DI)	5.5 DUs	Joinder Institution Decisions (including decisions denying institution) will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order. AIA DI Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Institution Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM / PGR DI)	6.0 DUs	Joinder Institution Decisions will be awarded 1.0 DUs for the underlying decision and 0.5 DUs for the Motion Decision.	AIA Institution Decision credit includes credit for the associated scheduling order. AIA DI Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Final Written Decision for *Inter Partes* Reviews (IPR FWD)	6.5 DUs	--	Final Written Decision on the merits. AIA Final Written Decision credit DOES NOT include credit for associated motions, which are credited separately.
AIA Trial Final Written Decision for Covered Business Method Reviews and Post-Grant Reviews (CBM	7.5 DUs	--	Final Written Decision on the merits. AIA Final Written Decision credit DOES NOT include credit for associated motions, which are credited

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/PGR FWD)			separately.
AIA Trial Rehearing Decision	1.0 DUs	--	--
AIA Trial Decision on Motion to Amend – Preliminary Guidance	1.0 DUs	--	--
AIA Trial Final Written Decision on Revised Motion to Amend	1.5 DUs	--	A Final Written Decision on a Motion to Amend where no Revised Motion to Amend was filed is awarded 1.0 DUs, as indicated below.
AIA Trial Final Written Decision on Motion to Amend (no Revised Motion filed)	1.0 DUs	--	--
AIA Trial Decision on Motion to Exclude or Motion to Strike	0.2 DUs	--	--
AIA Trial Order/Motion Decision	0.5 DUs	Orders that involve solely ministerial recordkeeping will be awarded 0.1 DUs. Examples of such orders include: Pro Hac Vice orders; orders authorizing withdrawal of an attorney; orders revising scheduling orders; orders included in *initial* conference call summaries; conference calls satisfying the Motion to Amend conference requirement; conference; conference call summaries that do not include an order; and orders to expunge documents, correct clerical errors, or allow additional pages in a paper. If the panel deems it appropriate, such orders may be issued as single judge orders.	This includes any other paper that is not an Institution Decision, Final Written Decision, or Rehearing Decision.

By default, the authoring Judge is assigned the entire amount of credit due for a decision. Panel members may divide the credit for a decision amongst themselves, so long as they indicate in an email to crediting

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Should any crediting changes be recommended for implementation during a fiscal year, Judges will be notified in advance, and provided the opportunity to give comments and feedback.

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Item 2. Supporting information related to Criteria for Evaluation

Probationary Judges. The productivity goals are not applied to Judges who are in their first year of the probationary period, relative to their start date. However, a Judge should work toward ramped-up production that ultimately reaches the level of at least the fully successful production level by the end of the ninth month from the start of the Judge's first probationary year. Although some deviation is expected, a new Judge's production might ramp-up as follows (relative to the number of months from the probationary year start date and with a Fully Successful goal of no fewer than 84 for the FY for non-probationary Judges):

- Months 1-3: 30% of Fully Successful goal (e.g., 6.3 DUs for the quarter);
- Months 4-6: 50% of Fully Successful goal (e.g., 10.5 DUs for the quarter);
- Months 7-9: 70% of Fully Successful goal (e.g., 14.7 DUs for the quarter); and

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- Months 10-12: 100% of Fully Successful goal (e.g., 21 DUs for the quarter).

In addition, the new Judge should maintain at least the fully successful production levels throughout the second probationary year. Also, during the probationary period, the Judge should focus on building relationships with their colleagues and basic decision writing concepts. Throughout the probationary period, the new Judge's Lead Judge should collect feedback from the new Judge's mentoring Judges and directly observe the new Judge to aid the new Judge in reaching and maintaining at least the fully successful production goal. If a Lead Judge identifies any concerns with a new Judge's prospect of reaching and maintaining at least the fully successful production goal, then the Lead Judge should discuss the concerns with the new Judge and develop a strategy to address any impediments that are preventing the new Judge from attaining the fully successful production goal. The Lead Judge also should notify a Vice Chief Judge of the concerns so that appropriate assistance can be provided.

Part-time Judges. Judges working a part-time schedule have a production goal that is prorated to correspond to the number of hours worked relative to a Judge working a full-time schedule.

Item 3. Supporting Information Related to Production Management Tools.

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In managing their production during the fiscal year, Judges may seek (1) additional decisional units (ADUs); (2) a production goal adjustment (PGA); or (3) a deferment of production.

Additional Decisional Units. ADUs are credits that may be authorized for work associated with drafting and mailing a particular decision (i.e., uncredited or under-credited time given the circumstances of the decision). For example, ADUs may be authorized where a decision is drafted but not mailed because, for example, the parties to an *inter partes* case settle their dispute, or a patent applicant files a Request for Continued Examination. ADUs also may be authorized where the case is extraordinarily complex, causing the Judge to spend significantly more time than normally required to draft and mail a routine decision.

Production Goal Adjustment. Production goal adjustments involve a reduction in the total number of DUs required to reach a certain production goal. Production goal adjustments are not made for the extra work associated with a particular decision, but instead are awarded to account for (1) extenuating circumstances (e.g., FMLA leave); or (2) special projects.

> *Extenuating Circumstances*. Production goals may be adjusted for extenuating circumstances including, but not limited to: (1) extended sick leave, defined as sick leave in excess of 8 days (i.e., 64 hours) per fiscal year; (2) extended annual leave, defined as annual leave in excess of 20 days (i.e., 160 hours) per fiscal year; (3) FMLA approved leave (whether annual and/or sick leave is substituted for leave without pay or not); (4) approved leave without pay; (5) military leave; (6) jury duty; and (7) religious compensatory time (where

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production was counted during the earning of the compensatory hours).

Special Projects. Production goals also may be adjusted for assisting the Board with special projects, such as rulemaking, committee participation, details, and acting in managerial capacity (e.g., as an Acting Lead Judge), that exceed a total of 40 hours (i.e., 40 hour deductible).

Production goal adjustments will be made on an hour-for-hour basis based upon the amount of time expected for each decisional unit as APJ1. For all calculations, decisional units will be rounded up, and production goals will be rounded down, to the nearest whole number. Any adjustments in production goals will be reasonable in view of the circumstances.

For Lead Judges, Vice Chief Judges will weigh the needs of the Board in determining appropriate production goals.

Deferment. A deferment is a postponement of production for a particular rating period (e.g., a quarter) to account for a Judge's atypical usage of annual and/or sick leave during the rating period (i.e., delayed production). The Judge must make up the deferred production later in the fiscal year. A deferment is available for atypical usage of annual and/or sick leave and not generally leave that falls under production goal adjustments (e.g., FMLA leave). The Judge must make up the deferred production later in the fiscal year, unless a Production Goal Adjustment is subsequently authorized.

Process to Request ADUs, Production Goal Adjustments, and Deferments. Judges are encouraged to request ADUs, PGAs, and

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deferments when appropriate, and no such requests, whether granted or denied, will be viewed negatively for performance appraisal purposes.

Additional decisional units (ADUs). Judges should timely request ADUs from their Lead Judge, but need not do so in advance. When requesting ADUs, Judges should be mindful that requests should be commensurate with the number of DUs normally accorded to work as APJ1. As needed, a Lead Judge may consult with a Vice Chief Judge about an ADU request before making a decision. If a Judge disagrees with the Lead Judge's decision on the ADU request, then the Judge may seek review by a Vice Chief Judge.

Production goal adjustments. For PGA requests based on sick leave and annual leave, Judges (1) may only make up to two requests per year; and (2) may only make requests after August 1 of each fiscal year. Judges must provide all documentation necessary to validate the PGA request to their Lead Judge, including copies of earnings and leave statements if the PGA relates to extended leave. The documentation should be adequate to support the Judge's calculation of leave taken since the previous fiscal year ended (i.e., a calculation of leave taken since October 1st of the previous year).

For PGA requests other than extended leave, Judges should submit a provisional request in advance (unless not possible given the situation) to their Lead Judge. The provisional request should anticipate the amount of time to be used for the triggering activity. The Lead Judge should decide the request based upon the anticipated time. After the Judge completes

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the triggering activity, the Judge should submit official production goal adjustment requests to their Lead Judge (copying their Vice Chief Judge) for approval. If advance consultation with a Lead Judge is not possible given the situation, then the Judge should consult with the Lead Judge as soon as practicable. If a Judge ultimately requires more time than originally anticipated in the provisional request, the Judge may revisit the production goal adjustment with the Lead Judge for possible modification when the Judge submits the official request. Lead Judges are expected to spend significant time on special projects and need not submit provisional requests in advance of working on special projects. Instead, a Lead Judge will consult with their Vice Chief Judge to determine the appropriate production goals in light of the circumstances and Board need.

Advance approval for PGAs may also be excused if the request is based on a special project that exceeded the anticipated scope indicated at the outset of the project, provided that the Judge in charge of the project approves of the amount of time spent on the project that is the subject of the PGA request. Similarly, a Judge may seek a PGA without prior approval for a combination of special projects that do not, when viewed in isolation, meet the 40-hour "deductible," but exceed the 40-hour threshold when viewed in combination, provided that the hours spent on each project are consistent with the expectations of the projects in question.

Deferment. A Judge should make the deferment request to their Lead Judge before the end of a rating period. As needed, a Lead Judge may consult with a Vice Chief Judge about a deferment request before making a decision on the deferment request. If a Judge disagrees with the Lead

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Judge's decision on the deferment, then the Judge may seek review by a Vice Chief Judge.

Production Assessments. Production goals may be measured at any time during the appraisal year, including monthly or quarterly, at which point the Judge will be expected to have earned that portion of the expected annual decisional units at least equal to the percentage of the rating period that has been completed. Production goal adjustments and deferrals will be taken into account to determine the expected decisional units required. The Judge must exhibit at least at marginal performance during the rating period specified. A Lead Judge will consult with their Vice Chief Judge to determine the appropriate production goals for a particular point in time in light of the circumstances, including special project work, section management responsibilities, and Board need.

