

ARTICLE

EXCEPTIONAL, AFTER ALL AND AFTER *OIL STATES*: JUDICIAL REVIEW AND THE PATENT SYSTEM

MICHAEL S. GREVE¹

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¹ Professor of Law, Antonin Scalia Law School. I thank Ashton Copeland, Julian Flamant, Benjamin Janacek, and Tyler Whidby for splendid research assistance and the Center for the Protection of Intellectual Property for generous research support. Thanks to Aditya Bamzai, Eric Claey's, Chris DeMuth, Richard Epstein, Rob Gasaway, Andrew Grossman, Paul Gugliuzza, Jennifer Mascott, Adam Mossoff, Aaron Nielson, Ashley Parrish, Jeremy Rabkin, Arti Rai, and Steve Williams for helpful comments on earlier drafts. John Duffy has my gratitude for calling my attention to the topic. All errors etc. remain mine.

INTRODUCTION

Imagine, if you will: on the beach of a deserted South Pacific island, ecotourists encounter an adorable animal, soon affectionally called “Sandy,” with no resemblance to any other living creature. Upon report of the discovery, excited biologists, paleontologists, and zoologists descend on the island. They determine that Sandy is a very close relative of an ancient species. From copious fossil finds we know that the species was once populous and wide-ranging, but it was thought to have gone extinct eons ago.

What made Sandy survive—and why *here*, of all places? We know her (bare) bones from those fossils, but how do her organs and sinews function? How has she managed to cope with hostile neighbors and occasionally harsh weather conditions? She seems a bit disengaged; how does she act in moments of exertion? The Imperial Navy and the U.S. Marines sailed past the place, but now that the bipeds have arrived in force and on cruise ships, can Sandy survive the intrusion and perhaps an oil spill? Questions of that sort will come naturally and capture the imagination.

I propose to bring such inquisitiveness to bear on § 145 of the Patent Act²—a Sandy, and arguably *the* Sandy, not just of patent law but of administrative law more broadly. Section 145 permits private parties to contest a denial of a patent application by the Patent and Trademark Office (“PTO”) by means of an original action in a U.S. district court. That form of action was called a “bill in equity” in the nineteenth century. Common then, it is unknown to, and greatly at variance with, contemporary administrative law, which operates on the principles of agency adjudication and deferential, on-the-record appellate review. Few administrative lawyers are aware of § 145, and even many patent lawyers are only vaguely familiar with it. Yet there it is, look-uppable in Title 35 of the U.S. Code.

This Article traces the origins and the strange survival of § 145. It explains that the unassuming provision crystallizes profound legal tensions—between private right and public administration; between *Marbury* and *Chevron*—that continue to run through patent law and administration. And it argues that § 145 raises important questions concerning the separation of powers between the Executive and “the Judicial Power of the United States.” The remainder of this Introduction puts § 145 in the context of the current scholarly debate at the intersection of patent and administrative law, and then provides a road map.

The Exceptional § 145

Under the statutory patent regime of the nineteenth century, an invention patent (once issued and “vested”) was a matter of private right. As a rule, a patent could be revoked only in a full-scale judicial infringement proceeding under a very demanding standard of clear and convincing evidence. Over the past decades, however, Congress has created mechanisms of *administrative* patent

² 35 U.S.C. § 145 (2012).

revocation. Most consequentially, the 2011 Leahy-Smith America Invents Act (“AIA”)³ codified novel administrative mechanisms for patent review before the newly established Patent Trial and Appeal Board (“PTAB”), an adjudicatory body within the PTO.⁴ The reforms incentivized private parties, especially defendants in patent infringement actions, to initiate parallel review proceedings before the PTAB, where patent invalidity is much more easily established than in infringement actions. By design, the AIA produced a sharp increase in patent cancellations.⁵

Economists, policy experts, and patent lawyers have heatedly contended over the merits of this system. Critics have argued that the PTAB’s patent “death squad” has invited strategic abuse⁶ and undermined a reliable patent system that

³ Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011).

⁴ 35 U.S.C. §§ 6, 7(a)(1) (2012). The AIA partially replaced and partially supplemented pre-existing reexamination mechanisms. I will ignore the differences among the various proceedings unless they bear directly on the principal theme of this Article. For a brief description, see Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 CALIF. L. REV. 141, 144 (2019).

⁵ Brian Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. 93, 105 (2014); USPTO, PATENT TRIAL AND APPEAL BOARD STATISTICS 10 (2017), https://www.uspto.gov/sites/default/files/documents/AIA%20Statistics_March2017.pdf [https://perma.cc/96RU-JVJV]; USPTO, TRIAL STATISTICS IPR, PGR, CBM (2019), https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-06-30.pdf [https://perma.cc/G7QW-KWJB]. The PTAB has invalidated between 64% and 98% of patents under review, depending on the review program. Alden Abbott et al., *Crippling the Innovation Economy: Regulatory Overreach at the Patent Office*, REGULATORY TRANSPARENCY PROJECT OF THE FEDERALIST SOC’Y (Aug. 14, 2017), <https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf> [https://perma.cc/ZYZ6-MEVP] (citing Samson Vermont, *IPR Statistics Revisited: Yep, It’s a Patent Killing Field*, PATENTATTORNEY.COM (Feb. 8, 2017), <https://www.patentattorney.com/ipr-statistics-revisited-yep-its-a-patent-killing-field>) [https://perma.cc/9CZL-A9ZD]; Robert R. Sachs, *AliceStorm Update for Q1 2017*, BILSKI BLOG (Apr. 6, 2017), <https://www.bilskiblog.com/2017/04/alicestorm-update-for-q1-2017/> [https://perma.cc/XD7R-TMD7] (reporting an invalidation rate in CBM review at the PTAB of 97.8%).

⁶ See, e.g., Tony Dutra, *Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill*, BNA PAT. TRADEMARK & COPYRIGHT L. DAILY (Oct. 29, 2013) (quoting Randall Rader, former chief judge of the Federal Circuit, describing PTAB adjudicators as “acting as death squads, killing property rights.”); Tony Dutra, *America Invents Act Post-Grant Oppositions After Two Years: Benefit or ‘Death Squad’?*, BNA PAT. TRADEMARK & COPYRIGHT L. DAILY (Sept. 16, 2014), <https://news.bloomberglaw.com/ip-law/america-invents-act-post-grant-oppositions-after-two-years-where-do-we-go-from-here> [https://perma.cc/D8HS-GLB8]; Rob Sterne & Gene Quinn, *PTAB Death Squads: Are All Commercially Viable Patents Invalid?*, IPWATCHDOG (Mar. 24, 2014), <http://www.ipwatchdog.com/2014/03/24/ptabdeath-squads-are-all-commercially-viable-patents-invalid/id=48642/> [https://perma.cc/K665-3LTV]; see also Peggy P. Ni, *Rethinking Finality in the PTAB Age*, 31 BERKELEY TECH. L.J. 557, 586 (2016) (criticizing Federal

rewards investments in innovation.⁷ Moreover, some scholars insist that administrative patent cancellations are not only a bad idea, but also unconstitutional.⁸ Invention patents, the argument goes (or went), are private rights. Their cancellation requires adjudication in Article III courts, not in administrative agencies. In contrast, defenders of the AIA have argued that the statute established a badly needed mechanism to weed out patents that should never have been granted in the first place, and to install the PTO—rather than the Federal Circuit—as the principal agent in developing substantive patent law.⁹ In support of this position, administrative law scholars have called for an end to “patent exceptionalism.” The patent system, they say, should be harmonized fully to the general principles of the APA: make room for agency expertise; conform judicial patent review to *Chevron* and associated deference canons.¹⁰

Circuit law for encouraging “gamesmanship” in parallel proceedings); Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. LAW J. 45, 55 (2016) (citing Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 522 (2011) (“inter partes review could potentially be abused by parties interested only in delaying and harassing competitors”)).

⁷ Abbott et al., *supra* note 5, at 3.

⁸ See, e.g., Gregory Dolin, *Yes, the PTAB Is Unconstitutional*, 17 CHI.-KENT J. INTELL. PROP. 457, 458 (2018); see also Greg Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. SCI. & TECH. L. 377, 379-80 nn.7, 11 (2017) (citing, *inter alia*, Michael Rothwell, *Patents and Public Rights: The Questionable Constitutionality of Patents Before Article I Tribunals After Stern v. Marshall*, 13 N.C. J. L. & TECH. 287 (2012)).

⁹ See, e.g., Stuart Minor Benjamin & Arti K. Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 DUKE L.J. 1563, 1568 (2016) (arguing that judges, and even more so juries, may be unequipped to “tackle questions at the intersection of law, science, and economic policy”); Michael D. Frakes & Melissa F. Wasserman, *Patent Office Cohorts*, 65 DUKE L.J. 1601, 1642 (2016); John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 DUKE L.J. 1657, 1658 (2016); Jonathan S. Masur, *CBA at the PTO*, 65 DUKE L.J. 1701, 1702 (2016). *But see* Orin Kerr, *Should the U.S. Patent and Trademark Office Get Chevron Deference?*, VOLOKH CONSPIRACY (Feb. 19, 2016), <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2016/02/19/should-the-u-s-patent-and-trademark-office-get-chevron-deference> [https://perma.cc/6Y9F-JJN6] (responding to comments by Jonathan Masur); Orin Kerr, *The Case for Patent Law and Criminal Law Exceptionalism in the Administrative State*, VOLOKH CONSPIRACY (Feb. 12, 2016), <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2016/02/12/the-case-for-patent-law-and-criminal-law-exceptionalism-in-the-administrative-state> [https://perma.cc/MV5N-R2ZC] (“I think it would be a bad idea to apply deferential standards in patent law or criminal law.”).

¹⁰ The initially small anti-exceptionalist garage band picked up a large horn section after the Supreme Court’s decision in *Dickinson v. Zurko*, 527 U.S. 150 (1999). See *infra* notes 169-175 and accompanying text. In the wake of the AIA’s enactment, it turned into the Notre Dame Marching Band. For a small sample of the voluminous literature, see Benjamin & Rai, *supra* note 9, at 318 (extensively discussing *Dickinson*); Peter Lee, *The Supreme Assimilation of Patent Law*, 114 MICH. L. REV. 1413, 1413 (2016) (“[T]he Court’s recent decisions reflect

The U.S. Supreme Court's June 2018 decision in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*¹¹ marks a milestone in this debate. The plaintiffs and their amici contended that invention patents are private rights that cannot be revoked administratively. The Supreme Court squarely rejected that wholesale attack on the AIA. Justice Clarence Thomas's opinion for the Court acknowledged that the distinction between private and "public" rights—that is, legal claims and entitlements that Congress may but need not commit to Article III adjudication—had received varying and inconsistent treatment in the Court's previous decisions.¹² But however one might draw the line, the Court continued, patent rights fall on the public side.¹³ Congress may, but need not, create invention patents under its Article I powers.¹⁴ It may grant such patents on its own or commit that task to an executive agency. It follows, Justice Thomas continued, that Congress may also commit the re-examination and cancellation of already-granted patents to Article III courts or, in its discretion, to executive bodies.¹⁵ Unmistakably, then, *Oil States* green-lighted a massive change in the relation between Article III adjudication and administrative patent determinations.¹⁶ It appears to leave no room for patent exceptionalism.

Enter Sandy.

a project of eliminating 'patent exceptionalism' and assimilating patent doctrine to general legal principles..."); Christopher J. Walker, *Chevron Deference and Patent Exceptionalism*, 65 DUKE L.J. ONLINE 149, 149-153 (2016) (summarizing and discussing various scholars' positions); Walker & Wasserman, *supra* note 4, at 161 ("There is little doubt that these new adjudicatory proceedings [of the AIA] have fundamentally changed the relationship between Article III patent litigation and the administrative state."); Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1965 (2013) [hereinafter Wasserman, *The Changing Guard*] ("[T]he AIA rejects over two hundred years of court dominance in patent policy by anointing the PTO as the chief expositor of substantive patent law standards."); Saurabh Vishnubhakat, *The Porous Court-Agency Border in Patent Law*, 51 AKRON L. REV. 1069, 1077 (2017) ("In all, court-agency substitution in the wake of the AIA highlights a decisive shift in favor of the Patent Office"). For an extension of the anti-exceptionalist argument from patent to trademark law, see Melissa F. Wasserman, *What Administrative Law Can Teach the Trademark System*, 93 WASH. U. L. REV. 1511, 1511 (2016) [hereinafter Wasserman, *Trademark System*].

¹¹ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1365 (2018).

¹² *Id.* at 1373.

¹³ *Id.* ("Inter partes review falls squarely within the public rights doctrine.").

¹⁴ U.S. CONST. art. I, § 8, cl. 8.

¹⁵ *Oil States*, 138 S. Ct. at 1373.

¹⁶ N. Scott Pierce, *Constitutional Separation of Powers & Patents of Invention: Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, IPWATCHDOG (Nov. 27, 2018), <https://www.ipwatchdog.com/2018/11/27/constitutional-separation-powers-patents-invention/id=103751/> [<https://perma.cc/TZ6J-L229>] ("[T]here may be no limit to the power Congress can grant to the Patent Office over the validity of patents, potentially usurping any role for the judiciary in this regard under Article III."); see also Walker & Wasserman, *supra* note 4, at 145 (characterizing the AIA adjudication scheme upheld in *Oil States*).