A production assessment is not intended to be a wooden review of production without regard to the nuances of how decision drafting and crediting may occur due to the practicalities and nature of PTAB work. If a Judge (1) has completed the work to earn decisional units in a particular rating period, (2) has not yet received credit for the decisional units during the rating period, and (3) will receive the decisional unit credit in the following rating period, then the Lead Judge may take this circumstance into consideration in assessing the Judge's production for the rating period. That is, a Judge may be below the production goal for a rating period because the Judge has not yet received decisional unit credit for completed work. The Lead Judge should take the Judge's completed, but yet uncredited work, into account in determining whether the Judge's

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performance meets at least the marginal level. This situation may occur, for example, in the context of AIA trials as the end of a rating period approaches where Judges are diligent in drafting decisions, but will not receive decisional unit credit until several weeks later after the start of a new rating period. This situation may also occur when decisions are submitted to a paralegal with a sufficient amount of time to review prior to the end of the rating period, but the paralegal is unable to return the reviewed decision with sufficient time remaining in the rating period to allow the decision to mail prior to the end of the rating period. Other reasonable delays outside of the Judge's control will also be taken into consideration, e.g., management review, a case being considered for precedential or informative designation, etc.

Production or Crediting Questions. If a Judge has questions or concerns regarding production goals or crediting, the Judge should contact their Lead Judge, Vice Chief Judge, Deputy Chief Judge, or Chief Judge, as appropriate.

Examples of Situations for Additional Decisional Units, Production Goal Adjustments, and Deferment.

As a general guideline for use in calculating how many ADUs/PGAs to request, Judges should assume that 1 DU correlates to about 20 hours of work. The 20 hours/DU is only a guide for ADU/PGA requests, and there may be situations where the time spent does not adequately correlate to a given DU amount (e.g., the time on a case was spent inefficiently, or on work only indirectly related to the case in question, and the ADU request should not correspond to the hours guideline).

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Additional Decisional Units. ADU requests should consider the extent to which the time involved in mailing a decision exceeds the average time necessary to complete a decision, and compare that excess amount of time to the 20 hours/DU guideline. ADU requests of less than .3 DUs are not permitted because variations of 6 hours or less from an average case are viewed as normal case-to-case variation.

Production Goal Adjustment. PGA requests should use the same 20 hours/DU guide when determining how much of an adjustment to request. For example, if a Judge spends 150 hours on a rulemaking special project, the Judge may request a PGA based on 110 hours, after subtracting a 40-hour base deductible. The 110 hours corresponds to a PGA of 5.5 DUs using the 20 hours/DU metric as a guide (110/20 = 5.5).

A Judge may also seek a PGA for extended sick leave or annual leave. Extended sick leave is defined as total leave in excess of 8 days (64 hours) for a full-time Judge. Extended annual leave is defined as total annual leave in excess of 20 days (160 hours) for a full-time Judge. These leave thresholds are prorated for part-time Judges. PGAs are available for leave taken above these thresholds, subject to the requirements noted above in the process section. As an example, if a Judge uses 12 days (96 hours) of sick leave, to determine the amount of extended sick leave available for a PGA, the Judge subtracts the 8 day threshold from the 12 days of sick leave taken. The result is 4 days, or 32 hours (12 days – 8 days = 4 days = 32 hours) available for a PGA request. To determine the amount of DUs that correspond to the 4 days/32 hours of extended sick leave, the Judge

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should divide the 4 days by the 20 hours/DU threshold. In this case, the PGA request would be 1.6 DUs (32 hours divided by 20 hours/DU). Similar calculations can be made for PGAs stemming from using more than 20 days (160 hours) of annual leave. Judges may receive PGAs for both sick leave and annual leave if the Judge exceeds both thresholds. As noted above, the PGA request can only be made after August 1, and the Judge must provide adequate documentation to support the calculation of leave taken.

Deferment. Deferments are separate from PGA requests, and can be requested at the end of any quarter. A deferment is a postponement of production for a particular rating period (e.g., a quarter) to account for a Judge's atypical usage of annual and/or sick leave during the rating period. For example, if, during the first quarter of the fiscal year, a Judge uses a combination of annual and sick leave totaling 150 hours, which is many hours more than the Judge has earned at this point in the fiscal year, the Judge may request the Lead Judge to grant a deferment of 150 hours of production when evaluating the Judge's quarterly performance.

Example Production Assessment Situations. Production goals may be measured at any time during the fiscal year, including monthly or quarterly, and an APJ is expected to have earned that portion of the expected annual decisional units at least equal to the percentage of the rating period that has been completed, and the APJ must be at least at marginal performance. For all calculations, decisional units will be rounded up, and production goals will be rounded down, to the nearest whole number. For example, if the annual goal is to achieve 75 DUs for a rating above unsatisfactory and an APJ's production is assessed for a particular quarter

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of the fiscal year, the APJ would be expected to have earned at least 18 DUs (75 DUs required / 12 months = 6.25 DUs per month; 6.25 DUs per month * 3 months = 18.75 DUs, rounded down to 18 DUs required) for that quarter to achieve a rating above unsatisfactory.

As noted above, PGAs involve a reduction in the total number of DUs required to reach a certain production goal, which applies to the DU thresholds set forth in the PAP. For example, based on an annual fully successful DU requirement of 84 DUs, a full-time judge with 3.5 approved PGAs over the fiscal year based on a combination of special projects and leave must achieve 71.5 DUs for a rating above unsatisfactory, 80.5 for a rating of fully successful, 88.5 for a rating of commendable, and 96.5 for a rating of outstanding.

Miscellaneous. Judges who have a potentially disproportionate amount of APJ2 and APJ3 work as a result of mentoring or docket imbalance should inform their Lead Judge as soon as possible, so that the issue(s) may be addressed. Section Lead Judges are expected to be paneled with members of their section as part of section management responsibilities. Thus, Section Lead Judges may have a higher proportion of APJ2 and APJ3 work compared to non-Section Lead Judges.

Judges will be provided the opportunity to explain and justify low decisional units earned and unusual patterns of case mailing.

The same activity can count for more than one element in certain circumstances, not limited to the following examples. As an example,

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participation in the AIA Review Committee can count toward both Production and Supporting the Mission of the Board. Further, excess production and volunteering for quarterly closeout appeals can count toward Production and may also count towards Supporting the Mission of the Board.

Element 3: Supporting the Mission of the Board

Item 1. Supporting information related to Major Activities

Generally, Judges who successfully perform their judicial responsibilities in connection with decision writing will earn at least a Fully Successful rating for Supporting the Mission of the Board. Performing additional activities supporting the Board's mission, such as those described in this section, can augment a Judge's rating in this element. Certain activities traditionally associated with Production, such as excess production and volunteering for quarterly closeout appeals, may also count toward this element. On the other hand, engaging in activities detrimental to the Board's mission may cause a Judge to drop below a Fully Successful rating in this element.

The totality of a Judge's contributions to supporting the mission of the Board will be used to determine the Judge's overall rating in this element. In this regard, the Board will determine whether the Judge nearly always, usually, more often than not, infrequently, or very rarely or never, performs one or more of the following activities: i.e., supporting PTAB statutory duties and policies, supporting effective decision making, supporting effective PTAB functioning, serving as a role model, and supporting PTAB educational efforts. For reviews, each Judge is responsible for providing their Lead Judge sufficient detail, in writing, describing their contributions to

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this element (e.g., description of activity, time commitment, and/or level of participation).

Recognition will be given for volunteering for activities supporting the Board's mission, whether or not the Judge was actually selected to participate. Any special circumstances (e.g., extended leave, probationary judge, ARC member) will be taken into account in evaluating a Judge's contribution to supporting the mission of the Board.

Lists of examples

The following lists are provided as examples of the various activities a Judge may perform to support the mission of the Board. The lists are merely illustrative and are not exhaustive. Judges are encouraged to bring to the attention of their Lead Judge any other activities that the Judge believes supports the Board's mission, along with a brief explanation as to how the activity contributes to Supporting the Mission of the Board.

[a] **Supports PTAB Statutory Duties and Policies**. Example activities include:

- Participating in rulemaking
- Serving on ARC
- Keeping current with the law/cases
- Following applicable laws, regulations, and Office/Board policies
- Attending training sessions
- Assisting in the application of, and the development of policies related to, an aspect of the law, e.g., 35 U.S.C. § 101
- Reviewing and providing comments on decisions nominated for precedential designation
- Maintaining a neutral appearance in proceedings

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[b] **Supports Effective Decision Making**. Example activities include:

- Volunteering for quarterly close-out/end-of-year *ex parte* cases
- Prioritizing older over newer cases
- Sending cases for prompt processing and mailing
- Taking on additional *ex parte* cases with an AIA docket
- Meeting deadlines
- No unexplained end-loading

[c] **Supports Effective PTAB Functioning**. Example activities include:

- Volunteering for committee work (even if not necessarily accepted)
- Serving on a committee (PAP, JAC, Training Committee, etc.)
- Assisting in hiring
- Participating in All-Hands activities
- Participating in Regional Office activities
- Traveling for a hearing (Regional Office or Alexandria) while on TEAPP
- Volunteering to take another judge's place in a trial or *ex parte* case
- Volunteering to work on the Combined Federal Campaign (CFC)
- Attending PTAB lunches (Regional Office, Alexandria, Shirlington, TEAPP)
- Responding promptly to inquiries/correspondence
- Utilizing the "Issues of Interest Checklist" to notify management of issues of interest

[d] **Serves as a Role Model**. Example activities include:

- Mentoring new and/or fellow judges, both formally and informally
- Working with and/or supervising law clerks
- Working with and/or supervising patent attorneys
- Working with and/or supervising summer interns
- Working with and/or supervising detailees from other offices

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- Participating in panel discussions and providing constructive feedback

[e] **Supports PTAB Educational Efforts**. Example activities include:

- Speaking engagements
- Serving as a Technology Center (TC) group contact
- Teaching/training the examining corps
- Public relations
- Presenting at Training Tuesday
- Attending conference(s) (e.g., PTAB Bench & Bar, AIPLA, PTAB Bar Association, PLI, ChIPs)
- Volunteering at the PTAB Community Day Table

Judges may also support effective PTAB functioning and serve as a role model by performing the following activities:

- Leading and encouraging employees to think positively about work related challenges and to seek constructive solutions, to achieve organizational goals and objectives, and to achieve higher levels of performance.
- Where change is required to better meet organizational objectives, adapting well to change (role model) and helping others adapt and professionally thrive in a new and changing organizational environment.

Decision Circulation and Mailing. With respect to the circulation and mailing of decisions, there may be some circumstances that impact the ability of a Judge to advance a matter through the circulation process (such as workload, the impact of vacations for that judge or other judges on the panel, pressing special projects). However, Judges should make every effort to respect the time of their colleagues in maintaining an even workflow and to allow other Judges a sufficient amount for review taking into account that there may be other pressures on a reviewing Judge's time.

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Statutory deadline cases should be circulated at least 12 business days in advance of the deadline to the panel and at least 6 business days in advance to ARC. Additionally, reexam and reissue appeals should be handled with special dispatch and reviewed before ex parte appeals.

Item 2. Supporting information related to Criteria for Evaluation

The rating official shall consider satisfaction of this element based upon a reasonable person standard.

Element 4: Professionalism

Item 1. Supporting information related to Criteria for Evaluation

The rating official shall consider satisfaction of this element based upon a reasonable person standard.

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Mr. MASSIE. You said that the Supreme Court offered two solutions. There is actually a very good third solution which is the solution we had for the first 250 years, before AIA. It seems like we are struggling with this problem because we took something that belongs in the Judicial Branch and worked in the Judicial Branch for 250 years and stuck it in the most political branch there is. There is no bipartisanship in the Executive Branch even.

Congress is very political, but at least there is some Republicans and some Democrats at all times. In the Executive Branch, it is political, and the Judicial Branch is—I am just sitting here thinking all these problems get solved if you do one thing. Put it back the way it was. Put it back the way it was. Otherwise, we will be here. We can patch this PTAB up, but we are going to be here four more years wondering about how the system got corrupted, how the independence was lost, why inventors are getting messed over and they have no way to appeal it. We will just be back here again if we try to patch this thing up and I yield back my time. I yield back.

Mr. JOHNSON of Georgia. Thank you. At this time, we will recess for about 15–20 minutes for votes that have been called. We should be back in about 20 minutes.

[Recess.]

Mr. JOHNSON of Georgia. Okay, the Committee has gone back into session. With that, we will now hear for five minutes, Mr. Gaetz.

Mr. GAETZ. Thank you, Mr. Chair. Thank you for calling this hearing. I yield to Mr. Massie.

Mr. MASSIE. Thank you, Mr. Gaetz. Ms. Wright, I am glad you did this study and I wish it were complete. I am not sure why we called you here without a complete study, but since it is not complete, I am not blaming you for that. I want to ask you a question about the stakeholders who were interviewed to make sure you got the full picture.

Did any of the patent holders that were stakeholders, were you able to interview any patent holders who had their patents invalidated at PTAB and then couldn't get judicial review after that?

Ms. WRIGHT. I am not aware of any such instances from the folks that we spoke with. It was a really small group of people, 23 stakeholders total, and I think just a handle of patent owners.

Mr. MASSIE. It may be too late, but if it is not, I think it would be helpful to talk to patent holders who feel aggrieved by the PTAB and weren't able—specifically the ones who weren't able to get any kind of review at a Court of Appeals beyond that. I just think it is un-American that we have a system like that where somebody they have worked all their life, they worked really hard on something, they invested their time, their money, and in some cases mortgaging their businesses and homes, and then they get—and what we found out today, they get in a very nontransparent way, they get told we are just going to take that all away from you. What happens is they appeal it to the court, and then the court has this thing where they say, well, we are going to agree with PTAB, and we are not going to re-litigate. We are not going to go back and look at what they did. Every time an inventor comes in and says that to me, I am like how can this be in this country?

Mr. Smith, do you think that inventors deserve at least another review of their case in the Article III Courts, if their patent is invalidated by PTAB?

Mr. SMITH. Yes.

Mr. MASSIE. Are you aware of any cases where the higher court just refuses to actually look at the facts in the case?

Mr. SMITH. I think the structure of the AIA made it so that if no trial is instituted that decision is not reviewable. If a trial came to be instituted and the claims were declared to be unpatentable, I believe that the AIA most definitely creates a review structure within the Article III Court, first to the Federal Circuit and then to the U.S. Supreme Court.

Mr. MASSIE. What I am hearing from inventors is that the higher courts just refuse to review the facts.

Mr. SMITH. That is not my understanding.

Mr. MASSIE. Okay.

Mr. SMITH. My understanding is that the Article III Courts who review decisions of the PTAB have the same review of facts that they have in other cases under a higher standard, of course, than they review the law where that is reviewed de novo, but they certainly have available to them the opportunity to declare the work of the PTAB to have been in error with regard to any fact finding.

Mr. MASSIE. There is a patent holder or used to hold a patent sitting behind you. Had her patent stripped by PTAB and hasn't had that what seems to be a right of any American extended to her to have an actual review of the facts of the matter in the case. I think that is problematic.

Mr. Torczon, is it possible to patent a perpetual motion machine?

Mr. TORCZON. Unfortunately, yes. In fact, I had a friend who once took a tour of the European Patent Office where they proudly showed him their collection of U.S. patents to perpetual motion machines which was the entirety of their art on that subject.

Mr. MASSIE. Well, I think what Congress did when they passed AIA and created PTAB was they created something akin to a perpetual motion machine. When you get down in it, it does—it can't really exist. You can't really have judicial independence, especially now, in the context of *Arthrex* where they said it has to be, there has to be somebody who is politically appointed who has got at least some control over what is going on. The problem with that is even if it is not immediate and direct control over every patent review, it leans one way or the other and that happens every four years and patents last 20 years and it shouldn't be this whether you believe in stronger patents or weaker patents. I yield back the balance of my time.

Mr. JOHNSON of Georgia. We will now hear from the gentleman from Oregon, Mr. Bentz, for five minutes.

Mr. BENTZ. Thank you, Mr. Chair. I yield my time to the Congressman from California, Mr. Issa.

Mr. ISSA. I thank the gentleman for his kindness in his yielding.

Mr. Smith, earlier, quite a while earlier, there was a discussion about should you, having had a decision by PTAB, should you be entitled to a jury trial. There was also a question by the gentleman from Kentucky about this whole idea of being able to get back to

what I understood was the District Court if you didn't like what the PTAB did.

Let's go through a couple of historic items because the gentleman talked about restoring it as it was before the Invents Act. Do you get to have an Article III Judge and a jury review if there is an ex parte reexamination and your patent is invalidated?

Mr. SMITH. No, sir.

Mr. ISSA. So, that existed before 2011. Still exists, right?

Mr. SMITH. Yes, sir.

Mr. ISSA. Okay, so administrative processes don't—are decisions because that is the entity, the PTO grants the patent. They also are the ones that can say we erred and new information changes our decision.

Mr. SMITH. That is the current structure, yes, sir.

Mr. ISSA. Okay. The only difference between an ex parte and the inter partes is that the inter partes is open and transparent and if not interfered with does have a high-level judge looking at it and making decisions based on evidence that is potentially rebutted if inaccurate?

Mr. SMITH. Yes, sir.

Mr. ISSA. Okay. Now, let's talk though about this jury question because I think that is extremely important. Mr. Massie and I both have one thing in common which is we have a lot of patents and some patent experience, having been the litigants, if you will.

Does a judge give the jury the *Markman* decision in an Article III Court?

Mr. SMITH. Maybe yes, maybe no. There is a certain amount of complexity to it.

Mr. ISSA. Under *Markman* is the Article III Judge required to issue a *Markman* decision.

Mr. SMITH. The judge is required to issue a *Markman* decision. There comes to be the question of how much is there in the way of underlying facts which drive the question of a law that is determined at a *Markman* stage in a case. It could be that there are no facts in dispute in which case the jury had no role in the *Markman* determination by the judge.

Mr. ISSA. As a practical matter, Mr. Torczon, as a practical matter, *Markman* decisions by the judge which decide what the patent really means, not what the patent holder says it means when coming forward, but what it actually means, effectively can strip away claims as the plaintiff has alleged them, and can often define the outcome of the case. Is that a fair statement that *Markman*s often end cases or effectively end cases?

Mr. TORCZON. I think with the qualification of often, yes. In fact, the best proof of that is often at which you see settlements or indeed interlocutory appeals because it is dispositive.

Mr. ISSA. So, when we are looking at this tool created by Congress that has over 250, virtually 250 judges today working on, it is a tool—and correct me if I am wrong, that is fairly similar to other tools, but it has a couple of advantages. It is open and transparent if properly conducted. It has experts who specialize in it, which Article III Judges have a hard time being because they have other cases. The reality is it is less expensive, quicker, and has a narrow scope of what it is to decide.

Mr. TORCZON. Yes, I think that is true. In fact, I would point out that a lot of the concerns that are being addressed at this point were brought up in Oil States. The Supreme Court explained how the particular nature of this process that is basically a review of an expert agency's product that is simply get re-reviewed makes perfect sense and doesn't implicate the kinds of Seventh amendment concerns.