The patent system not only provides for rival mechanisms of defeating a patent; it also provides for rival mechanisms of *obtaining* a patent. A final patent denial by the PTO may be contested pursuant to § 141 of the Patent Act by way of an appellate action in the Federal Circuit.¹⁷ Alternatively, § 145 permits disappointed patent applicants to proceed by way of an original action in the U.S. District Court for the Eastern District of Virginia.¹⁸ Section 141 actions conform to the familiar APA model of appellate review: deferential, on-the-record judicial review, with remand to the agency for further proceedings and, when called for, issuance of the patent by the PTO. In contrast, § 145 actions are part and parcel of a patent law system that long predates the creation of the regulatory agencies of the Progressive Era and the New Deal. They belong to *Marbury*'s world of private right: adjudication is de novo, and a prevailing plaintiff's patent issues as of right.¹⁹

That world, of course, has long been supplanted by the appellate review model of the APA, *Crowell*,²⁰ and *Chevron*.²¹ The patent system remains bifurcated, with the *Marbury* model and the appellate review model operating side-by-side. In that respect, the patent system remains at variance with general administrative law.

An uncompromising anti-exceptionalism would call for legislative repeal of § 145 or, failing that, its judicial evisceration—more politely, its assimilation to ordinary appellate review principles. The latter course of action, we shall see,²² has in fact been the PTO's agenda and, for some length of time, the Federal Circuit's agenda. However, the Supreme Court has quite clearly rejected it.²³ Moreover, I confidently predict that the Court will re-affirm the "exceptional" *statutory* nature of patent law and the private-right understanding of § 145 even and especially after *Oil States*. Patent law will remain "exceptional"—just not for reasons grounded in property law and theory, but in a statutory and administrative-law sense.

One can arrive at that conclusion in the Supreme Court commentariat's customary fashion, by tallying up votes and opinions in the Court's copious decisions at the intersection of patent and administrative law.²⁴ However, I also intend to argue that a jurisprudence that protects § 145 against a triumphalist anti-exceptionalism is the correct understanding of the judicial review scheme

¹⁷ 35 U.S.C. § 141 (2012).

¹⁸ 35 U.S.C. § 145 (2012).

¹⁹ For discussion of these contestable propositions, see *infra* Parts III.A., IV.B.

²⁰ *Crowell v. Benson*, 285 U.S. 22 (1932).

²¹ *Chevron U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

²² *Infra* Part III.A.

²³ *Kappos v. Hyatt*, 566 U.S. 431 (2012); see *infra* text accompanying notes 179-205, 233-234.

²⁴ For example, Justice Clarence Thomas, the author of *Oil States*, also authored the opinion and decision in *Kappos v. Hyatt*, which resurrected § 145 from near-death.

under the Patent Act. That part of my argument requires a fuller discussion of Sandy's origins, survival, and place in the administrative ecosystem.

A Road Map

Part I of this Article describes the judicial review regime of the Patent Act and situates it in the context of general administrative law. Part II outlines the history of that regime, foremost including § 145, from its inception in 1836 to the enactment of the APA in 1946. While the deep-dive into nineteenth-century patent law and administration may seem needlessly detailed, history grounds much of the following analysis. Section 145, as mentioned, belongs to *Marbury's* world of private rights and separated powers.

Yet somehow, it has survived the contentions and convulsions that propelled the development of American administrative law and the triumph of the appellate review regime. The natural temptation is to view § 145 and its nineteenth-century judicial understanding through a modern-day administrative law lens and to view Sandy as just another appellate review cat, albeit a slightly strange one. The point of Part II is to demonstrate that this is wrong—historically, conceptually, and as a matter of statutory interpretation.

The relevance of this point appears in Part III, which describes the trajectory of the judicial review provisions in light of the APA and after the creation of the Federal Circuit in 1982. The overarching theme of post-APA patent case law has been a judicial propensity to eviscerate the patent system's bifurcated judicial review scheme, principally by treating § 145 as little more than an inconsequential oddity. However, that enterprise came to an end with the Supreme Court's decision in *Kappos v. Hyatt*,²⁵ which roundly rejected the Federal Circuit's and the government's efforts to assimilate § 145 proceedings to ordinary appellate review standards. Instead, in a striking display of "patent stare decisis" that hearkens back to nineteenth-century precedents, the Court reaffirmed, or perhaps resurrected, the distinctive nature of § 145 proceedings.²⁶

Part IV examines the practical and legal implications of § 145, as interpreted in *Hyatt*, for administrative patent revocation under the AIA. Even as Congress created the § 145 regime, it left the older machinery of judicial patent adjudication in place. The parallel operation of these two systems "has emerged as one of the most contentious issues in patent law today."²⁷ A central, recurring question is whether an Article III court's determination that a defendant in an infringement action has failed to prove patent invalidity—and a final judgment in the patent holder's favor—precludes a cancellation of that patent in a subsequent administrative proceeding before the PTAB. At first glance, such post-judgment proceedings look suspiciously like a constitutionally forbidden

²⁵ *Hyatt*, 566 U.S. at 431 (2012).

²⁶ See Benjamin & Rai, *supra* note 9, at 1594 (discussing *Hyatt* as a prime example of "patent stare decisis").

²⁷ Paul R. Gugliuzza, *(In)Valid Patents*, 92 NOTRE DAME L. REV. 271, 293 (2016).

executive revision of final judicial judgments.²⁸ However, the Federal Circuit has given the PTAB wide latitude to rescind patents despite preceding, seemingly conflicting judicial rulings. The Federal Circuit’s position hangs on a highly restrictive (and contestable) view of what constitutes a “final” judgment, and more important, on the premise that the patent under review issued *from the PTO*. Under principles of ordinary administrative law, the PTO is free to revisit its own earlier decision. The central contention of Part IV is that this reasoning does *not* apply to patents obtained through § 145 actions. To my mind, *Hyatt* says that those patents issue as the consequence of a conclusive, binding judgment of an Article III court. Congress may rescind the right to obtain such patents any day of the week, simply by repealing § 145. It may *not* purport to grant the right and then make the court’s final judgment subject to executive revision. Or so I will argue.

If that is wrong, I will re-think *Hayburn’s Case*. If it is right, the § 145 question may come to entail serious consequences both for patent administration and in terms of general administrative law. Part V examines these two dimensions. On the patent side, *Hyatt’s* understanding of § 145 may incentivize patent applicants to obtain patents through that route, since it may “gold-plate” them against PTAB review and reexamination. On the administrative law side, the question of whether the PTO may cancel a § 145 patent is bound to arrive at the Supreme Court sooner or later. A case of that description would invite (nay, well-nigh compel) the Justices to revisit broad questions both about “patent exceptionalism” and about the proper relation between courts and administrative agencies—questions that were centrally implicated, but hardly conclusively answered, in *Oil States*. Clearly, the *Oil States* Court rejected a version of patent exceptionalism grounded in the notion that something in the nature of invention patents commands their recognition as private rights for all constitutional purposes. But the Court did not by that token embrace a wholesale anti-exceptionalist agenda.²⁹ Read on its own, but especially in the context of the Supreme Court’s broader (patent) jurisprudence, *Oil States* in fact supports the notion that patent law remains “exceptional” for purposes of administrative law. Section 145, a creature grounded in long-lost notions of private right, will live and may in fact thrive. Part V explains the reasons for that confident prediction. A brief Conclusion follows.

²⁸ See *Hayburn’s Case*, 2 U.S. (2 Dall.) 409, 411 (1796); *Plaut v. Spendthrift Farm Inc.*, 514 U.S. 211, 233-34 (1995).

²⁹ Nor, for that matter, did the *Oil States* Court hold that patents cannot be private rights for other constitutional purposes, such as takings claims or sovereign immunity questions. In fact, the Court explicitly reserved those questions. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018). However, those questions are beyond the scope of this Article.

I. PATENTS, RIGHTS, AND JUDICIAL REVIEW

A. Two Models of Judicial Review

Administrative law of the nineteenth century rested on a constitutionally grounded distinction between private rights and public policy; between “vested rights” and “political questions.”³⁰ In matters of private right, aggrieved citizens needed access to an independent, Article III court, and as a rule, that court had to examine the official action *de novo*.³¹ In contrast, official actions that did *not* threaten to impinge upon private or vested rights were committed to the executive’s virtually unreviewable discretion unless Congress said otherwise.³² This universe included a set of “public” rights—that is, legal claims and entitlements (typically running against the government) that were judicially cognizable but which Congress could also, or alternatively, commit to adjudication by non-Article III tribunals.³³ Considerable uncertainty surrounded the question of what exactly constitutes a private right, as well as the closely related question of when a government-created entitlement becomes “vested” and thus equivalent to a private right.³⁴ Still, the conceptual distinctions that sustained the *Marbury* or “private rights” model remained quite clear.³⁵

For well-rehearsed reasons, the model did not survive the advent of the administrative state. Over the first decades of the twentieth century, it yielded to an “appellate review” model of administrative law.³⁶ Under that model, Congress may authorize administrative agencies to adjudicate matters within their jurisdiction in the first instance. In its landmark decision in *Crowell v. Benson*, the Court held that agency determinations of ordinary fact were to be reviewed on the record and under a deferential standard (what the Administrative Procedure Act calls “substantial evidence”).³⁷ Questions of law and of constitutional and jurisdictional fact were to remain subject to *de novo*

³⁰ *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 170 (1803).

³¹ Ann Woolhandler, *Judicial Deference to Administrative Action—A Revisionist History*, 43 ADMIN. L. REV. 197, 200 (1991).

³² *Id.*

³³ *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 283-284 (1855).

³⁴ Caleb Nelson, *Adjudication in the Political Branches*, 107 COLUM. L. REV. 559, 592 (2007).

³⁵ *Id.*

³⁶ Thomas W. Merrill, *Article III, Agency Adjudication, and the Origins of the Appellate Review Model of Administrative Law*, 111 COLUM. L. REV. 939, 942 (2011).

³⁷ *Crowell v. Benson*, 285 U.S. 22, 51-53, 65 (1932); Administrative Procedure Act, 5 U.S.C. § 706(2)(E).

review. Over time, however, that insistence gave way to judicial deference across the board.³⁸

The Administrative Procedure Act (APA) provides a general framework of appellate review.³⁹ In its aspiration, the APA creates a trans-substantive default regime. Its capacious definitions aim to cover just about any form of “agency” and “agency action.” The APA famously has been described as a “formula upon which opposing social and political forces have come to rest.”⁴⁰ But the compromise has always been a rough one; and in recent years, judges and scholars have raised serious questions both over the internal operation of the appellate review model and over its external boundaries. The “internal” questions concern the scope of judicial review under *Chevron* and associated judicial deference doctrines. The “external” questions concern the APA’s trans-substantive aspiration. It is widely accepted that not *all* forms of official action with the force of law fall under deferential review.⁴¹ The U.S. Supreme Court’s decisions leave open the possibility that *Crowell*’s system of administrative adjudication might have limits: in some matters of private right, an independent judicial determination may be required in the first instance.⁴² Both the internal (standard of review) and the external (boundary) questions loomed large in the patent law debate over the past two-plus decades. With respect to the “internal” question, anti-exceptionalist scholars have argued that the PTO’s decisions should be subsumed under *Chevron*’s domain.⁴³ That proposition was met with objections that the PTO has never conformed to the Progressive and New Deal model of a “heroic” regulatory agency⁴⁴ and that even after the enactment of the

³⁸ For an excellent discussion, see Mark Tushnet, *The Story of Crowell: Grounding the Administrative State*, FED. CTS. STORIES 359, 361 (Vicki C. Jackson & Judith Resnick, eds.) (2010).

³⁹ See Administrative Procedure Act, Pub. L. No. 79-404, 60 Stat. 237 (1946).

⁴⁰ Vermont Yankee Nuclear Power Corp. v. Nat. Res. Def. Council, Inc., 435 U.S. 519, 523 (1978) (quoting Wong Yang Sung v. McGrath, 339 U.S. 33, 40 (1950) (Jackson, J.)).

⁴¹ For example, criminal prosecutions decisions do not fall under deferential review—even though those decisions quite clearly fit the APA’s encompassing definitions. Mila Sohoni, *Agency Adjudication and Judicial Nondelegation: An Article III Canon*, 107 NW. U. L. REV. 1569, 1578, 1604 (2013). Similarly, the Supreme Court’s alien deportation cases appear to recognize something like a “liberty exception” to *Chevron*. Michael Kagan, *Chevron’s Liberty Exception*, 104 IOWA L. REV. 491, 495 (2019).

⁴² Commodity Futures Trading Comm’n v. Schor, 478 U.S. 833, 857 (1986). Admittedly, *Schor*’s *n*-factor test makes it impossible to tell under what circumstances that exception might apply, and perhaps the test is fairly characterized as a thinly veiled “government wins” analysis. *Id.* at 859, 863 (Brennan, J., dissenting). That said, *Schor* nominally leaves the question open. The Supreme Court’s decision and opinions in *Oil States*, 138 S.Ct. 1365 (2018), suggest that a majority of the current Justices hold the position stated in the text, or something very close to it. See text accompanying *infra* notes 259-266.

⁴³ See, e.g., Wasserman, *The Changing Guard*, *supra* note 10, at 1967.

⁴⁴ John F. Duffy, *The FCC and the Patent System: Progressive Ideals, Jacksonian Realism, and the Technology of Regulation*, 71 U. COLO. L. REV. 1071, 1076 (2000).

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AIA, it still differs from the paradigm of a fully APA-conforming agency.⁴⁵ Thus, questions of whether and to what extent PTO decisions merit judicial deference remain controverted.⁴⁶

The debate over the “external” reach of the appellate review regime with respect to patents principally revolves around the question of whether invention patents may ever be canceled by means of administrative adjudication. *That* debate, one should think, was settled by the Supreme Court’s *Oil States* decision. And yet, the tension between the appellate review model and the *Marbury* model persists in the patent system. The reasons have nothing to do with the choreography for *Chevron*’s angels on the patent stage or the nature of invention patents. They arise from the statutory judicial review scheme of the Patent Act.

B. The Statutory Review Scheme of the Patent Act

The Patent Act establishes a bifurcated judicial review scheme—one prong conforming to the appellate review model, the other to a private rights model. Because the central provisions governing the judicial review of administrative patentability decisions merit close reading and analysis, I set them forth in full and in the text:

35 U.S.C. § 141(a):

An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.⁴⁷

35 U.S.C § 145:

An applicant dissatisfied with the decision of the Patent Trial and Appeal Board in an appeal under section 134(a) may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director [of the PTO] in the United States District Court for the Eastern District of Virginia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear and such adjudication shall authorize the Director to issue such

⁴⁵ Reilly, *supra* note 8, at 410 (cataloguing the respects in which “the patent system differs from ‘[t]he paradigm of decision making in the modern administrative state’ in which agencies have primary responsibility for regulatory policy.”) (quoting Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1754-55 (2011)).

⁴⁶ See Walker, *supra* note 10, at 153 (discussing several scholars’ positions).

⁴⁷ 35 U.S.C. § 141(a) (2012).

patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.⁴⁸

That latter provision is Sandy. She has siblings: the bifurcated review scheme covers not only patentability decisions but also administrative decisions in interference cases,⁴⁹ and the same arrangement operates on the trademark side of the PTO.⁵⁰ But the review of patentability decisions is fairly viewed as the capstone of the system.

A first-cut reading of § 141 and § 145 compels several conclusions: (1) There are two avenues for obtaining judicial relief from final, adverse PTAB patentability decisions: either an “appeal” to the Federal Circuit, or a “civil action” in U.S. District Court. (2) The options are mutually exclusive.⁵¹ (3) The choice is left to the “disappointed applicant.”⁵² (4) Evidently, the civil action is deemed more advantageous to the applicant: a § 141 action is a waiver of rights under § 145.⁵³

In an intriguing, unjustly neglected law review article, Professor Orin Kerr argued that the differences between § 145 and § 141 mark a dividing line between a contractual private rights regime and a “public law” (appellate review) regime.⁵⁴ The private law side dominates because a disappointed applicant cannot be deprived of his rights under § 145 unless he affirmatively waives them.⁵⁵ Although the story is a bit more complicated than Professor Kerr suggested, his account explicates a crucial insight: the patent system provides an alternative to *Crowell*'s appellate review model. *Crowell* sought to harmonize private rights and public administration under a single appellate review regime. The Patent Act bifurcates private-rights litigation and appellate review, leaving the choice to the applicant.

This anomaly has deep historical roots. The appellate review regime took shape in confrontations over regulatory agencies that were formed and forged in the Progressive era and the New Deal.⁵⁶ Patent administration long predated that era. Its accommodation to the paradigm and the perceived needs of the administrative state took a tortuous path. On the whole, it is fair to say that the arc of patent law, as of administrative law more broadly, “has bent steadily

⁴⁸ 35 U.S.C. § 145 (2012).

⁴⁹ 35 U.S.C. § 146 (2012). Interferences are now called “derivations.” In the interest of minimizing confusion, I will use the older term throughout.

⁵⁰ 15 U.S.C. § 1071(b) (2012).

⁵¹ 35 U.S.C. §§ 141, 145 (2012).

⁵² *Kappos v. Hyatt*, 566 U.S. 431, 434 (2012).

⁵³ § 145. For discussion, see *infra* Part V.A.

⁵⁴ Orin S. Kerr, *Rethinking Patent Law in the Administrative State*, 42 WM. & MARY L. REV. 127, 194 (2000).

⁵⁵ *Id.*

⁵⁶ See generally Merrill, *supra* note 36, at 939 (discussing the emergence of the appellate review model).

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toward deference” and appellate review.⁵⁷ However, § 145 is a textually and structurally non-conforming piece of the picture. Part II describes the origins and history of that lone survivor, from the creation of the Patent Office in 1836 to the enactment of the APA.

II. PATENT ADMINISTRATION AND REVIEW: 1836-1946

A. Beginnings: The Bill in Equity

Ever since the 1836 Patent Act, patent law has been a system of administration. *Someone* has to examine the patent prosecutor’s proposed bargain and agree to strike it on behalf of the public, and *someone* must address questions of priority in the event of multiple, similar patent applications. Entrusted with these tasks, the Patent Office acquired many of the features of an administrative agency.⁵⁸ It administered the granting of rights provided for by statute.⁵⁹ It examined patent applications and determined their validity through a regularized process; and unlike the earlier patent registration system, the 1836 Act gave the administrator a small measure of discretion in approving patents.⁶⁰ The Act also provided for an administrative process for resolving “the question of priority of right of invention.”⁶¹ The Commissioner of Patents made the decision on notice and hearing. A dissatisfied party could appeal to a board of examiners consisting of three “disinterested persons” appointed by the Secretary of State.⁶²

Despite these features, the Patent Office differed substantially from the modern agency model.⁶³ The Office did not have any robust, substantive rulemaking authority.⁶⁴ Its discretion did not extend to questions of patent policy but was strictly interstitial and limited to administering the patentability standards Congress had legislated.⁶⁵ Nor did the Patent Office have any enforcement authority. For the most part, the courts dominated the system. A disappointed patent applicant could file a bill in equity to have the district court “adjudge” whether the applicant was “entitled, according to the principles and provisions of [the Patent Act], to have and receive a patent for his invention.”⁶⁶ This bill in equity—initially covering only interferences but soon extended to the denial of a patent on any grounds—is the original precursor to § 145. Its

⁵⁷ ADRIAN VERMEULE, *LAW’S ABNEGATION 1* (Harvard Univ. Press 2016) (“[T]he long arc of the law has bent steadily toward deference”).

⁵⁸ Duffy, *supra* note 44, at 1079.

⁵⁹ Patent Act of 1836, ch. 357, 5 Stat. 117 (1836).

⁶⁰ *Id.* § 7, 5 Stat. at 119-20.

⁶¹ *Id.* § 8, 5 Stat. at 120-21.

⁶² *Id.* § 7, 5 Stat. at 120.

⁶³ Duffy, *supra* note 44, at 1138.

⁶⁴ *Id.* at 1134.

⁶⁵ *Id.*

⁶⁶ § 16, 5 Stat. at 124.

early understanding is not just of historical interest; it has remained a crucial point of contention in patent law and litigation to this day.⁶⁷

This much is reasonably clear: the bill in equity was *not* an (on-the-record) “appeal” from the Patent Office’s decision, and the remedy was *not* a “remand” to the agency (which would prompt further adjudicatory proceedings).⁶⁸ Rather, the bill in equity was an original civil action that conclusively determined and declared the rights between the parties. Upon a judicial finding of patentability, the Commissioner was “authorized” to issue the patent that had been wrongly denied; and for all that appears, the Patent Office viewed that duty as purely ministerial.⁶⁹ Once patents were issued, they “vested,” and were deemed private rights with all the attributes of property, distinct in nature and legal effect from government licenses and similar grants.⁷⁰ By and large, the only way to cancel a patent was by proving invalidity in an infringement proceeding, initiated by the patentee.⁷¹ Such a showing was subject to exceedingly high standards of proof.⁷²

That said, the early operation of the bill in equity is entangled with long-lost forms of action,⁷³ with an administrative regime that has undergone massive revisions, and with legal precepts and intuitions that are not easily understood in modern-day administrative law terms. It is helpful to conceptualize the

⁶⁷ See *Kappos v. Hyatt*, 566 U.S. 431, 434 (2012).

⁶⁸ The terms appear in scare quotes because they are modern administrative law terms; nothing of the sort existed at the time.

⁶⁹ Kerr, *supra* note 54, at 138.

⁷⁰ See *McCormick Harvesting Mach. Co. v. Aultman*, 169 U. S. 606, 609 (1898) (“[A granted patent] has become the property of the patentee”); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888) (patent rights as the “private property of the patentee”); *Brown v. Duchesne*, 60 U.S. (1 How.) 183, 197 (1857) (“[T]he rights of a party under a patent are his private property”); *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 493 (1850) (inventor is “vested by law with an inchoate right . . . which he may perfect and make absolute” by obtaining a patent); *Evans v. Jordan*, 8 Va. (1 Munf.) 872, 873-74 (1813). *But see* *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) (“Patents convey only a specific form of property right—a public franchise. . . . As a public franchise, a patent can confer only the rights that ‘the statute prescribes.’”) (citations omitted).

⁷¹ The 1836 Patent Act still permitted the government—but not private parties, on the prevailing understanding—to bring so-called *scire facias* actions to invalidate certain patents. However, the government rarely did so, and “revocation proceedings that would actually declare a patent invalid and therefore void all but disappeared from U.S. law after 1836.” Mark A. Lemley, *Why Do Juries Decide if Patents are Valid?*, 99 VA. L. REV. 1673, 1699 (2013).

⁷² The operative standard—“clear and convincing evidence”—still governs infringement proceedings. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 90, 95 (2011).

⁷³ For an instructive description, see Lemley, *supra* note 71, at 1675.

instrument in functionalist terms: what real-world problem was the bill in equity supposed to answer?⁷⁴

As just noted, the original Patent Act granted the bill in equity only in cases of interference, and while the bill soon extended to patentability decisions,⁷⁵ the difference continued to matter. A patent grant is easily conceptualized along private-rights lines. Congress has legislated specific patentability standards. If the applicant satisfies those standards, he is entitled to his patent. If the Patent Office rejects the application and the applicant complains in court, the question is one of law and the court must examine the proposed bargain as it would examine a wholly private bargain—*de novo*, and without deference to either side.⁷⁶ If the patentee prevails, the Commissioner is “authorized” to issue the patent, which entails a duty to perform.⁷⁷ The Commissioner had that duty all along; he just made a mistake.

⁷⁴ The analysis in the following paragraphs tracks Professor Jerry Mashaw’s discussion of late-nineteenth-century land grant cases. Jerry L. Mashaw, *Federal Administration and Administrative Law in the Gilded Age*, 119 *YALE L.J.* 1362, 1408-1412 (2010). Land grant and patent cases posed near-identical questions of judicial review, and Professor Mashaw’s principal case example, *Johnson v. Towsley*, was affirmatively relied upon in invention patent cases. *Id.* at 1409-10. Professor Mashaw’s analysis converges with mine on the same point: One cannot read land grant or patent cases of that era as heralding the advent of direct appellate review and administrative governance. *Id.* at 1464 (“The central preoccupation of late twentieth- and early twenty-first-century administrative lawyers, the struggle to make legal control in the administrative state respond to appropriate general principles of administrative and judicial competence, is visible only at the margins of the nineteenth-century jurisprudence.”) (footnote omitted).

⁷⁵ Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354 (1839).

⁷⁶ This appears to have been the common practice. Pasquale J. Federico, *Evolution of Patent Office Appeals* (Part I), 22 *J. PAT. OFF. SOC’Y* 838, 838-864 (1940); Frederic P. Lee, *The Origins of Judicial Control of Federal Executive Action*, 36 *GEO. L. J.* 287, 298 (1948).