Mr. ISSA. Lastly, for the person behind you whose patent has been invalidated and my sympathies because that really hurts any time you lose a claim that you believe should be meritorious. If that happened effectively at a Markman or in an ex parte reexamination, the outcome would be the same. There would be no Federal Circuit appeal, correct?

Mr. TORCZON. I think there would be. Both reexams and District Court cases provide routes to Federal Circuit review. As Judge Smith pointed out, if a case isn't instituted, the patent owner has already won. If it is instituted, whoever wins or loses has a route to the same Federal Circuit review.

Mr. ISSA. So, she is not being denied that capability. She simply has to avail herself of it?

Mr. TORCZON. No, as somebody who has represented many patent owners at the Federal Circuit, I know that they review the cases in great detail. In fact, if anything, a criticism of the Federal Circuit is it re-weighs facts perhaps more than an Appellate Court should, so the idea that the Federal Circuit did not look at the facts is totally inconsistent with my 30 years of experience with the court.

Mr. ISSA. Thank you. I yield back.

Mr. JOHNSON of Georgia. We will now turn to the gentlelady from Minnesota, Ms. Fischbach, for five minutes.

Mrs. FISCHBACH. Well, thank you very much, Mr. Chair. I guess, I know this is going to be a difficult question or maybe not difficult, but maybe more expansive than four and a half minutes that I have got, but you know, one of—and this is to all the Witnesses. What do you think Congress can do to correct the issues raised in the GAO investigation? Both in the short term and in the long term and that is open to anybody, so if someone would like to jump in or any of these Witnesses.

Ms. WRIGHT. So, I would say from GAO's perspective, certainly we think that bringing more attention to the need for transparency and decisions is really important, including being able to identify whether the opinions that are issued are that of the three-judge panel or perhaps other parties.

Mrs. FISCHBACH. Legislatively, you think we could accomplish that?

Ms. WRIGHT. There are probably legislative avenues to do so.

Mrs. FISCHBACH. Okay. Thank you. Do any of the other Witnesses want to get into that and maybe—

Mr. ASIMOW. Yes, I would. One option that should be considered by Congress is the creation of a tribunal instead of the existing structure of the PTAB, that is, that it is no longer a part of USPTO, but is an independent adjudicating entity in which the director of the PTO would become a party and could appear on the

side of either litigant, but that otherwise, the process isn't controlled by the USPTO at all.

So, as an example of that, there are numerous examples. You might think about the Tax Court. So, if you have a tax dispute with the government, you are not litigating before the IRS, you are litigating before an independent adjudicating body called the Tax Court and the IRS is your opponent.

So, in general, and really around the world, this idea of the independent tribunal is an appealing model.

Mrs. FISCHBACH. Thank you very much. Mr. Torczon and forgive me for mispronouncing your name if I did. Do you have anything to add to that? I know that you touched on a few things earlier, sort of kind of talked about a few things and I am just wondering from your perspective are the things that Congress could do in short term and long time.

Mr. TORCZON. So, I am kind of an agnostic on this. I think the one real thing that needs to be done is a culture reset as the minimum. We have talked about how sort of a surgical requirement for transparency is probably necessary. Beyond that there are so many possibilities. Congress solved this problem in 1927 and inadvertently messed it up with the Civil Service Reform in the '70s. So, you could go back and make everybody a PAS which was the old way that it used to work.

There are all sorts of possibilities. I even give examples of moving the Article 1 Judges into the Judiciary. There are lots of possible choices, pluses and minuses to all of them, but transparency really is a necessary factor of any solution.

Mr. SMITH. If I may offer—

Mrs. FISCHBACH. Absolutely.

Mr. SMITH. First, my views on all the things I have spoken to today are my own and not that of Ecolab or anybody else. I should—that is entered into the record, but I think I should State that as well here.

I think this is a rare instance in which the solutions for Congress to follow have been spelled out somewhat more explicitly by the Supreme Court than in other instances. Presidential appointment of the judges is one route. That is solution number one. That maybe thought not the right solution for a variety of reasons.

Another is to have review, but make sure that is with inferior officers not appointed by the President, review of their decisions, that is entirely consistent with all the things we are concerned about, due process, transparency, and the like.

Maybe the mechanism already is part of what the system has in it. The Director decides in a case where the decision, the prudence of it, there is some misgivings about that to have the case reheard on rehearing by another purely independent panel which the Director again—where the Director again would not interfere with the independent determination. That maybe it is easier if the tribunal operates outside the agency or maybe mechanisms like that without the Director, possibly outside the agency, but that is the other path. Review, but with a review that is transparent and involves no interference.

As Judge Torczon was saying earlier, no ex parte communication ought to mean no ex parte communication and transparency. Every

communication being on the record should mean every communication being on the record.

Mrs. FISCHBACH. Thank you, and thank you to all the Witnesses for being here today. I appreciate that and I know you had to wait while we ran for votes, but thank you very much.

With that, Mr. Chair, I yield back.

Mr. JOHNSON of Georgia. I thank the gentlelady. Next, we will hear from the distinguished gentleman from California, Mr. Issa, for five minutes.

Mr. ISSA. I think the gentleman from Kentucky has a UC request if we could.

Mr. MASSIE. Mr. Chair, I ask unanimous consent to submit four documents to the record. The first is one I referenced earlier in case we didn't get that in there, titled How Pecuniary Interests of PTAB Judges-Empirical Analysis Related to Bonus Awards to Decisions. The second one is How Google and Big Tech Killed the U.S. Patent System. The third one, USPTO Response to FOIA Confirms There Are No Rules of Judicial Conduct for PTAB Judges. The fourth one I would like to submit, the Seventh amendment to the Constitution for the record because I believe the PTAB is an egregious violation of it. Thank you.

Mr. JOHNSON of Georgia. Without objection, so ordered.

[The information follows:]

MR. MASSIE FOR THE RECORD

www.ipwatchdog.com /2018/03/21/how-google-and-big-tech-killed-the-u-s-patent-system/id=95080/

How Google and Big Tech Killed the U.S. Patent System - IPWatchdog.com | Patents & Patent Law

Michael Shore March 21, 2018, 09:15 AM 58 ⁝ 20-25 minutes ⁝ 3/21/2018

This is the story about patents, but more importantly, it's a story about how the United States has become a modern day version of the Banana Republic. The term "Banana Republic" was coined by American author O. Henry in 1904 in reference to Honduras which came under extraordinary influence by multinational American fruit corporations.

Banana Republics are societies characterized by their starkly stratified social classes and a ruling-class plutocracy composed of the business, political and military elites. The Elites rule over a servile government that abets and supports, for kickbacks and bribes, the exploitation of the rest of society. Instead of Dole and United Fruit controlling Honduras, we now have Apple, Microsoft, Amazon, Google and other tech giants controlling Congress and the Executive Branch through unlimited lobbying by groups like the Internet Association[1], High Tech Inventors Alliance[2], the Software Alliance[3], Unified Patents[4] and through direct political donations. As demonstrated below, the only difference between Honduras in 1904 and the United States today is that the new bananas are smartphones and the software they contain.

What Are Patents?

A patent is a voluntary disclosure of new, novel and useful technical information to the world.[5] In essence, patents inform the world of something it has never seen before that can be used to solve a technical problem. For a patent to issue, the information disclosed must be sufficient to enable a person familiar with the technological field[6] to make the invention without undue additional experimentation.[7] The purpose of the patent system is to encourage the disclosure of new, innovative technology so the base of knowledge upon which other inventors work advances.[8] Technology advances faster and the world benefits from those advances when new technology is disclosed and built upon instead of hidden from other innovators in the field who, if they knew about the new technology, could further advance it.

In exchange for the technical disclosures in patents to competitors and potential competitors, the patentee has to be protected from free-riders and thieves who contributed nothing to the disclosed technical advancement, but would copy it for their own profit. So for disclosing her invention for others to advance going forward, the original inventor/patentee is granted a patent. The patent is an exclusive right to make money off her invention for a limited period of time. A patent is essentially a right to exclude others from using your invention without compensating you. A license from the patent owner to a company that wants to use the patented technology is a compensated, or bargained waiver of that right to exclude.

A strong patent system means an inventor can rely upon the strength of his patent to actually receive the benefit of the public disclosure of his invention. This reliance on a strong patent system is called the "presumption of validity"[9]. In order to attract investments, justify research and development efforts and develop new markets for new products, a patentee must be confident that its duly-issued (and paid for) United States patent will be enforced by the issuing government and therefore respected by competitors, both existing and potential. In other words, if the patent system is viewed as weak as to enforcement of patent rights, inventors receive nothing for disclosing their inventions. The free riders, copiers and thieves can simply take the free information without compensation to the inventor. If inventors see the patent system as weak, they will not disclose their inventions, but hide them as trade secrets. This stifles innovation because new inventions that if disclosed could be improved upon are left unavailable. Most inventions today are improvements on prior, disclosed inventions, so a weak patent systems that discourages patenting slows the advances of technology and the benefits those advances would have brought are delayed or not realized at all. Patents matter.

The beneficiaries of a weak patent system are large multinationals who already dominate their markets with financial power and market share like Google, Facebook, Apple and Amazon. The Elites do not need patents. As the gain dominance in their markets, innovation is not as important as market share, profits and maintaining their dominance. The "peasants" (read: small companies and inventors who must innovate to compete)

need strong patents to compete with, and perhaps one day join the Elites. Patents enable the American Dream.

What Google Wants, Google Gets

Google is in essence a software company built upon a set of algorithms to enable the efficient search of internet content. Google did not invent the internet (nor did Al Gore). The internet was invented by the United States government and research institutions supported by your tax dollars.[10] Google just found a really profitable way to enable the public to efficiently use the internet.