⁷⁷ While the “is authorized” language sounds curious (why not “must” or “shall?”), courts and patent administrators consistently understood it in a mandatory sense. *See, e.g.*, *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50, 62 (1884) (“[T]he decree [of the court adjudicating an R.S. Section 4915 action] governs the action of the commissioner, and requires him, in case the adjudication is in favor of the complainant, to issue the patent as decreed to him.”); *EMERSON STRINGHAM, PATENT INTERFERENCE EQUITY SUITS* § 7995 (1930) (collecting and discussing cases holding that a R.S. 4915 judgment requires the PTO to issue the patent as decreed). The language *must* be understood in this sense. Otherwise, the Article III court’s determination of right would be merely advisory, and the bill in equity might be unconstitutional. *See Cleveland Tr. Co. v. Nelson*, 51 F.2d 276, 277 (E.D. Mich. 1931) (“The duty to give decisions which are advisory only, and that do not have force as judicial judgments, may not be laid on a constitutional court established under article 3 of the Constitution, such as is the United States District Court.”). In short, the bill in equity, like mandamus, commands performance of a non-discretionary duty. It differs from that form of action in that mandamus runs against the public officer, whereas bill in equity proceedings may proceed among private parties (as in interference cases). That piece of the puzzle, admittedly, is not easily explained. The best reason I can think of is that the official is always

In contrast, priority disputes—the initial ground of the bill in equity—have a more complicated, tri-partite structure. In effect, the Patent Office is adjudicating claims among private parties, only one of whom can win. *Marbury* principles forbade any judicial meddling (e.g., by way of injunction or mandamus) so long as the Patent Office had not made a final decision. Once a patent had been awarded, though, it vested and became a valuable, well-nigh inviolable private right: Congress wanted it that way.⁷⁸ But the stakes are enormous. The more valuable the right, the greater the apprehension that the initial public conferral may be affected by fraud, imposition, or mistake. And *that* risk is what the bill in equity was supposed to address.⁷⁹

That function in turn dictates what we now call, with our constricted legal imagination, the “standard of review” in interference cases. The bill in equity cannot be a mere on-the-record “appeal”: in addition to the realistic possibility of sheer official sloppiness or error, an office that is sufficiently corrupt to commit or tolerate fraud and imposition may be sufficiently corrupt to doctor the record. Thus, the plaintiff must be permitted to introduce non-record evidence. To that extent, the court is the fact-finder, and the proceeding must be *de novo*.

At the same time, the initial decision and the record supporting it must count for something. The reasons have nothing to do with modern-day administrative law nostrums, such as the agency’s “expertise” or its procedures, but have to do with the integrity of the system. *But for* the bill in equity, the administrator’s decision would and should be final because the entire point of a patent is to enable the inventor to go forth and do as he wishes. That purpose would be defeated if every patent grant could be re-litigated by way of a bill in equity. While perhaps the demands on the plaintiff need not be quite as extravagant as those imposed on counter-claimants in infringement cases, a mere preponderance of the evidence cannot suffice. Some degree of finality must attach to the administrator’s initial decision.

The calculus that underpins the bill in equity in this deployment is hard to capture in a formula. Judicial attempts to manage the difficulty make for a somewhat complicated story, which follows. It revolves around cases that have proven formative in the modern era of “patent stare decisis,”⁸⁰ and it provides the historical background for the emergence, a half-century later, of the bifurcated judicial review scheme that governs patent law to this day.

a potential party. See *Tutun v. United States*, 270 U.S. 568 (1926); see also *Cleveland Tr.*, 51 F.2d at 278 (citing and relying on *Tutun* in rejecting constitutional challenge to R.S. 4915).

⁷⁸ 35 U.S.C. § 261 (2012) (“Subject to the provisions of this title, patents shall have the attributes of personal property.”).

⁷⁹ For a full discussion of the point, see *Johnson v. Towsley*, 80 U.S. (1 Wall.) 72 (1871) (land patents).

⁸⁰ See Benjamin & Rai, *supra* note 9, at 1594.

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B. Reform

Beginning in the 1860s and 1870s, Congress built a more elaborate system of patent administration and judicial review. The system was never stable, and a half-century of administrative state-building is not easily summarized. The key feature for present purposes is that Congress added a layer of judicial review, exercised by adjudicators outside the Patent Office. However, the bill in equity, codified in 1878 as Revised Statutes (R.S.) 4915, remained available throughout.

Under the 1870 Act, an unsuccessful applicant could appeal the initial examiner's decision first to a three-member board of examiners-in-chief; then to the Commissioner for Patents; and then to the Supreme Court of the District of Columbia.⁸¹ A separate, parallel process governed interferences.⁸² Initially, unlike *ex parte* rejections, decisions in interference proceedings were not subject to direct appeal to the Supreme Court of the District of Columbia. Instead, priority decisions were referred back to the patent examiner, along with a memo explaining the grounds of decision.⁸³ In 1893, however, Congress provided for appeals to the newly-created Court of Appeals of the District of Columbia in interference as well as *ex parte* proceedings. That form of review was specifically identified as an appeal, and it was on the record. Codified as R.S. 4911, it is the direct precursor to what is now § 141.⁸⁴ And from *that* appeal, the statute provided, unsuccessful applicants could *then* resort to the bill of equity.⁸⁵ Under R.S. 4915, the court would “adjudge” whether the applicant was “entitled, according to law, to receive a patent for his invention . . . *as the facts in the case may appear.*”⁸⁶

Why would a sentient legislature build such a convoluted system of multiple appeals? The short answer is that the Court of Appeals of the District of Columbia was not thought of as a true Article III court; its proceedings were deemed more in the nature of administrative adjudication.⁸⁷ A losing appellant in that forum still had not had his right to an independent judgment. He could not have it in the U.S. Supreme Court, either; the Court was thought to lack appellate jurisdiction so long as the statute permitted “any person interested” to

⁸¹ Patent Act of 1870, ch. 230, §§ 46-48, 16 Stat. 198, 204-05 (1870).

⁸² *Id.*

⁸³ Until 1952 the Patent Office had no power to declare a patent valid or invalid in an interference. *See* Patent Act of 1952, ch. 950, 66 Stat. 792 (1952).

⁸⁴ § 48, 16 Stat. at 204 (1870) (codified at R.S. § 4911 (1875)).

⁸⁵ The statutory text appears to provide for either an appeal or a bill in equity. However, the courts held that applicants had to exhaust the appeals process. Clarence M. Ditlow, *Judicial Review of Patent Office Action: A More Rational Review System*, 53 J. PAT. OFF. SOC'Y 205, 209 (1971).

⁸⁶ § 52, 16 Stat. at 205 (1870) (codified at R.S. § 4915 (1878)) (emphasis added).

⁸⁷ *Postum Cereal Co. v. California Fig Nut Co.*, 272 U.S. 693, 698 (1927) (“The decision of the Court of Appeals . . . is not a judicial judgment. It is a mere administrative decision.”).

contest the patent in a subsequent proceeding.⁸⁸ Hence, the bill in equity in a lower court.

Given the elaborate Patent Office machinery and the new appeal process, though, just how were Article III courts to think of the bill in equity? The question received seemingly varying answers. In several cases, the Supreme Court (as well as lower courts) treated the bill in equity as an original action and distinguished it sharply from an appeal. In the most-cited of those cases, *Butterworth v. United States ex rel. Hoe* (1884),⁸⁹ the Court described R.S. 4915 as

a proceeding in a court of the United States having original equity jurisdiction under the patent laws, according to the ordinary course of equity practice and procedure. It is not a technical appeal from the Patent–Office, like that authorized [before the Supreme Court of the District of Columbia], confined to the case as made in the record of that office, but is prepared and heard upon all competent evidence adduced and upon the whole merits.⁹⁰

A decade later, in *Morgan v. Daniels*,⁹¹ the Supreme Court addressed the nature of R.S. 4915 in terms that seem to differ markedly from *Butterworth*. In *Morgan*, the losing party in an administrative interference proceeding sued the patentee and claimed that the patent should instead be awarded to him.⁹² The Court described the dispute as one over a question of fact that had already “been settled by a special tribunal [e]ntrusted with full power in the premises” and as “something in the nature of a suit to set aside a judgment.”⁹³ The agency’s findings, the Court held, should not be overturned by “a mere preponderance of evidence.”⁹⁴ Rather, they “must be accepted as controlling . . . in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.”⁹⁵

⁸⁸ *Id.* at 699 (“Neither the opinion nor decision of the Court of Appeals . . . precludes any person interested from having the right to contest the validity of such patent or trade-mark in any court where it may be called in question. This result prevents an appeal to this Court, which can only review judicial judgments.”). *Postum Cereal* was a trademark case; however, as the language just quoted makes clear, its holding also applies to patent proceedings.

⁸⁹ *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50 (1884).

⁹⁰ *Id.* at 61 (alteration in original).

⁹¹ *Morgan v. Daniels*, 153 U.S. 120 (1894).

⁹² *Id.* at 122-23. At the time, there was no appeal to the Court of Appeals in interferences; hence, the direct R.S. 4915 suit. One might think that relief should be limited to the question of priority. However, in *Hill v. Wooster*, 132 U.S. 693 (1890), the Supreme Court had held—in a case where neither party was found to be entitled to patent—that courts should decide patentability alongside priority questions. The obvious point was to discourage piecemeal and possibly interlocutory R.S. 4915 actions.

⁹³ *Morgan*, 153 U.S. at 124.

⁹⁴ *Id.*

⁹⁵ *Id.* at 125.

Viewed through a modern-day administrative law lens, the tension with *Butterworth* seems acute.⁹⁶ At the time, however, no one seemed to perceive any problem in reconciling the two cases.⁹⁷ On a closer reading of *Morgan*, the “tension” arises from structural differences between ex parte patentability cases and interference cases.

The Morgan decision does not articulate a “judicial standard of review” for patent cases.⁹⁸ It is limited to interference proceedings,⁹⁹ and emphasizes that R.S. 4915 actions in such cases are “not a mere appeal.”¹⁰⁰ The cases arise between and among private parties, and are thus “a proceeding to set aside the conclusions reached by the administrative department, and to give to the plaintiff the rights there awarded to the defendant.”¹⁰¹ The administrative department and its “special tribunal” are “[e]ntrusted with full power in the premises,” and there is every reason to treat the administrative decision as final on every question of fact.¹⁰²

These reasons, to repeat, have nothing to do with modern-day rationales for administrative government. *Morgan* contains not one word about the Patent Office’s expertise or its internal notice-and-hearing machinery, which might be thought a reasonable substitute for due process. Rather, *Morgan* rests on the logic outlined earlier. *Pending a final executive decision*, patents remain in the public domain, and nothing and no one has authorized courts to interfere. Once a patent has been granted, it “vests.” In a private suit, an infringer would have to meet an exceptionally high standard of proof to establish invalidity. It is hard to

⁹⁶ *Kappos v. Hyatt*, 566 U.S. 431, 432 (2012) (“[T]he two opinions can be perceived as being in some tension.”).

⁹⁷ *Morgan* did not cite or distinguish *Butterworth*. Conversely, the Supreme Court continued to follow *Butterworth* after *Morgan*. *Hyatt*, 566 U.S. at 443 n. 4 (citing and summarizing cases). Prior to the *Hyatt* litigation, no case to my knowledge discusses both cases or their “tension” to any extent.

⁹⁸ My account of the *Morgan* opinion differs materially from Justice Breyer’s summary and analysis in the Supreme Court’s decision in *Dickinson v. Zurko*, 527 U.S. 150, 158-60 (1999), which scours the *Morgan* opinion for verbal formulations of the “standard of review” in patent cases and concludes that the *Morgan* Court “reasoned strongly” for something less than a “clear error” standard. I view that account as a presentist projection. It is also inconsistent with the second half of the *Morgan* opinion, which examines the Office’s decision in considerable depth. *Morgan*, 153 U.S. at 125-29.

⁹⁹ *Morgan*, 153 U.S. at 125 (“Upon principle and authority, therefore, it must be laid down as a rule that, where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.”) (emphasis added).

¹⁰⁰ *Id.* at 123 (“The case as presented to the circuit court was not that of a mere appeal from a decision of the patent office”).

¹⁰¹ *Id.* at 124.

¹⁰² *Id.*

see why less should be demanded of parties who seek to establish invalidity by way of challenging the Patent Office's priority decision under R.S. 4915. And that was the *Morgan* Court's difficulty. The Court began its discussion with two cases of *infringement*, which it described as "closely on point."¹⁰³ It stated the applicable standard in terms of burden of proof (as one would for civil litigation), not as a standard of review for agency error.¹⁰⁴ And it concluded its discussion by returning to the separation of powers:

[This] is a controversy between two individuals over a question of fact which has once been settled by a special tribunal, [e]ntrusted with full power in the premises. As such it might be well argued, *were it not for the terms of this statute*, that the decision of the patent office was a finality upon every matter of fact.¹⁰⁵

The "terms of the statute" provide for an original action "as the facts in the case may appear." The language emphasizes the sharp difference to the R.S. 4911 appeal, which is explicitly limited to the record. To the extent, then, that an R.S. 4915 plaintiff introduces new facts, the court's determination must be *de novo*. Nothing in *Morgan* suggests any departure from these *Butterworth*-y positions. In *Morgan*, though, the plaintiff relied entirely on the record. In that context, the presumption of finality dictates that the plaintiff's demonstration must "carr[y] thorough conviction."¹⁰⁶ That had been the common equity practice all along.¹⁰⁷ Its transformation into a deferential standard of review was the work of later generations. More pointedly: it was the work of a New Deal generation that loathed patents, federal courts, and the bifurcated judicial review scheme—with us to this day—that a remarkably attentive and engaged Congress substituted, in 1927, for the unworkable system of multiple appeals. The following Section explains.