As a business, Google is very susceptible to competition. If a group of programmers in their garage could come up with a new set of algorithms that searched more accurately, faster or even in a way that uses less energy, Google could be replaced, or at least have its market dominance threatened. But such a threat only exists if the new market participant is protected by patents. Without patent protection, Google can simply copy the new methods or use its hundreds of billions in offshore cash to buy the new market entrant for less than its full value. Google understood its precarious position as to new and emerging technologies, so it did what any Banana Republic Elite would do–it set out to destroy what it perceived as the real threat: the United States patent system.

Google was one of the three largest bundlers of campaign contributions to President Obama.[11] The year after the America Invents Act ("AIA") was passed, Google employees and their spouses' direct contributions to Congressmen were almost $1 million, spread evenly between Republicans and Democrats.[12] Google spent $18 million on lobbyists the year the AIA was passed.[13] Google's support of "think tanks" and lobbying organizations was even greater, and was done in cooperation with other Silicon Valley tech giants.

What did Google get for its money? A new, weaker patent system that allows challenges to patents outside of court, without a jury, without any presumption of validity and using a low standard of proof. In essence, Google and its Elite friends killed any presumption of validity, the presumption that makes patents valuable by protecting the expectations of patent owners that their rights would be enforceable in neutral, impartial courts against infringers. The patent owners who paid for the research and development of their

inventions, paid attorneys to prosecute the patents according to the rules at the time, paid filing fees to the PTO, paid issuance fees to the PTO, paid maintenance fees to the PTO, then created markets for their patented products with investments in factories, distribution systems, marketing–all based on the presumption that these investments would be protected from copiers, free riders and thieves by a strong U.S. patent enforcement system now possessed patents that were ***not*** presumed to be valid under the new AIA procedures, a fact that has caused immense economic damage to inventors and small companies that depended on their patents for protection from infringing Elites.[14] The Elites paid their way to the destruction of the very things that made U.S. patents valuable–their presumption of validity and impartial courts to enforce them against infringers.

Google wanted a weak patent system because it already dominated the search and internet advertising market in 2012, the year the AIA went into effect, with a 67% market share.[15] Today with a weaker patent system firmly in place and no fear of any innovating competition protected by patents, Google's market share has increased to almost 80%.[16]

Killing the U.S. Patent System Required the Hiring of Executioners, in This Case, Administrative Patent Judges (APJs)

Now that Google and other Elites had destroyed the presumption of validity and removed impartial judges from the decision-making process via the AIA, they needed a set of executioners. To finish the job of killing the U.S patent system, the administrative judges appointed to hear the cases had to be insulated from meaningful legal review and understand that their job was to kill patents. Enter head banana, Michele Lee, the political appointee who headed the PTO's implementation of the AIA under bundler recipient President Obama.[17]

Lee is a former Google patent attorney who was in charge of patent *strategy* for Google.[18] After passage of the AIA and $36 million in lobbying by Google the prior two years, Ms. Lee was magically promoted to Director of the PTO from her position as head of the PTO's Silicon Valley regional office.[19] The fox was not only put in charge of the henhouse, it was a fox paid for by the wolves.

The Executioners Ms. Lee chose were a new AIA creation, Administrative Patent Judges, or APJs. They are not judges in the sense that term is understood by Americans. They are not independent:

1. APJs work for the PTO Director, a political appointee.
2. The PTO Director can hire and fire APJs who make decisions they do not like. There is no tenured independence for APJs.
3. The PTO Director decides what to pay APJs and can change their pay for any reason.

4. If an APJ panel asserts its independence and reaches a decision the PTO Director does not like, the Director may convene an expanded panel to re-decide a case until the PTO Director and his/her political boss is satisfied with a panel's decision.[20]
5. The PTO Director may assign the APJs for each panel, so the decision on who hears the case is a political decision.
6. APJs are not bound by the Code of Conduct for United States Judges or any other ethics code.
7. APJs can decide cases involving former clients.[21]
8. APJs are allowed to decide cases then go to work for the same companies that sought to invalidate patents.
9. APJs are exempt from job performance reviews.

Judges that are chosen by politicians who decide cases brought by political donors to the politicians are not really judges at all. They are banana workers who pick the bananas the donors want picked.

And even if the APJs were independent, which they are not, the procedures designed by Michele Lee governing the APJs conduct were set up to kill patents. Neither the AIA nor PTO rules limit the number of times a patent can be subjected to *inter partes* review. Let that sink in. The Elites can keep attacking a patent they do not like, directly or through surrogates, until they find a panel that will kill it. No matter how many times a patent owner wins at the PTAB, its patents are never safe.

Since the creation of IPRs, patents have been routinely reviewed on multiple occasions, some patent families having ***more than 125*** separate petitions filed. Because a decision of one PTAB panel does not bind another one, surviving one review provides no armor against subsequent challenges. Thus, a PTO Director (or for that matter a President of the United States) intent on invalidating a *particular* patent for a major donor or supporter can continue ordering more and more *inter partes* reviews until the desired outcome is achieved. Pass the bananas.

The Effect of PTAB Invalidating Patents Via IPRs

On September 26, 2016, the U.S. Commerce Department released a comprehensive report, "Intellectual Property and the U.S. Economy: 2016 Update," which found that IP-intensive industries support at least 45 million U.S. jobs and contribute more than $6 trillion dollars to, or 38.2 percent of, U.S. gross domestic product. The report, a joint product of the Commerce Department's United States Patent and Trademark Office and Economics and Statistics Administration serves as an update to the Intellectual Property and the U.S. Economy: Industries in Focus report released March 2012.[22] A crisis is developing in this sector of the U.S. economy, however, as new AIA procedures allowing attacks on the validity of U.S. patents have made these valuable assets far less valuable and therefore incapable of supporting the same level of investment in new industries and technologies. Jobs are being lost, millions of high paying, high tech jobs. Some

economists are estimating the decline in the value of U.S. patents to be in the ***trillions*** of dollars.[23] That is a *lot* of bananas.

Why the drop in value? Remember, patents are only valuable if they can be enforced, so any "reform" efforts that make enforcing a patent more expensive and less certain as to outcome harms the patent owner and undermines the ability of the U.S. economy to protect inventors' rights. The proof is in the cost of bananas. The average price per patent over the three-year period 2012 to 2014 dropped 61% from $422,286 per patent to $164,232. In that timeframe, the number of patents sold by inventors dropped from just under 7000 to 2800, showing a decrease in liquidity in the patent market. The overall sales dropped from $3 billion to well under one-half billion in patent sales per year, or by 84%. The trend accelerated after 2014.[24] If an inventor cannot sell his or her invention for a price that supports their time and effort, they will stop inventing. When they stop inventing, innovation stops.

Why did this precipitous drop in the value of United States patents occur? IPRs.

Federal District Court with the traditional protections to patent owners invalidates 28.76% of patents as of 2015. The PTAB invalidates 76.61% in IPRs, and because there is no limit on the number of IPRs that can be filed against a patent, the infringers and free riders can keep filing IPRs until they win. The effective kill rate is likely close to 90%, and in some industries even higher.[25] If the IPRs were really intended to stop bad patents from being enforced at great cost, then the results in IPRs and district courts should be the same, or very similar. But the kill rate for patents in IPRs is almost three times higher. Unless you believe that the US Patent Office is wrong on its efforts to issue patents 2 of 3 times it acts, there is something else going on in IPRs. The IPR statistics prove that the system was not designed to get to the same results faster and cheaper, but to get to a different result – the destruction of the United States patent system.

Since passage of the AIA, the United States has fallen from 1st to 12th in the ranking of the strength of its intellectual property system, now tied with Italy and behind all other highly developed economies.[26] As the U.S. weakens its patent system, other countries are strengthening theirs. China in particular is beefing up its patent infringement remedies like injunctions and allowing ever higher damages awards.[27] So the center of the intellectual property universe will move to China. That can only be bad for U.S. inventors and companies. China designs its IP policies to protect Chinese entities.

The United States Congress has effectively redesigned our intellectual property policies to protect political contributors, many of which are multinational corporations that have no loyalty to the United States because a majority of their revenue is sourced (and kept beyond the reach of US taxes) overseas. Anti-patent, market dominating multinational Elites like Google are loyal to profits and their ability to dominate markets.

A Banana Republic only continues to exist as long as it can supply the bananas. Today, the Elites need the U.S. less and less. They keep trillions of dollars overseas to avoid taxes, they build their products in Asia and their largest markets are quickly becoming Asian as well. We are selling our democracy to the highest bidder while those same bidders are planting all their new banana trees elsewhere. Go ask the people of Honduras what United Fruit and Dole are doing for them now.

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[1] *See* https://www.recode.net/2018/1/5/16854324/silicon-valley-trump-netflix-free-internet-association-fcc-net-neutrality-lawsuit

[2] *See* https://www.hightechinventors.com/

[3] *See* http://www.bsa.org/

[4] *See* https://www.unifiedpatents.com/

[5] *See* https://www.bitlaw.com/patent/requirements.html

[6] The term of art in the patent world is a "person of ordinary skill in the art" of the invention. The person of ordinary skill in the art is a hypothetical person who is presumed to have known the relevant art at the time of the invention. Factors that may be considered in determining the level of ordinary skill in the art may include: (1) "type of problems encountered in the art;" (2) "prior art solutions to those problems;" (3) "rapidity with which innovations are made;" (4) "sophistication of the technology; and" (5) "educational level of active workers in the field." *In re GPAC,*57 F.3d 1573, 1579, 35 USPQ2d 1116, 1121 (Fed. Cir. 1995). "In a given case, every factor may not be present, and one or more factors may predominate." *Id.* See also *Custom Accessories, Inc. v. Jeffrey-Allan Indust., Inc.,* 807 F.2d 955, 962, 1 USPQ2d 1196, 1201 (Fed. Cir. 1986); *Environmental Designs, Ltd. v. Union Oil Co.,* 713 F.2d 693, 696, 218 USPQ 865, 868 (Fed. Cir. 1983).