C. Reform, Again: Birth Pains of the Administrative State

The turn-of-the-century patent machinery proved too cumbersome and time-consuming for anyone's taste.¹⁰⁸ Congress struggled to reform the system, with

¹⁰³ *Id.* at 123 (citing *Coffin v. Ogden*, 85 U.S. 120, 124 (1873) and *Cantrell v. Wallick* 117 U.S. 689, 695 (1886)).

¹⁰⁴ *Id.* at 123-24.

¹⁰⁵ *Id.* at 124 (emphasis added).

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* at 124-25. Justice Brewer pointedly cited *Johnson v. Towsley*, 80 U.S. (1 Wall.) 72, 86 (1871), "a case involving a contest between two claimants for land patented by the United States to one of them, it was said: 'It is fully conceded that when those officers (the local land 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.'"

¹⁰⁸ See, e.g., *Allen v. United States ex rel. Lowry*, 26 App. D.C. 8, 18 (1905), *aff'd*, 203 U.S. 476 (1906) ("From the simple and summary mode first adopted for determining the question of priority of invention that proceeding by system of Patent Office rules has grown

the support and often at the prompting of the Executive Branch.¹⁰⁹ In 1927, Congress at last streamlined the Patent Office's internal adjudicatory procedures. More consequentially, Congress provided that disappointed patent applicants could contest final Patent Office decisions through an appeal to the Court of Appeals (after 1929, a newly created Court of Customs and Patent Appeals (CCPA)) *or* through a bill of equity—but *not both*. The R.S. 4911 and R.S. 4915 procedures would henceforth be mutually exclusive, and an appeal to the CCPA would constitute a waiver of the right to proceed through a bill of equity.¹¹⁰ In *ex parte* and interference cases alike, the choice would be left to the applicant.

This formula for harmonizing private rights with the administrative state differs markedly from the appellate review model that would soon become enshrined in *Crowell v. Benson*.¹¹¹ In *Crowell*, the Court sought to achieve that harmonization within a single system of appellate review: it permitted administrative adjudication even of private rights, subject to *de novo* review on question of law as well as constitutional and jurisdictional fact.¹¹² In contrast, the 1927 statute bifurcated full-scale adjudication and mere appeals in a rather dramatic fashion: in R.S. 4911 appeals, *no* further recourse could be had to an Article III court—not on fact, and not even on law.¹¹³ While making ample room for public administration, however, the regime remained wedded to then-still-dominant constitutional precepts: patent rights come with the (waivable) right to an independent adjudication.

Congress in 1927 did not *deliberately* create an alternative to the appellate review model, then still very much a work-in-progress.¹¹⁴ Its principal objective

to be a veritable old man of the sea and the unfortunate inventor who becomes involved therein is a second Sinbad the sailor . . . [I]nterferences can be, and are, prolonged for years, to the injury of the public, and often to the financial ruin of the parties.”).

¹⁰⁹ Federico, *supra*, note 76 at 941-42.

¹¹⁰ *Id.* at 944-45.

¹¹¹ *Crowell v. Benson*, 285 U.S. 22 (1932).

¹¹² Among other arguments, the *Crowell* Court suggested that the agency adjudicator would act as an adjunct to the Article III court, much like a jury or special master. *Id.* at 51-52. Intriguingly, the *Morgan* Court considered that analogy—only to reject it. *Morgan v. Daniels*, 153 U.S. 120, 123 (1894) (“The case as presented to the circuit court was not that of a mere appeal from a decision of the patent office, nor subject to the rule which controls a chancellor in examining a report of a master, or an appellate court in reviewing findings of fact made by the trial court.”).

¹¹³ This was the accepted teaching of *Postum Cereal v. California Fig Nut Co.*, 272 U.S. 693 (1927), until the Supreme Court's decision in *Glidden Co. v. Zdanok*, 370 U.S. 530 (1962), which concluded “the *Postum* decision must be taken to be limited to the statutory scheme in existence before the transfer of patent and trademark litigation to [the CCPA].” *Glidden*, 370 U.S. at 579 (holding that CCPA is an Article III court); *see also* *Brenner v. Manson*, 383 U.S. 519 (1966) (affirmatively permitting Supreme Court review); Ditlow, *supra* note 85, at 216.

¹¹⁴ *See* Kerr, *supra* note 54, at 166-67.

was a drastic simplification of an unworkable system.¹¹⁵ While some legislators proposed to eliminate one or the other venue of relief (bill in equity, or appeal), Congress decided to retain both, operating on separate tracks.¹¹⁶ What prompted the bifurcation was not constitutional deep-think but the spectacle of having parties fight in the Court of Appeals; then resort to the bill in equity; and then having that ruling appealed to the same Court of Appeals that had ruled on the administrative appeal in the first place.¹¹⁷ Still, Congress was well aware of the crucial differences between the two types of proceedings, and it deliberately preserved both.¹¹⁸ Moreover, the patent review system's departure from the ascendant appellate review model—the “exceptional” nature of R.S. 4915, as it were—was recognized by all concerned. In short order, that recognition produced attempts to assimilate the patent review system to the principles of general administrative law, as the New Dealers understood it.¹¹⁹

While the patent review system created in 1927 has a certain conceptual elegance—more elegance, surely, than the somewhat schizophrenic and unstable *Crowell* formula¹²⁰—it was hardly problem-free. Parallel proceedings in Article III courts and the CCPA occasionally yielded different answers with respect to the same set of questions.¹²¹ Moreover, the system posed a risk of

¹¹⁵ As one leading Senator deadpanned: if even the American Bar Association is in favor of simplification, we ought to pay attention. *Procedure in the Patent Office: Hearing on S. 4812 Before the Comm. on Patents*, 69th Cong. 4-8 (1926) (statement of Thomas E. Robertson, Comm'r of Patents). See *Hoover Co. v. Coe*, 325 U.S. 79, 87 (1945) (“It is evident that no alteration in respect of the rulings which could be reviewed was intended [in 1927]; but the number of possible appeals was to be reduced, while saving to litigants the option of producing new evidence in a court, by retaining the equity procedure.”).

¹¹⁶ Cf. *Hoover*, 325 U.S. at 86-87 (“In the hearings on the bill which became the [1927] statute, it was proposed that Congress eliminate either the appeal or the bill in equity, some interested parties suggesting abolition of the one remedy, others advocating dropping the other. Congress decided not to do away with either, but to allow an applicant ‘to have the decision of the Patent Office reviewed either by the court of appeals or by filing a bill in equity, but not both.’”) (citation omitted).

¹¹⁷ The eventuality rarely materialized because few litigants were *that* stupid. Ditlow, *supra* note 85, at 209 (“Only the brave or reckless applicant would proceed beyond the first appeal.”). But the scenario pervaded the debates.

¹¹⁸ *Id.*

¹¹⁹ Judicial decisions and law review articles of the pre-APA period pre-figure the contemporary campaign against “patent exceptionalism” in uncanny detail. See, e.g., William Douglas Sellers, *The Slamming of the 4915 Door*, 26 J. PAT. OFF. SOC’Y 651, 661 (1944) (discussing a recommendation of the Committee on Administrative at the Judicial Conference for the District of Columbia that ex parte R.S. 4915 suits be abolished); Wm. Redin Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, 55 HARV. L. REV. 950 (1942).

¹²⁰ Cf. DAVID P. CURRIE, *THE CONSTITUTION IN THE SUPREME COURT: THE SECOND CENTURY, 1888-1986* at 215 (1990) (“schizophrenic”); VERMEULE, *supra* note 57, at 23-24 (describing *Crowell*'s instability).

¹²¹ Sellers, *supra* note 119, at 652.

opportunistic party maneuvering. It was well understood that the CCPA option was an on-the-record appeal in the administrative law sense.¹²² By some lights, the CCPA applied a fairly deferential standard of review with respect to findings of fact.¹²³ Still, the appeal had the advantage of being comparatively cheap and speedy. Then again, the bill in equity had offsetting advantages: the opportunity to introduce non-record evidence, and the right to further appeals to the D.C. Circuit Court of Appeals and, upon certiorari, to the Supreme Court. Thus, R.S. 4915 suits almost rivaled appeals in number.¹²⁴ Along with legitimate suits came attempts to manipulate R.S. 4915 actions for strategic and statutorily unintended purposes, such as piecemeal litigation in the course of interference proceedings.¹²⁵

The principal source of instability, however, was the New Dealers' unremitting hostility to "monopoly grants" and, correspondingly, to original actions—in Article III courts, no less—that ran counter to the New Deal faith in administrative expertise and judicial deference. Beginning in the mid-1930s, appellate courts set out to subject patent review to the principles and practices of appellate review. A tendentious re-reading of *Morgan* played a central role. *Morgan*, the argument went, only coincidentally arose over an interference, and it articulated a general standard of appellate review: deference to the administrator's expert judgment, especially on technical matters.¹²⁶

¹²² Edwin M. Thomas, *Recent Suits Against the Commissioner Under R.S. 4915*, 22 J. PAT. OFF. SOC'Y 616, 617 (1940)

¹²³ *Id.* at 619 ("The Court of Customs and Patent Appeals has long held that concurring findings by the Patent Office tribunals on technical matters should not be disturbed if based upon any reasonable grounds."). However, generalizations of this kind may be somewhat misleading. Surveys of pre-APA cases decided by the CCPA show no uniform standard of review, and the court used widely varying formulations to describe its approach. *See infra* notes 169, 176-178 and accompanying text.

¹²⁴ In his 1940 article, Thomas counted an average of about 95 R.S. 4915 actions and 120 appeals under R.S. 4911 over the preceding years, with "no important continued drift toward one court and away from the other." Thomas, *supra* note 122, at 616-17.

¹²⁵ Article III courts fought that threat with various doctrines, some of questionable merit. For example, they held that courts lacked jurisdiction in R.S. 4915 cases unless the plaintiff presented new evidence. Sellers, *supra* note 119, at 652. Without such evidence, the theory went, the case would be a mere appeal; and that was the CCPA's exclusive business. Thomas, *supra* note 122, at 617 (citing cases).

¹²⁶ For a flavor of this style of reasoning, see *Carbide & Carbon Chems. Corp. v. Coe*, 102 F.2d 236, 244 (D.C. Cir. 1938) (Edgerton, J., dissenting) (citing *Morgan v. Daniels*, 153 U.S. 120, 124 (1894)); *see also* *Abbott v. Coe*, 109 F.2d. 449, 451 (D.C. Cir. 1939) ("The question for us [in this R.S. 4915 action] is not whether in our opinion there was an invention, but whether the finding that there was none is consistent with the evidence. 'The judicial function is exhausted when there is found to be a rational basis for the conclusions approved by the administrative body.' 'A mere preponderance of evidence' is not enough to justify reversing the Patent Office and deciding that an applicant is entitled to a patent. [citing *Morgan*] 'While the judgment of Patent Office officials is not absolutely binding on the courts, it is entitled to great weight, and is to be overcome by clear proof of mistake.' These principles have special

On that reading of *Morgan* one wonders why there is a bill in equity at all. Disappointed applicants can have deferential, on-the-record review any day of the week in an appellate action before the more specialized judges of the CCPA. And sure enough: in a series of four decisions in 1944, all written by Judge Thurman Arnold, the D.C. Circuit sought to “slam the door” on R.S. 4915 actions.¹²⁷ In the most important of those cases, *Hoover Co. v. Coe*,¹²⁸ the appellate court held that federal courts lacked jurisdiction under the provision whenever any further administrative proceedings might be necessary upon the court’s return of the application to the Patent Office—as might be the case, for example, in interference cases.¹²⁹

The colorable argument for that holding is that a judicial determination in an original action must be final. If upon return, the Patent Office were to reexamine the patentability decision, that would run counter to a statute that plainly provides for conclusive judicial decisions to the effect that the plaintiff is entitled to his patent. The catch is at that the time of filing, neither the applicant nor for that matter the Patent Office has any way of knowing whether further proceedings on priority *might* be necessary. If the mere possibility sufficed to defeat jurisdiction, there could be no R.S. 4915 action, ever. Which, one suspects, was Judge Arnold’s point and purpose.

A more plausible construction is readily available. In all cases, a judicial determination that a patentee is entitled to his patent—*on the claims and evidence presented to the court*—conclusively declares the rights of the parties with respect to patentability; and in all but the rarest of cases, the Director has a ministerial duty to issue the patent to a prevailing R.S. 4915 plaintiff. This seems to have been the common understanding of the matter. In 1945, in the course of overturning Judge Arnold’s decision in *Hoover*, the U.S. Supreme Court quoted the Patent Office’s description of its “consistent practice” as follows:

If the adjudication by the court is favorable to the applicant, it is the practice of this Office to treat that judgment as conclusive with respect to any ground of rejection urged before the court in defense of the refusal to allow the claims in issue. In the usual case, following such adjudication, the application is allowed, and, upon payment of the prescribed fee, the patent is issued. However, in rare instances where, after termination of the suit, new reference is discovered which shows lack of patentability of the claims

force when the administrative tribunal of the Patent Office has decided a technical question within its field, for ‘it is just such questions that the administrative tribunal is pre-eminently qualified to solve.’”) (alteration in original) (citations omitted).

¹²⁷ Sellers, *supra* note 119, at 655-58.

¹²⁸ *Hoover Co. v. Coe*, 325 U.S. 79, 83 (1945).

¹²⁹ The decision displays Judge Arnold’s customary élan: “The holding was made on the court’s own motion although memoranda had been submitted by both the plaintiff and the Office in which the jurisdiction of the court had been supported.” Leon Zitver, *Jurisdiction Under R.S. 4915 Restricted: Hoover v. Coe*, 26 J. PAT. OFF. SOC’Y 643, 644 (1944).

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for a reason not considered by the court, this Office considers itself under a duty to reject the claims on the newly discovered ground, and to refuse a patent on those claims unless the applicant can overcome the new ground of rejection. Similarly, if another applicant or a patentee is claiming substantially the same subject matter as that held patentable in the Rev. Stat. § 4915 suit and a question of priority arises, interference proceedings may be necessary . . . to determine which of the adverse claimants is the first inventor.¹³⁰

This position is not without difficulty. One can see why the Patent Office might legitimately depart from the general rule and conduct post-judgment proceedings in interference cases, on claims not before the court, or in cases where further adjudication is required by applicant action.¹³¹ However, the passage quoted above suggests that the Office may draw a judicial determination in question even with respect to patentability (as opposed to priority), albeit only “in rare instances and upon discovery of a “new reference.”¹³² That proposition is inconsistent with the traditional understanding of the bill in equity.¹³³ In the hands of an unscrupulous administrator, the proviso for “newly discovered ground” might give the Patent Office a reason to hold back in litigation.¹³⁴ At the end of the day, the exception might come to swallow the rule.

The *Hoover* Court conspicuously refrained from addressing the precise question of when and under what circumstances post-judgment PTO proceedings might be permissible. It simply quoted the Office’s account of its practice in support of its unanimous, sternly worded reversal of Judge Arnold’s jurisdictional ruling.¹³⁵ Under the appellate court’s construction, the Court summed up its opinion, a plaintiff “could never sue under R.S. 4915. That he was accorded a right of suit in this case the language of the statute, its history, the administrative construction and judicial decision unite in affirming.”¹³⁶ With

¹³⁰ *Hoover*, 325 U.S. at 88 (citation omitted).

¹³¹ The *Hoover* Court cited cases in which applicants, having lost in an R.S. 4915 action, continue to pursue a patent by filing a continuing application and amending claim. *Id.* at 90 n.27.

¹³² The *Hoover* Court cited a single case for the proposition that “where an applicant has succeeded in a bill filed under R.S. s 4915, the courts have not questioned the power of the Patent Office subsequently to disallow the claims for want of invention over a newly discovered reference to the prior art.” *Id.* at 90 n.28 (citing *Gold v. Newton*, 254 F. 824 (2d Cir. 1918)). Even that lone citation is dubious: *Gold* pre-dates the 1927 reform of the patent review system, and it arose in the context of an interference. I have been unable to find another pre-*Hoover* case in which the Office attempted to revisit judicial patentability determinations.

¹³³ See *supra* notes 66-68, 75 and accompanying text; see also STRINGHAM, *supra* note 77, at § 7995-96 (identifying post-judgment inter partes interference proceedings as the sole exception to the rule that a R.S. § 4915 judgment requires issuance of the patent as decreed).

¹³⁴ *Hoover*, 325 U.S. at 88.

¹³⁵ *Id.* at 89-90.

¹³⁶ *Id.* at 90.

that, our statutory Sandy survived her first near-death experience. It would not be her last.

III. PATENT REVIEW IN THE SHADOW OF THE APA

In 1946, shortly after *Hoover*, Congress enacted the APA. The judicial review scheme of the Patent Act seems to fit the APA poorly, if at all. Why, under the APA, should there be alternative paths of “review” in the first place? And what is one to make of the “as the facts in the case may appear” language in § 145, which has no obvious analog anywhere in the APA and which is plainly incompatible with the APA’s standard, on-the-record review proceedings?

Appearances notwithstanding, the APA’s judicial review provisions actually provide a rather elegant way of accommodating the bifurcated patent review regime. However, neither the CCPA nor its successor, the Federal Circuit, ever contemplated that option. Instead, the Federal Circuit nearly eviscerated the original action provided for in § 145—while accomplishing the considerable feat of *also* bringing the patent review scheme into conflict with the APA. The U.S. Supreme Court has rejected that form of patent exceptionalism, albeit in an oddly schizophrenic manner. In *Dickinson v. Zurko*,¹³⁷ the Court harshly criticized the Federal Circuit’s departures from general administrative law. In *Kappos v. Hyatt*,¹³⁸ in contrast, the Court reaffirmed the bifurcated review regime. Section A describes this curious trajectory. Section B sketches the legal landscape in the aftermath of the highly instructive and potentially consequential *Hyatt* decision.

A. *The APA and Judicial Review Under the Patent Act: To the Brink, and Back*

The debates leading up to the enactment of the APA were accompanied by a confrontation between patent law traditions and the New Dealers’ vision of the administrative state. The patent bar and the Patent Office resisted inclusion under the APA and its precursors.¹³⁹ In the 1930s, the American Bar Association proposed to combine the CCPA, the Tax Court, and the Court of Claims into a single Administrative Court, but the patent bar and the Patent Office declined the offer.¹⁴⁰ In later rounds, the bar and the agency sought exemptions from broad administrative reform bills. The 1939 Walter-Logan bill, a precursor to the APA that was vetoed by President Roosevelt, contained an explicit exception for the Patent Office.¹⁴¹ The bill that would eventually become the APA, the McCarran-Sumners bill, likewise initially excluded patent matters from the judicial review chapter.¹⁴² However, Congress struck that exemption, and when

¹³⁷ *Dickinson v. Zurko*, 527 U.S. 150 (1999).

¹³⁸ *Kappos v. Hyatt*, 566 U.S. 431 (2012).

¹³⁹ See Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 259 (2013).

¹⁴⁰ *Id.* at 259-60.

¹⁴¹ *Id.* at 259.

¹⁴² *Id.* at 260.

the McCarran-Sumners bill passed as the APA, it contained no individual exceptions for the Patent Office or any other agency.¹⁴³ To be sure, patent law was not the kind of law, and the Patent Office was not the kind of agency, that Congress had in mind in enacting the APA. Its prototypes were licensing and rate-making procedures and, with respect to adjudication and its judicial review, a watered-down *Crowell* regime. Still, the APA was meant to cover the waterfront, and its capacious definitions of “agency,” “agency action,” and “adjudication” plainly cover the Patent Office and its decisions.¹⁴⁴ What is one to make of the tension between the APA’s review provisions and those of the Patent Act?

A plausible answer has been hiding in plain sight since 1946. Section 141 is an on-the-record review proceeding of the kind that the APA’s authors contemplated.¹⁴⁵ It does not specify any standard of review. Thus, depending on whether the adjudication is deemed “formal” or “informal,” it should be subject to APA standards—substantial evidence, arbitrary and capricious.¹⁴⁶ However, the APA further provides that a reviewing court shall hold unlawful and set aside agency actions, findings, and conclusions found to be “unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.”¹⁴⁷ This language can easily be understood to cover § 145 and its “as the facts in the case may appear” language. On this understanding, the Patent Act provides *separate* “review” mechanisms that fall under *separate* review provisions of the APA.¹⁴⁸ Thus, the CCPA and the regular courts, and later the Federal Circuit,

¹⁴³ *Id.*

¹⁴⁴ Professor Kerr has argued that Congress in the APA meant to cover only *regulatory* agencies, and that the Patent Office was not among them. Kerr, *supra* note 54 at 177-78. This position is hard to square with the APA’s text or history.

¹⁴⁵ *But see* Lee, *supra* note 10, at 1434 (2016) (finding “persuasive authority that Congress did not intend the APA to govern appellate review of PTO fact-finding.”). The Supreme Court’s *Dickinson* decision squarely rejects the position. *See infra* notes 170-176 and accompanying text.

¹⁴⁶ 5 U.S.C. § 706(2)(A), (E) (2012).

¹⁴⁷ § 706(2)(F).

¹⁴⁸ While I know of no conclusive evidence to the effect that § 145 of the Patent Act—then R.S. 4915—was specifically what the drafters of the APA had in mind, circumstantial evidence is quite supportive. Notably, APA proponents cited the U.S. Tax Court’s de novo examinations of fact as an example of how § 706(2)(F) was supposed to operate; and the Tax Court and the CCPA were viewed as very similar institutions. Stephanie R. Hoffer & Christopher J. Walker, *The Death of Tax Court Exceptionalism*, 99 MINN. L. REV. 221, 232-33 (2014).

Melissa F. Wasserman has conceptualized the bifurcated review regime of the trademark system in this manner and interpreted the review provision of the Lanham Act that parallels § 145, 15 U.S.C. § 1701(b), as a de novo proceeding that falls under § 706(2)(F) of the APA. Wasserman, *Trademark System*, *supra* note 10 at 1545. She has this right. Hoffer & Walker, *supra*, present a closely analogous argument with respect to the U.S. Tax Court. According to the authors, that Court’s de novo standard of review with respect to deficiency

could have made sense of both the APA and the Patent Act, had they been of a mind to do so. However, neither the patent bar nor the CCPA was inclined to change accustomed practices. Post-APA, the courts kept applying *Morgan* standard as it had come to be understood,¹⁴⁹ and the Federal Circuit after its creation in 1982 embraced the same position.

The bifurcated review regime may work best if appeals and original actions are committed to separate institutions—§ 141 appeals to the CCPA and § 145 actions to Article III courts. After the establishment of the Federal Circuit in 1982, however, both types of challenges would end up in that forum. Under the statutory review scheme, the appellate court would review a district court's determinations in a § 145 case under a "clearly erroneous" standard. In contrast, in an appeal under § 141, the APA would appear to call for a highly deferential "substantial evidence" standard. Thus, the outcome of a review proceeding in the Federal Circuit might depend on the route by which a patent prosecution arrived at the court. To prevent that result, the Federal Circuit set out to harmonize the standards. It adhered to the CCPA's standard of review in § 141 actions and treated those actions as the norm—and § 145 actions on review, as something like a kink in the system.¹⁵⁰

In *Fregeau v. Mossinghoff*, the Federal Circuit attempted to iron out that kink by reinterpreting what it called the "district courts' standard of review" in § 145 actions.¹⁵¹ The court acknowledged that such actions permit plaintiffs to introduce new facts and evidence; to that extent, the standard would have to be *de novo*.¹⁵² However, with respect to facts in the agency record, the Federal Circuit instructed the district court "to follow the clearly erroneous standard utilized by appellate courts"¹⁵³ in the review of district court rulings and, at that time, of PTO patent denials. (This, mind you, in the teeth of a review provision that instructs courts to adjudicate "as the facts in the case may appear.") The Federal Circuit mischaracterized § 145 as a *review* proceeding, no different from a § 141 appeal except for the opportunity to introduce non-record facts.¹⁵⁴ Either

determinations does fall under the APA (contrary to the Court's occasional averments). But they fall under § 706(2)(F), not the deferential general review provisions. That, too, is right.

¹⁴⁹ See *Dickinson v. Zurko*, 527 U.S. 150, 170-171 (1999) (Rehnquist, C.J., dissenting) ("It is undisputed that, until today's decision, both the patent bench and the patent bar had concluded that the stricter 'clearly erroneous' standard was indeed . . . placed upon the PTO."). In the *Dickinson* litigation, the Federal Circuit and the Supreme Court surveyed the pre-APA case law. *Id.* at 155-58, 160-61; *In re Zurko*, 142 F.3d 1447 (Fed. Cir. 1998). Both courts found a muddled picture. Pre-APA cases described the standard of review in varying formulations. What matters for purposes at hand is the lower courts' application of a "patent standard" at variance with the APA.

¹⁵⁰ E.g., *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1036 (Fed. Cir. 1985) (contrasting direct appeals with "the circuitous route of a civil action . . . under 35 U.S.C. § 145.").

¹⁵¹ *Id.* at 1034.

¹⁵² *Id.* at 1038.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

way, appeals would fall within the Federal Circuit's jurisdiction, and "a difference in results in this court is not logically justifiable, if the evidentiary record before the district court is the same as that before the board, simply because of the review route chosen."¹⁵⁵

Fregeau deprived complainants of the full benefits of an original § 145 action.¹⁵⁶ But there is more: the Federal Circuit's desired harmonization of review standards can be approximated if the standard in § 141 action is *also* "clear error" rather than the more deferential standards that apply to agency adjudications under the APA.¹⁵⁷ And that, indeed, was the Federal Circuit's consistent position.¹⁵⁸ In due course, it became part of an unfolding struggle between the PTO and the Federal Circuit over institutional primacy in developing substantive patent law. A decade or so after the Federal Circuit's creation, the PTO began to chafe under the court's efforts to regularize patent law under judicial auspices.¹⁵⁹ Seconded by an increasingly vocal group of scholars¹⁶⁰ and by the Solicitor General, the Office pushed back against the Federal Circuit and urged that patent appeals to the Federal Circuit should be subject to ordinary APA standards.¹⁶¹ The Federal Circuit rejected the government's arguments, insisting on its somewhat higher standard of review.¹⁶² The Supreme Court, in turn, dealt the appellate court a much-deserved smack-down.