[7] This "without undue experimentation" requirement is referred to as enabling the invention. *See* https://www.uspto.gov/web/offices/pac/mpep/s2164.html

[8] *See* http://www.iusmentis.com/patents/crashcourse/whatis/ ("Also, when the patent is published with all the details of the invention, other people learned of the existence of this invention. They might then be inspired to think up enhancements or alternatives to the patented invention. This is particularly true when the inventor refuses to license his invention, or when the licensing fee is too high. Third parties could then develop alternative technologies to work around the patent. Presumably they would then patent these alternatives. And then society benefits by having two inventions rather than one.")

[9] *See* 35 U.S.C. §282(a) ("A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall

be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.").

[10] *See* https://blogs.scientificamerican.com/observations/yes-government-researchers-really-did-invent-the-internet/

[11] *See* https://www.opensecrets.org/pres12/contrib.php?id=N00009638.

[12] *See* https://www.opensecrets.org/pacs/pacgot.php?cycle=2012&cmte=C00428623.

[13] *See* https://www.opensecrets.org/lobby/top.php?showYear=2012&indexType=s.

[14] *See* http://www.ipwatchdog.com/2017/02/06/patent-owners-iprs-bloomberg-aipla/id=78029/

[15] *See* https://searchenginewatch.com/sew/news/2232359/google-takes-67-search-engine-market-share.

[16] *See https://netmarketshare.com/search-engine-market-share.aspx?options*=

[17] *See* https://www.uspto.gov/about-us/michelle-k-lee

[18] *See Id.*

[19] *See* https://www.opensecrets.org/lobby/top.php?showYear=2014&indexType=s.

[20] *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal*, No. 2016-2321, 2017 WL 3597455, at *6 (Fed. Cir. Aug. 22, 2017) ("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.").

[21] *See* http://www.ipwatchdog.com/2017/05/02/ptab-judge-former-clients-uspto-conflict-rules/id=82765/ and http://www.ipwatchdog.com/2017/05/03/ethical-bar-practitioners-higher-ptab-judges/id=82870/ and http://www.ipwatchdog.com/2017/05/07/more-conflicts-interest-surface-second-ptab-judge/id=83012/.

[22] *See* https://www.uspto.gov/learning-and-resources/ip-motion/intellectual-property-and-us-economy.

[23] *See* https://patentlyo.com/patent/2015/06/america-invents-trillion.html.

[24] *See* https://www.iam-market.com/blog-entry/2016-patent-prices-hit-low-ebb-%E2%80%93-iam-market-had-positive-impact-transactions-landscape

[25] *See* http://www.ipwatchdog.com/2017/06/14/90-percent-patents-challenged-ptab-defective/id=84343/

[26] *See* http://www.theglobalipcenter.com/wp-content/uploads/2018/02/GIPC_IP_Index_2018.pdf

[27] *See* https://www.wsj.com/articles/SB123419814824764201.

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USPTO response to FOIA confirms there are no Rules of Judicial Conduct for PTAB Judges - IPWatchdog.com | Patents & Patent Law

Gene Quinn May 31, 2017, 05:12 PM 11 ⁝ 11-13 minutes ⁝ 5/31/2017

On Thursday, May 11, 2017, I submitted a Freedom of Information Act (FOIA) request to the United States Patent and Trademark Office (USPTO). My FOIA request sought a copy of any and all rules of judicial conduct, ethical policies and/or codes of professional or judicial conduct that apply to Administrative Patent Judges (APJs) of the Patent Trial and Appeal Board (PTAB).

Earlier today I received a response from the USPTO informing me that the information I requested is indexed and publicly available at the USPTO website link:

https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ethics-guidance

The website link provided by the USPTO contains no rules of judicial conduct or codes of judicial conduct, which means that the USPTO has indirectly confirmed that there are no rules or codes of judicial conduct that apply to Administrative Patent Judges (APJs) of the Patent Trial and Appeal Board (PTAB). All that appears at the webpage provided, which the USPTO characterized as containing the information responsive to my FOIA inquiry, are general ethics rules that apply to all employees of the USPTO. None of the documents specifically mention the Board, the PTAB, judges, Administrative Patent Judges, or APJs.

To call this revelation by the USPTO shocking is an understatement. 37 CFR 11.803 clearly contemplates the existence of rules of judicial conduct applicable to APJs, which obviously do not exist. According to §11.803, a practitioner commits an breach of the rules of ethics applicable to the practitioner if the practitioner becomes aware that an APJ has

violated the "applicable rules of judicial conduct" and does not report such violation to the appropriate authority. How a practitioner could inform the USPTO of a breach of applicable rules of judicial conduct violated by an APJ when no such rules exist is a mystery.

The lack of any judicial rules of conduct or ethical rules specifically tailored for judges on the PTAB is highly informative, and explains why it was possible for at least two PTAB judges to decide post grant challenges filed by former patent defense clients.

Over the last month we have written several times (here, here, here and here) about a Patent Trial and Appeal Board (PTAB) situation that, in my opinion, symbolizes everything that is wrong with a tribunal that is out of touch with reality. Prior to being hired in March 2013 by the U.S. Department of Commerce to become an Administrative Patent Judge (APJ) on the PTAB, Matthew R. Clements represented Apple as patent infringement defense counsel while working for Ropes & Gray. Since September 2014, APJ Clements has been assigned to numerous petitions, mostly CBMs but some IPRs, filed by Apple, his former client. Clements' record in deciding cases, perhaps predictably, is tilted overwhelmingly in Apple's favor. Similarly, APJ Stacy Beth Margolies has served as an APJ on at least two IPRs petitioned by Apple, both of which challenge patents owned by Voip-Pal.com, a developer of Internet telecommunications technologies. According to information from PACER, Margolies represented Apple as counsel in *Fast Memory Erase LLC v. Spansion Inc. et. al.* (ND Tex 3:08-cv-00977)(see screenshot).

It is practically unbelievable that the USPTO allows for a PTAB judge to decide petitions filed by their former patent infringement defense clients after a 1-year recusal period. *See Disqualification and Recusal*. These rules absolutely must be changed. They are wholly and completely inconsistent with any sensible notion of what it means to have a conflict of interest.

PTAB vs. Practitioner Ethics

The rule adopted by the USPTO to deal with ethical obligations to former clients is found at 37 C.F.R. 11.109, which reads in part:

> "(a) A practitioner who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing."

The comments to ABA Model Rule 1.9 are instructive, because in 2013 the USPTO adopted the ABA Model Rules to govern patent practitioners. The comments to Rule 1.9 read:

> "Matters are 'substantially related' for purposes of this Rule if they involve the same transaction or legal dispute or if there otherwise is a substantial risk that

> confidential factual information as would normally have been obtained in the prior representation would materially advance the client's position in the subsequent matter."

It also says: "knowledge of specific facts gained in a prior representation that are relevant to the matter in question ordinarily will preclude such a representation."

Clearly, in defending Apple for patent infringement the attorneys would learn all kinds of confidential and sensitive information about Apple, their business and legal philosophies, how they treat patent owners, litigation strategies, whether they intend to settle or take licenses ever, whether they will engage in a war of attrition, etc. etc. There is no way that any attorney could represent a party adverse to Apple in a patent infringement matter after having represented Apple. First, Apple would ***never*** allow it. Second, there is no way you could competently represent the new client without using knowledge of confidential and sensitive information learned, period.

Had either Clements or Margolies not been a member of the PTAB and one of the patent owners in the cases they were deciding had come to seek representation in a PTAB proceeding against Apple, the conflict of interest question would have been a much easier question. Having represented Apple previously as defense counsel the duty to a former client under 37 CFR 11.109 would prevent them from representing the patent owner adverse to Apple and now charging Apple with patent infringement, which is a prerequisite to the filing of a CBM petition. Had representation been accepted on behalf of a patent owner in proceedings brought by Apple there would be a direct and irreconcilable violation of the ethics rules applicable to patent attorneys and patent agents.

Importantly, there is no time limit on a duty to a former client, at least if you are a patent practitioner. So the 1-year recusal period is wholly without precedent and inappropriate for PTAB judges.

Thus, it seems clear that the ethical bar the USPTO sets for its own Administrative Patent Judges is lower than the ethical bar set for patent practitioners, which is pathetically sad. In what universe does it make any sense to have a lower ethical bar for judges deciding cases than for patent practitioners?

PTAB vs. Ethics for Federal Judges

Canon 2A of the Code of Conduct for Article III Judges, under the title "Respect for Law," says: "A judge should respect and comply with the law and should act at all times in a manner that promotes confidence in the integrity and impartiality of the judiciary." The commentary that goes along with Canon 2A begins by tackling the issue of an appearance of impropriety. The comment, in relevant part, reads:

> An appearance of impropriety occurs when reasonable minds, with knowledge of all the relevant circumstances disclosed by a reasonable inquiry, would

> conclude that the judge's honesty, integrity, impartiality, temperament, or fitness to serve as a judge is impaired. Public confidence in the judiciary is eroded by irresponsible or improper conduct by judges. A judge must avoid all impropriety and appearance of impropriety. This prohibition applies to both professional and personal conduct. A judge must expect to be the subject of constant public scrutiny and accept freely and willingly restrictions that might be viewed as burdensome by the ordinary citizen.

Canon 3C of the Code of Conduct for Article III Judges, under the title "Disqualification," reads in relevant part: "A judge shall disqualify himself or herself in a proceeding in which the judge's impartiality might reasonably be questioned…"

In the situation where there is not a *per se* disqualification under Canon 3C, such as for personal bias, the judge served as a lawyer in the same controversy, or the judge or a family member has a financial interest, the judge may disclose the reason disqualification would seem appropriate under Canon 3C and leave it up to the parties to decide. In this situation, however, the rules are very specific.

> The judge may participate in the proceeding if, after that disclosure, the parties and their lawyers have an opportunity to confer outside the presence of the judge, all agree in writing or on the record that the judge should not be disqualified, and the judge is then willing to participate. The agreement should be incorporated in the record of the proceeding.

Of course, a federal judge could (and perhaps should) conclude that adjudicating a matter involving a former client creates a personal bias, which creates a *per se* disqualification. If that is not the case, then the parties would have to be notified and given the opportunity to discuss outside the presence of the judge. If and only if all parties agree in writing can the judge continue on the case.

Thus, the rules of conduct applicable to a Article III Federal Judge are dramatically more strict than the measly 1-year recusal period the USPTO places upon PTAB judges.

Conclusion

PTAB judge are appointed by the Secretary of Commerce, which makes them far more than mere employees of the USPTO. They should be held to a higher standard than a generic all employees ethics policy. It is also unacceptable and completely nonsensical for APJs to have less stringent conflict standards than for the attorneys appearing before them.

President Trump campaigned on draining the swamp that is Washington, DC. Many on the left and the right have tried to do so in the past, so many are understandably very skeptical. If President Trump is at all serious about draining the swamp and preventing insiders from accessing influence, how can the Department of Commerce justify allowing

hand-picked PTAB judges to hear and decide cases dealing with the interests of a former defense client?

The post grant challenges ushered in by the America Invents Act (AIA) were intended to be an alternative to district court litigation. As we have learned over the last 4+ years, many of the procedural protections Americans are used to in federal district court do not apply at the PTAB, which can for example simply decide not to consider evidence timely submitted. But a lack of a code of judicial ethics applicable to PTAB judges is a bridge too far and simply cannot be the type of district court alternative that Congress meant to create, is it?

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Seventh Amendment to the Constitution

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

Mr. JOHNSON of Georgia. The gentleman is recognized.

Mr. ISSA. Thank you, if we could start again. Thank you. I think I am the closing Act here and so I want to bring back some questions that I think particularly my two judges, former judges are equipped to answer.

First, when we look at PTAB today, is it in fact an organization that has a lower reversal rate than Article III, at least as to the items that they have before them?

Mr. SMITH. I think the answer to that is yes.

Mr. ISSA. Is it quicker notwithstanding that you might be in two places, but the process is fairly quick?

Mr. SMITH. There is no question that is true. If a Congress did the PTAB the favor or the non-favor of requiring written decisions in no more than 365 days, I think at least during the period I was the Chief Judge, we did not take 366 days in even one case.

Mr. ISSA. So, we have a response that is quicker and more accurate, but perhaps lacks transparency. Because it is quicker and more accurate, it is fair to say at least on those decision it is less expensive for both sides, right?

Mr. TORCZON. I would say that is generally true just because the issues are so much narrower.

Mr. ISSA. So, knowing what is good about it, we have some challenges. I am going to ask one question to both of you, the Chair and I have talked about a lot of potential fixes including the tribunal and other options. Is it fair to say that in a previous court decision when bankruptcy judges, Article 1 Judges, were moved to fall under the Federal Circuit system, it both solved the problem and elevated the respect for the decision process?

Mr. TORCZON. Yes, I think that is true. I would say that my experience confirms GAO's which is that generally people believe that they are getting very high-quality decisions from the board. That is certainly my belief.

Mr. SMITH. The Bankruptcy Court solution, Article 1 Judges in the Article III world certainly have proven over time to work and the question is does it work for this circumstance? That is the matter before your esteemed selves.

Mr. ISSA. Well, in somewhat of a closing statement, the challenge we have is with the GAO's preliminary findings and what we hope to be some additional with whistleblowers that have come forward that we hope to bring public at the right time, we do believe that there needs to be Congressional action. Now, we want to do it measured. We want to do it carefully. In light of the Supreme Court, we want to do it constitutionally. So, that gives us several avenues.

Obviously, additional confirmed individuals who perhaps would be term and would not be as politically affected certainly is one possibility and the Chair and I have discussed it. The idea of moving to Article III oversight is another one. Because of the size of this court, it would bode well for it. Unfortunately, because of the size and complexity of it, the question is would we remove them from their technical environment, from an environment that is synergistic to what they do. All of those will have to be considered.

The one thing that I will ask is a closing question to each to the extent that you can answer it. If we were to scrap 250 judges and

growing, what would be the impact if all that work was moved back to the Article III Courts?

Mr. TORCZON. If I can start, I would point out that this is not really been the solution that has existed since the 1830s. The PTAB, the office since the 1830s, has reviewed and had trials between competing interests and has even taken out patents and patent interferences.

Mr. ISSA. Oh, my goodness. So, you are telling us that it is not new and what Mr. Massie is saying that we should just go back to the way it was, wouldn't actually take it all to the Article III, the way he implied? Tell me more, please.

Mr. TORCZON. As something actually like patent interferences which may be an extreme minority, yes, patent interferences covered all patentability issues and even covered inequitable conduct and invalidated patents as part of that process. The AIA has expanded the scope, but one of the reasons why the AIA was adopted is because it was very clear that the interference process was being abused to get a post-grant review process that otherwise wasn't available.

Mr. ISSA. Mr. Chair, that is probably the best place to close, the recognition that this is an evolution, that we have been here every 4, 10, or 20 years for more than a century, and that yes, we might be here again in four years, but that this is a process that has evolved because of past problems, not because somehow there was a new invention of a different remedy. I think our Witnesses have been very helpful in us making the record complete and I thank the Chair for his calling this hearing today and yield back.

Mr. JOHNSON of Georgia. I thank the Ranking Member and this concludes today's hearing. I want to thank all the Witnesses for your testimony today.

Without objection, all Members will have five legislative days to submit additional written questions for the Witnesses or additional materials for the record. Without objection, the hearing is adjourned.

[Whereupon, at 12:08 p.m., the Subcommittee was adjourned.]

APPENDIX

ACT The App Association

July 20, 2022

The Honorable Henry C. "Hank" Johnson
Chairman
United States House Judiciary Committee
Subcommittee on Courts, Intellectual Property,
and the Internet
Washington, District of Columbia 20515

The Honorable Darrell Issa
Ranking Member
United States House Judiciary Committee
Subcommittee on Courts, Intellectual Property,
and the Internet
Washington, District of Columbia 20515

RE: The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting

Dear Chairman Johnson and Ranking Member Issa:

We applaud your leadership on intellectual property (IP) issues, including your efforts to eliminate weak patents to protect the strength of legitimately issued patents via the America Invents Act (AIA). We welcome your review of the Patent Trial and Appeal Board after 10 years. Your letter to the Government Accountability Office (GAO) on June 2, 2021, is a well-timed examination of the United States Patent and Trademark Office's (USPTO's) oversight of the Patent Trial and Appeal Board (PTAB).[1] We agree that GAO should independently review (among other things) the mechanisms available to the director of USPTO to "influence [Administrative Patent Judge (APJ)] . . . decisions in AIA cases, such as . . . formal review of a decision such as through Precedential Opinion Panel (POP), personnel actions taken or threatened against APJs, or similar actions." Our recent experience with USPTO suggests that GAO's review of these aspects will reveal that USPTO director oversight has led to denials of PTAB reviews that should have been instituted, which undermines the strength of the patent system by leaving patents in force that are most likely invalid.

When enacting the AIA in 2011, Congress sought "to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive

[1] Letter from Hon. Henry C. "Hank" Johnson, Chairman, U.S. House Committee on the Judiciary, Subcommittee on Courts, Intellectual Property, and the Internet, and Hon. Darrell Issa, Ranking Member, U.S. House Committee on the Judiciary, Subcommittee on Courts, Intellectual Property, and the Internet, to Hon. Gene L. Dodaro, Comptroller General of the United States, Re: USPTO Director Oversight and Control of PTAB Decisions (Jun. 2, 2021), *available at* https://hankjohnson.house.gov/sites/hankjohnson.house.gov/files/documents/GAO%20Investigation%20Request%20Final.pdf.

litigation costs."[2] Congress also recognized "a growing sense that questionable patents [were] too easily obtained and are too difficult to challenge."[3] Small businesses, the main drivers of the U.S. economy, were at the core of Congress' decision to enact the AIA, especially the *inter partes* review (IPR) process. IPR provides a more affordable and efficient recourse for businesses of all sizes to exercise their rights – whether defending the validity of their granted patent or challenging a granted patent. Since its creation, IPR, administered by the Patent Trial and Appeal Board, has worked as intended and has reduced unnecessary litigation, saving $2.3 billion over just five years.[4]

The IPR process allows ACT | The App Association members to have a fair and dispassionate tribunal to first assess whether the patent used against them was properly reviewed and issued. Our members have limited resources for litigation, and the IPR process successfully provides a much-needed alternative for these small businesses that do not have the ability to withstand years of expensive federal court patent litigation that can easily cost millions of dollars. Patent litigants often rely on the fact that many of these small businesses do not have the capital to fight a case and use that to their advantage to force them into licensing arrangements accompanied with terms greatly benefiting the litigant. IPRs protect our members from some of the financial and temporal burdens associated with proceedings in front of Article III tribunals.

Unfortunately, over the last few years the USPTO has taken a series of actions that impose requirements rejected by Congress in the AIA and that serve to reduce IPR's effectiveness. For example, USPTO implemented changes to the rules of practice for instituting review on all challenged claims or none in IPR, post-grant review (PGR), and the transitional program for covered business method patents (CBM) proceedings before the PTAB in accordance with *SAS Institute Inc. v. Iancu*. As part of this change, USPTO amended the rules to eliminate the presumption in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response when deciding whether to institute an IPR, PGR, or CBM review. This rule change shifts the PTAB's process to unduly favor patent owners, significantly reducing due process for PTAB petitioners. Further, it appears that USPTO has failed to meet the requirements of the Administrative Procedure Act in proposing this rule change.