In a truly bizarre opinion, the Federal Circuit had rested its decision on § 559 of the APA.¹⁶³ In relevant part, § 559 says that the review provisions of the APA "do not limit or repeal additional requirements imposed by statute *or otherwise recognized by law*."¹⁶⁴ The standard derived from *Morgan*, the Federal Circuit argued, had been used by courts prior to the enactment of the APA.¹⁶⁵ It was

¹⁵⁵ *Id.* (The Federal Circuit did acknowledge that the standard would have to be "adapted, of course, to the aspect of a § 145 proceeding which allows introduction of additional evidence" but described this inconvenience as an ordinary part of trial practice.)

¹⁵⁶ Kerr, *supra* note 54, at 171 ("Unifying the standards of review nearly eliminated the difference between Congress's two routes to review of the PTO").

¹⁵⁷ The standard depends on whether initial patent adjudications are viewed as formal or informal. The difference is irrelevant for present purposes.

¹⁵⁸ *Fregeau*, 776 F.2d at 1038 (citing cases).

¹⁵⁹ See generally Clarissa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965 (2009).

¹⁶⁰ See, e.g., Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J., 1415, 1450-67 (1995).

¹⁶¹ *In re Zurko*, 142 F.3d 1447, 1449-50 (Fed. Cir. 1998).

¹⁶² *Id.* at 1459. It is not clear that the subtly varying review standards made any real difference in case outcomes. See *infra* text accompanying note 174. As shown below, however, the shadowboxing over "standards" was about the institutional struggle between the PTO, the Federal Circuit, and the Supreme Court; and the true nature of § 145 actions.

¹⁶³ *In re Zurko*, 142 F.3d at 1459.

¹⁶⁴ 5 U.S.C. § 559 (2012) (emphasis added).

¹⁶⁵ *In re Zurko*, 142 F.3d at 1459.

thus “recognized by law.”¹⁶⁶ The APA did not mean to change the standard, and courts continued to apply it after 1946.¹⁶⁷ “In view of all these considerations,” the appellate court “conclude[d] that section 559 and stare decisis together justify our continued application of this heightened level of scrutiny.”¹⁶⁸

For several persuasive reasons,¹⁶⁹ the Supreme Court rejected the appellate court’s position. Emphasizing “the importance of maintaining a uniform approach to judicial review of administrative action,”¹⁷⁰ Justice Breyer’s opinion for the Court insisted on adherence to conventional APA standards of review.¹⁷¹ “Given the CCPA’s explanations, the review standard’s origins, and the nondeterminative nature of the phrases,” the Court concluded, “the Federal Circuit’s review of PTO findings of fact cannot amount to an “additional requiremen[t] . . . recognized by law.”¹⁷² The Court also dismissed the Federal Circuit’s concerns that actions under § 141 and § 145 would be subject to different standards of appellate review.¹⁷³ The difference between the standards, Justice Breyer wrote, was “so fine that (apart from the present case) we have failed to uncover a single instance in which a reviewing court conceded that use of one standard rather than the other would in fact have produced a different outcome.”¹⁷⁴

The Court then added an unfortunate dictum. It was “not convinced” that the parallel operation of § 141 and § 145 proceedings

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ *Id.*

¹⁶⁹ For starters, it is difficult to describe a standard (“clearly erroneous”) that had been used alongside other standards in the pre-APA case law as “recognized by law.” The Federal Circuit acknowledged the point, and the Supreme Court drove it home. *Id.* at 1452 (“It would be disingenuous to suggest that the courts employed a uniform standard of review prior to 1947.”); *see also* Dickinson v. Zurko, 527 U.S. 150, 160-61 (1999) (“[W]e cannot agree with the Federal Circuit that in 1946, when Congress enacted the APA, the CCPA ‘recognized’ the use of a stricter court/court, rather than a less strict court/agency, review standard for PTO decisions.”). The § 559 argument appeared for the first time in *In re Zurko*. It is fairly described as the Federal Circuit’s post hoc rationalization of a practice it had followed in pursuit of its institutional mission. Kerr, *supra* note 54, at 173.

Other portions of the Federal Circuit’s opinion were equally far-fetched. For example, the court deemed it “instructive” that the Walter-Logan bill and early drafts of the McCarran-Summers bill had explicitly excluded the Patent Office, whereas the APA did not. The Federal Circuit concluded that Congress considered an explicit exemption for the Patent Office “redundant” when it enacted the APA. *In re Zurko*, 142 F.2d at 1452.

¹⁷⁰ *Dickinson*, 527 U.S. at 154 (citing *Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951)).

¹⁷¹ The Court reserved the question of which standard applies. *Id.* at 154-55.

¹⁷² *Id.* at 161. The Court also found the Federal Circuit’s stare decisis arguments wanting. *See id.* at 162.

¹⁷³ *Id.* at 164.

¹⁷⁴ *Id.* at 162-63.

creates a significant anomaly. The second [§ 145] path permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO. The presence of such new or different evidence makes a factfinder of the district judge. And nonexpert judicial factfinding calls for the [clear error] standard of review. We concede that an anomaly might exist insofar as the district judge does no more than review PTO factfinding, but nothing in this opinion prevents the Federal Circuit from adjusting related review standards where necessary.¹⁷⁵

The passage reflects a regrettable indifference to the statutory scheme, in a way that actually weakens the case for subjecting § 141 appeals to the commands of the APA. Congress explicitly preserved the § 145 path, which comes with the benefit of full-scale, impartial adjudication. The applicant may give that up and resort to a § 141 appeal. In that case of waiver, there is no reason to practice patent law exceptionalism and to ramp up the standard of review: judicial deference and built-in pro-PTO bias is the price of admission. To deprive the plaintiff of the benefits on the private-rights side and to compensate, in a manner of speaking, by ginning up special standards on the appellate side is to substitute a fabricated judicial balance for the balance that Congress actually struck. But the *Dickinson* Court did not make that argument. Instead, it endorsed the Federal Circuit's view of § 141 as the normal way of obtaining review and § 145 proceedings as an irritant, and it encouraged the Federal Circuit's strategy of leveling the review standards—just on different, APA-conforming terms.

Understandably, the PTO, the Solicitor General, and (up to a point) the Federal Circuit all read the just-quoted passage as an invitation to assimilate § 145 proceedings fully, or very nearly so, to appellate proceedings under § 141. Following the erroneous *Fregeau* notion that a § 145 proceeding is substantially a judicial review action, the Federal Circuit held that after *Dickinson*, district courts should apply the deferential “substantial evidence” standard to the Board's fact-findings.¹⁷⁶ As for the inconvenient fact that such actions permit the plaintiff to introduce non-record evidence, the Federal Circuit characterized § 145 actions as “a hybrid of an appeal and a trial de novo”¹⁷⁷ and held that district courts should in such actions review agency findings for “substantial evidence” when the plaintiff introduces no new evidence—and de novo when he does.¹⁷⁸

Considering that this “hybrid” is obviously a mutt, and in further contemplation of the Supreme Court's *Dickinson* invitation, one can understand the PTO's insistence that § 145 proceedings, too, should be governed by the general principles of administrative law. The PTO and the Solicitor General took

¹⁷⁵ *Id.* at 164 (alteration in original) (citation omitted) (citing *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985)).

¹⁷⁶ *Mazzari v. Rogan*, 323 F.3d 1000, 1004-05 (Fed. Cir. 2003).

¹⁷⁷ *Winner Int'l Royalty Corp. v. Wang*, 202 F.3d 1340, 1345 (Fed. Cir. 2000) (citing *Estee Lauder Inc. v. L'Oreal, S.A.*, 129 F.3d 588, 592 (Fed. Cir. 1997)).

¹⁷⁸ *Mazzari*, 323 F.3d at 1005; *Hyatt v. Kappos*, 625 F.3d 1320, 1336 (Fed. Cir. 2010).

just that position in *Kappos v. Hyatt*.¹⁷⁹ Section 145, the government argued forcefully, “does not authorize the [district] court to issue the patent itself, or even to ‘direct the issuance of a patent.’”¹⁸⁰ Rather, a successful § 145 action “has the effect of a remand, returning the application to the PTO to determine *in the first instance* whether the patent should issue.”¹⁸¹ Characterizing the plaintiff’s opportunity to introduce non-record evidence in a § 145 action as a “limited deviation from usual administrative-law principles,” the government appealed to ordinary administrative law principles of exhaustion and insisted that § 145 plaintiffs should be permitted to introduce such evidence only if they had no reasonable opportunity to present it in the PTO proceedings.¹⁸² “[N]o structural feature of the Patent Act,” the government averred, “suggests congressional intent to depart from administrative-review principles.”¹⁸³

In *Hyatt*, the Supreme Court rejected that position. Instead, it insisted on the distinctive nature of § 145 proceedings as original actions, whereby successful plaintiffs obtain a patent as of right.¹⁸⁴ The Court did not use that precise language, and the point is easily lost in an opinion that is part “patent stare decisis”¹⁸⁵ and part deep-dive into rules of procedure and evidence. But *Hyatt* is difficult to understand on any other theory.

Unequivocally, the Court “reject[ed] the Director’s contention that background principles of administrative law govern the admissibility of new evidence and require a deferential standard of review in a § 145 proceeding.”¹⁸⁶ Judicial review proceedings, Justice Thomas’s opinion for the Court explained, are on-the-record review, and a § 145 action manifestly is not.¹⁸⁷ The Court further rejected the contention that administrative law principles of exhaustion should apply, both “because, by the time a § 145 proceeding occurs, the PTO’s process is complete” and because § 145 “does not provide for remand to the PTO to consider new evidence.”¹⁸⁸

Following that brush-back, the Court examined the evidentiary and procedural standards that historically governed § 145 and its precursors. In arguing that such proceedings had been understood as “review” actions, and thus governed by a deferential standard all along, the government principally relied on *Morgan* and proposed to distinguish the *Butterworth* account of the bill in equity as an original action as dicta.¹⁸⁹ The *Hyatt* Court rejected the Director’s

¹⁷⁹ Brief for Petitioner at 18-21, *Kappos v. Hyatt*, 566 U.S. 431 (2012) (No. 10-1219).

¹⁸⁰ *Id.* at 15 (citing and quoting *Gould v. Quigg*, 822 F.2d 1074, 1079 (Fed. Cir. 1987)).

¹⁸¹ *Id.* at 16 (emphasis added).

¹⁸² *Id.* at 14, 23, 42.

¹⁸³ *Id.* at 21.

¹⁸⁴ *Kappos v. Hyatt*, 566 U.S. 431, 442-45 (2012).

¹⁸⁵ See Benjamin & Rai, *supra* note 9, at 1593.

¹⁸⁶ *Hyatt*, 566 U.S. at 438.

¹⁸⁷ *Id.*

¹⁸⁸ *Id.* at 439.

¹⁸⁹ Brief for Petitioner at 33-34, *Kappos v. Hyatt*, 566 U.S. 431 (2012) (No. 10-1219).

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argument and instead distinguished *Morgan* as arising over an interference proceeding, rather than a patentability decision.¹⁹⁰ Such actions and proceedings, the Court explained, are now governed by § 146, and thus, *Morgan* had no application to the ex parte proceeding in *Hyatt*.¹⁹¹ Moreover, no new evidence had been introduced in *Morgan*.¹⁹² In short, courts should in § 145 actions adhere to *Butterworth*'s characterization of "an R.S. 4915 proceeding as an original civil action, seeking de novo adjudication of the merits of a patent application."¹⁹³ Section 145 plaintiffs, the *Hyatt* Court concluded, may introduce new evidence subject to the ordinary Rules of Evidence and Rules of Civil Procedure.¹⁹⁴ District courts may review newly introduced facts de novo and, in their discretion, decide what weight to give to that evidence in light of the earlier agency proceeding.¹⁹⁵

Welcome back, Sandy.

B. After Hyatt

Dickinson and *Hyatt* make for a somewhat perplexing study in contrasts. *Dickinson* was a smackdown of the Federal Circuit.¹⁹⁶ *Hyatt* affirmed an en banc opinion and decision (handed down over a dissent by two judges and a partial dissent by a third). *Dickinson* celebrates the APA and presents pre-APA patent decisions as muddled; *Hyatt* reads like an exercise in "patent stare decisis," including adherence to decisions long predating the APA. *Dickinson* seeks to explain and integrate *Morgan*; *Hyatt* distinguishes it. *Dickinson* extols the PTO's expertise; *Hyatt* brushes it aside.¹⁹⁷ The *Dickinson* Court embraced wholeheartedly the Solicitor General's call for an end to patent exceptionalism;¹⁹⁸ the *Hyatt* Court firmly rejected the Solicitor's call to bring patent law into the administrative law mainstream.

¹⁹⁰ *Hyatt*, 566 U.S. at 443.