Equally worrisome is the rapidly growing string of "discretionary denials" from the PTAB in which the USPTO has chosen to ignore the statutory deadline allowing an IPR to be brought within one year after service of the complaint upon a petitioner. In conflict with congressional intent, the USPTO has substituted its own policy preference and directed the "discretionary denial" of timely-filed IPR petitions if the district court dockets an early trial date in a parallel infringement suit. This practice results in meritorious petitions being denied on extra-statutory grounds and adds cost, complexity, and uncertainty that Congress specifically sought to avoid by adopting a simple, clear one-year time bar. These discretionary denials under Section 314(a) have grown precipitously over the past three years and are on track to double yet again this year, and routinely deny timely-filed IPR petitions, leaving invalid patents in force to be litigated. Such policy changes most negatively impact minority-founded and -operated small businesses that demonstrably experience more difficulties in launching and growing new businesses in the digital economy.

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[2] H. R. Rep. No. 112-98, pt. 1, p. 40 (2011).
[3] *Id.* at p. 39 (2011).
[4] *See, e.g.,* Josh Landau, *Inter Partes Review: Five Years, Over $2 Billion Saved*, Patent Progress (Sept. 14, 2017).

Two precedential opinions expanded the ability of PTAB judges to deny proceedings at their discretion based on non-exclusive and procedural factors. The first decision, *NHK Spring Co., Ltd. v. Intri-Plex Techs, Inc.* (*NHK*) determined that PTAB judges could deny institution of IPR based on how close a parallel district court proceeding was to completion.[5] *Apple Inc. v. Fintiv, Inc.* (*Fintiv*) took a leap further by providing a non-exclusive list of factors for the PTAB to consider when determining whether to deny institution of IPR proceedings in light of parallel district court litigation.[6] The App Association publicly opposed the decision to declare *NHK* and *Fintiv* (*NHK-Fintiv*) as precedential and recognized that these decisions placed small businesses in an inequitable position. In 2021 alone, *NHK-Fintiv* rulings were considered in 45 percent of IPR institution decisions.[7] Discretionary denials purely based on procedure increased from 45 cases in 2018 to 123 cases in 2021.[8] By contrast, in 2021, discretionary denials based on the merits of a claim were only exercised in 10 out of 310 cases.[9]

NHK-Fintiv even enabled some federal judges to intentionally early-schedule district court cases in patent disputes (only to push trial dates back) to initiate a discretionary denial of the PTAB challenge to the validity of the same patents at issue. As a result, parties looking to avoid a PTAB examination of the validity of their patent(s) were incented to use those courts. Judge Alan Albright of the U.S. District Court for the Western District of Texas is widely recognized for this practice.

Defending against frivolous litigation is prohibitively expensive and more costly than an IPR.[10] The resurgence of behavior that necessitated the creation of IPR in the first place should send a strong signal that the USPTO's policy changes over the last four years have been ineffective and stray from Congress' envisioned role.

We welcome the opportunity to work with you as you examine USPTO's management of PTAB and to realize the vision of the AIA, in creating jobs and growing the American economy.

Sincerely,

Morgan W. Reed
President
ACT | The App Association

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[5] *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.,* Case IPR2018-00752, Paper 8 (Sept. 12, 2018) (designated precedential May 7, 2019).
[6] *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020).
[7] *Discretion Dominant: 45% of all 2021 Institutions analyzed Fintiv*, Unified Patents, (March 21, 2022), https://www.unifiedpatents.com/insights/discretion-dominant-45-of-all-2021-institutions-analyzed-fintiv.
[8] *Id.*
[9] *Id.*
[10] Britain Eakin, *PTAB Discretionary Denials Harming Patent System, Atty Says*, LAW360, (Dec. 1, 2020), https://www.law360.com/articles/1332942/ptab-discretionary-denials-harming-patent-system-atty-says.

QUESTIONS AND RESPONSES FOR THE RECORD

Congresswoman Zoe Lofgren Questions for the Record
Committee on Courts, IP, and the Internet
July 21, 2022: The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting

Ms. Candice Wright, your testimony cites that many of the oversight practices, which gave way to meddling, were created, or formalized in the last five years. Is it fair to say that most of the troubling behavior GAO has identified occurred within the last five years? (Footnote 40 of your Testimony). Could you please explain?

Ms. Candice Wright: This meddling with respect to the application of discretionary denial factors is something that I find particularly troubling given that institution decisions are immune from judicial review. Will your final report provide more details on how management oversight affected the application discretionary denial factors and the potential concerns? Please explain.

Mr. James Donald Smith: The GAO testimony suggests that management oversight by PTO officials rarely influences how PTAB panels rule on the merits of the case, but that it does influence judges' decisions on whether to institute a trial based on discretionary factors. My understanding is that the last PTO director unilaterally put in place a variety of discretionary denial factors during his time at the Office and that discretionary denials were rare prior to this. In your view, which party most often benefits from decisions to deny institution (i.e. discretionary denials) – petitioners or patent owners? Does it stand to reason that because it is the patent owner that is arguing for a denial of institution that meddling with respect to discretionary denials would generally have benefitted patent owners? Please explain.

Mr. Smith, Mr. Asimow, and Mr. Torczon: Based on affirmance rates at the Court of Appeals for the Federal Circuit, PTAB decisions appear to be more accurate than district court validity determinations at a small fraction of the cost. Notwithstanding the meddling identified by the GAO report, which occurred mostly under the previous director, is there general agreement that the PTAB remains an important avenue for ascertaining patent validity? Please explain.

Congresswoman Zoe Lofgren Questions for the Record

Committee on Courts, IP, and the Internet

July 21, 2022: The Patent Trial and Appeal Board After 10 Years, Part II: Implications of Adjudicating in an Agency Setting

Question: Ms. Candice Wright, your testimony cites that many of the oversight practices, which gave way to meddling, were created, or formalized in the last five years. Is it fair to say that most of the troubling behavior GAO has identified occurred within the last five years? (Footnote 40 of your Testimony). Could you please explain?

Response:

PTAB was established 10 years ago, in 2012, and most oversight practices were created or formalized in the last 5 years. Between 2012 and 2014, USPTO undertook large hiring initiatives for judges to respond to a rise in case numbers due to the introduction of AIA proceedings and a backlog of pending ex parte appeals of rejected patent applications. USPTO directors—in conjunction with PTAB management—developed and formalized many oversight practices in the last 5 years to better ensure consistency across decisions in light of the larger number of judges and the evolving nature of patent law and policy.

The increase in oversight practices was also echoed by most judges we surveyed for our work. Most of the judges we surveyed noted that oversight from previous USPTO directors and PTAB management has generally increased over time, with some variation in that level under different directors. Some judges we surveyed and interviewed noted that some past directors were very hands-off, whereas others were more involved in PTAB decisions. GAO's forthcoming report will provide more information on judges' perspectives of how management oversight has changed over time and its effects on their independence.

Question: Ms. Candice Wright, this meddling with respect to the application of discretionary denial factors is something that I find particularly troubling given that institution decisions are immune from judicial review. Will your final report provide more details on how management oversight affected the application discretionary denial factors and the potential concerns? Please explain.

Response:

GAO's forthcoming report will include information on judge's perspectives regarding discretionary denials. Judges we interviewed stated that management did not get involved in most cases; however, when they did, they primarily focused on certain issues, such as eligibility to institute an AIA proceeding.

Judges may decide to institute an AIA proceeding based on discretionary factors. Such discretionary factors can include, for example, whether the parties have a parallel case pending in the federal courts. A PTAB decision designated precedential in 2020, outlines several factors that a PTAB judge should consider when deciding whether to deny institution of an AIA proceeding if there is a parallel court proceeding. However, some judges we interviewed told us that comments received during Management Review, influenced or dictated which factors should be given more weight thus driving the judges' decision on whether to institute an AIA proceeding. In June 2022, PTAB released a study on parallel litigation that provides trends in discretionary denials.[1] PTAB noted that it plans to use the data to help inform its efforts to formalize the discretionary denial process.

[1]United States Patent and Trademark Office (USPTO), "Patent and Trial Appeal Board Parallel Litigation Study" (June 2022), accessed Oct. 14, 2022, https://www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_20220621_.pdf, and "PTAB Parallel Litigation Study Executive Summary" (June 2022), accessed November 7, 2022, https://www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_exec_summ_20220621_.pdf.

Congresswoman Zoe Lofgren Questions for the Record
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Mr. Asimow: Based on affirmance rates at the Court of Appeals for the Federal Circuit, PTAB decisions appear to be more accurate than district court validity determinations at a small fraction of the cost. Notwithstanding the meddling identified by the GAO report, which occurred mostly under the previous director, is there general agreement that the PTAB remains an important avenue for ascertaining patent validity? Please explain.

Answer to Congresswoman Lofgren: I strongly agree that PTAB is an important federal institution that should be preserved and strengthened. Decisions on patent validity should be made by experts in patent law, like three-judge panels of PTAB's Administrative Patent Judges, not by district judges (who often lack the technical background necessary to evaluate the validity claim) or by juries. Patent decisions in district courts are often subject to venue gaming to get the case into a particular district and before a particular judge; this is not possible with PTAB. PTAB decisions are quicker and more efficient than district court trials and thus cost the litigants less. PTAB's procedure (relying mainly on written testimony from depositions) is fair and efficient. Let's strengthen PTAB (perhaps by legislating an internal appellate mechanism), not weaken or abolish it.

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