¹⁹¹ *Id.*

¹⁹² *Id.* at 443-44. ("*Morgan* did not involve a proceeding in which new evidence was presented to the District Court.")

¹⁹³ *Id.* at 442-43 (noting that "this Court reiterated *Butterworth*'s well-reasoned interpretation of R.S. 4915 in three later cases.").

¹⁹⁴ *Id.* at 444 ("Congress intended that applicants would be free to introduce new evidence in § 145 proceedings subject only to the rules applicable to all civil actions, the Federal Rules of Evidence and the Federal Rules of Civil Procedure.") (quoting *Hyatt v. Kappos*, 625 F.3d 1320, 1331 (Fed. Cir. 2010)).

¹⁹⁵ *Id.* at 444-45.

¹⁹⁶ *Dickinson v. Zurko*, 527 U.S. 150, 150 (1999) ("[T]he Federal Circuit must use the framework set forth in § 706 when reviewing PTO findings of fact.").

¹⁹⁷ *Hyatt*, 566 U.S. at 438 ("The PTO, no matter how great its authority or expertise, cannot account for evidence that it has never seen. Consequently, the district court must make its own findings de novo and does not act as the 'reviewing court' envisioned by the APA.").

¹⁹⁸ *Dickinson*, 527 U.S. at 152 ("We conclude that [§ 706] does apply, and the Federal Circuit must use the framework set forth in that section.").

Perhaps the best way of harmonizing the decisions is to read them as statutory interpretation cases (of § 559 of the APA and §145, respectively).¹⁹⁹ That reading, though, in turn reinforces the bifurcated review regime. A patent applicant who opts into the appellate review model (under § 141) cannot then plead an exemption from ordinary principles of administrative law.²⁰⁰ Conversely, a patent applicant who seeks independent judicial review under § 145 is entitled to the full benefit of that choice.²⁰¹ That is the institutional arrangement Congress chose in 1927, affirmed in 1952, and left untouched in 1982 and again in 2011; and that is the regime that the Justices will respect and enforce.

Admittedly, the decisions and opinions are not entirely clear on this point. *Dickinson* contains the “normalization-all-the-way” passage quoted in the text above;²⁰² and as already suggested and further discussed below,²⁰³ *Hyatt* stops short of articulating the full logic of the bifurcated review scheme. It remains true nonetheless that the twin decisions in *Dickinson* and *Hyatt* have effectively resurrected an arrangement that had very nearly been homogenized out of existence. On one side, *Dickinson* subjects on-the-record appeals to the not-much-more-than-a-mere-scintilla regime of the APA. On the other side, *Hyatt* has lifted the *Morgan* misinterpretation’s shadow from ex parte actions, and it has taken such actions entirely outside *Chevron*’s domain. No Article III court can or will give deference in an original action, let alone on questions of law.²⁰⁴

If this is right, *Hyatt*’s explication of § 145 may come to present profound questions concerning the coordination of private-rights instruments and

¹⁹⁹ See, e.g., *Hyatt*, 566 U.S. at 437 (“[W]e begin with the text of § 145”); *Dickinson*, 527 U.S. at 154-55 (interpreting § 559).

²⁰⁰ See *Dickinson*, 527 U.S. at 164-65.

²⁰¹ See *Hyatt*, 566 U.S. at 445-46.

²⁰² See *supra* text accompanying note 175.

²⁰³ See *infra* text accompanying notes 235-236.

²⁰⁴ Consistent with this proposition, lower courts have generally given *Hyatt* a broad reading. See, e.g., *Combe Inc. v. August Wolff*, 382 F. Supp. 3d 429, 443-44 (E.D. Va. 2019) (citing *Hyatt* for the proposition that “when new evidence is submitted in addition to the PTO record, the district court must exercise de novo review of the entire factual record.”); *Hyatt v. Iancu*, 332 F. Supp. 3d 83, 98, 109 (D.D.C. 2018) (“[T]he Court has discretion to consider the earlier proceedings and findings [by the Board] when weighing the new evidence. . . . [N]othing the PTO did or failed to do in the course of examining a § 145 plaintiff’s application carries any inherent weight before the Court.”). The Federal Circuit has extended *Hyatt*’s holding to interference cases under § 146 of the Patent Act. See *Troy v. Samson Mfg. Corp.*, 758 F.3d 1322, 1328 (Fed. Cir. 2014) (“*Hyatt* applies with equal force to both § 145 and § 146 actions.”). *Hyatt*’s holding has also been applied to the Lanham Act. See *Palateria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. DE C.V.*, 188 F. Supp. 3d 22, 36-37 (D.D.C. 2016) (relying on *B & B Hardware v. Hargis*, 135 S. Ct. 1365 (2015) in finding that *Hyatt*’s “holding applies with equal force to actions challenging a TTAB trademark decision under 15 U.S.C. § 1071(b) that involve the introduction of new evidence”); *Swatch AG v. Beehive Wholesale*, 739 F.3d 150, 156 (4th Cir. 2014).

administrative mechanisms, operating side-by-side under the patent system. Already, the AIA has produced such questions in spades with respect to the coordination of administrative patent cancellations and parallel *infringement* proceedings in Article III courts.²⁰⁵ *Hyatt* has no direct effect on that set of issues, but it is bound to present a closely analogous question in sharp relief: can a “§ 145 patent”—as distinct from a PTO-awarded patent—be canceled in a subsequent PTAB proceeding? Part IV examines that question, with an emphasis on its constitutional dimension. To state the conclusion up front: on the authority of *Hyatt*, patents obtained under § 145 cannot be subject to the AIA’s review and reexamination proceedings.

IV. SECTION 145 AND ADMINISTRATIVE REVIEW

When and to what extent are *judicial* patent determinations subject to *administrative* revision and revocation? A tempting first-cut answer is, never. Under the Supreme Court’s landmark decision in *Plaut v. Spendthrift Farm*, Congress may not re-open the final judgments of Article III courts or make such judgments subject to executive revision.²⁰⁶ Upon inspection, however, the question proves a great deal more involved. Section A discusses the problem as it arises in the context of parallel judicial infringement actions and administrative review proceedings under the AIA. Section B addresses the subtly different and as yet-unlitigated question of coordinating § 145 actions and administrative patent review.

A. Infringement Actions and Administrative Review

As noted earlier, infringement proceedings in Article III courts used to be the near-exclusive means of invalidating patents. Infringement actions are brought by patent holders against alleged infringers. Invalidity is a defense to such actions, but it is subject to a demanding, “clear and convincing evidence” standard of proof. That advantage to the patent holder is accompanied by an asymmetry that cuts the other way. If the alleged infringer prevails on his invalidity defense, the patent holder is precluded from ever again enforcing its claims against anyone.²⁰⁷ Conversely, a prevailing patentee cannot establish patent validity against all comers and for all purposes—only against the

²⁰⁵ See Gugliuzza, *supra* note 27, at 273-74; Vishnubhakat et al., *supra* note 6, at 64-65; Ben Picozzi, Comment, *Reimagining Finality in Parallel Patent Proceedings*, 125 YALE L.J. 2519, 2522-23 (2016).

²⁰⁶ *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (citing *Hayburn’s Case*, 2 U.S. 409 (1792)).

²⁰⁷ Under the modern doctrine of issue preclusion, defendants accused of infringing the patent may rely on a previous judgment of invalidity as a complete defense. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971). “This doctrine of ‘offensive, non-mutual’ collateral estoppel represented a fundamental shift in patent litigation” and its result was “that an invalidity defense in litigation now looks more like a revocation proceeding than a personal defense to infringement.” Lemley, *supra* note 71, at 1711.

defendant-infringer,²⁰⁸ and only on actually litigated claims. A judgment in favor of the patentee does not necessarily entail that the patent is “valid” even with respect to the litigated claims; it simply means that the infringer has failed to meet the high standard of proving invalidity.²⁰⁹

The PTAB applies a substantially less demanding standard of evidence to establish invalidity than the “clear and convincing evidence” standard that governs judicial interference litigation.²¹⁰ Thus, a demand for inter partes review (or some other form of administrative review or reexamination) is the predictable and usual response to a judicial infringement proceeding.²¹¹ Congress in the AIA fully intended that result, and it clearly meant to facilitate administrative patent invalidation. However, Congress gave next to no thought to, and supplied virtually no rules for, the coordination of parallel private and administrative proceedings.²¹² The preclusive effects of a final decision, in one or the other forum, have caused considerable consternation.

When defendants in infringement actions respond by instituting a parallel administrative review or reexamination proceedings, district courts often issue a

²⁰⁸ Generally, a prevailing patent holder may not use the judgment offensively against another accused infringer in a subsequent case. *Taylor v. Sturgell*, 553 U.S. 880, 893 (2008).

²⁰⁹ *Gugliuzza*, *supra* note 27, at 279 (Article III “[c]ourts do not find patents ‘valid,’ only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court.”) (quoting *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988)); *see also In re Swanson*, 540 F.3d 1368, 1377-79 (2008) (rejecting the argument that continuing reexamination after a finding of no invalidity by a district court constituted impermissible review of an Article III court by an administrative agency).

²¹⁰ *See* 35 U.S.C. § 316(e) (preponderance of the evidence standard in inter partes review proceedings); 37 C.F.R. § 42.100(b) (2012). Until 2018, the PTAB also used a challenger-friendly standard of claim construction. However, the Board has since adopted the claim construction standard used by federal courts. USPTO, *PTAB Issues Claim Construction Final Rule* (Oct. 10, 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/procedures/ptab-issues-claim-construction> [<https://perma.cc/3D64-5Q8J>].

²¹¹ Post-AIA, more than 80 percent of IPRs involved patents that were also asserted in litigation. Pedram Sameni, *Patexia Insight 44: Eighty Percent of IPR Filings are for Defensive Purposes*, PATEXIA (Nov. 8, 2017) <https://www.patexia.com/feed/patexia-chart-44-80-percent-of-ipr-filings-are-for-defensive-purposes-20171107> [<https://perma.cc/22ZE-8296>]; Love & Ambwani, *supra* note 5, at 103.

²¹² *Gugliuzza*, *supra* note 27, at 330 (Congress “has consistently expanded post-issuance review at the PTO by emphasizing the speed and efficiency of administrative adjudication while ignoring the complications of having two different forums review the validity of a single patent.” (footnote omitted)). Perhaps because the problem had already arisen under pre-AIA reexamination procedures, inter partes review proceedings under the AIA are subject to estoppel, and statutory deadlines. 35 U.S.C. §§ 315(e), 314(b), 316(a)(11) (2012). Still, the proceedings can consume well over a year, thus presenting the coordination problems discussed in the text. If anything, the accelerated pace of IPRs (relative to the sluggish pace of reexaminations) may have increased rivals’ incentives to initiate administrative proceedings in response to infringement suits. *Gugliuzza*, *supra* note 27, at 320.

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stay pending a resolution of a PTAB proceeding.²¹³ If the PTAB proceeding results in a finding of invalidity, the determination has preclusive effect in federal court, and the now-invalid claims can no longer serve as a basis for infringement claims.²¹⁴ If one believes that invention patents, once granted and vested, are private rights, that arrangement is not free from constitutional doubt.²¹⁵ However, *Oil States* has put that contention to rest. That being so, “stay and let PTAB go first” is a close cousin to the venerable administrative law doctrine of primary jurisdiction: permit the competent agency to rule on or revisit its own initial decision.²¹⁶

Much harder questions arise when district courts decline to stay infringement cases. They have done so on many occasions and for intelligible reasons, such as an accused infringer’s delay in seeking PTO review²¹⁷ or a recognition that the administrative proceeding is unlikely to resolve all the issues in litigation.²¹⁸ In those cases, a judgment in the infringement case may precede a determination in the parallel PTAB proceeding. How should one think about the preclusive effect of the judicial decision, vis-à-vis a subsequent administrative determination? In part, the answer hangs on how one understands *Plaut v. Spendthrift Farm*. In other part, it hangs on highly context-dependent judgments about claim and issue preclusion.²¹⁹

²¹³ The reverse scenario cannot occur because the PTO is statutorily precluded from staying PTAB review proceedings, regardless of pending infringement litigation. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988) (“Congress contemplated that PTO proceedings would not be stayed.”).

²¹⁴ *SkyHawke Techs., LLC v. DECA Int’l Corp.*, 828 F.3d 1373, 1376 (Fed. Cir. 2016) (“[A]dministrative decisions by the U.S. Patent and Trademark Office can ground issue preclusion in district court when the ordinary elements of issue preclusion are met....”) (citing *B & B Hardware v. Hargis*, 135 S. Ct. 1293, 1302-10 (2015)).

²¹⁵ See *B & B Hardware*, 135 S. Ct. at 1316 (Thomas, J., dissenting); see also *infra* text accompanying notes 266-275.

²¹⁶ Professor John F. Duffy advocated “primary jurisdiction” as a plausible answer to the difficulties at hand many years ago, long before the AIA. John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J.L. & POL’Y 109 (2000). The suggestion never gained traction, even though the AIA reforms quite probably strengthened the case for applying the doctrine. For an argument to that effect, see Gavin P.W. Murphy, Note, *Revising Markman: A Procedural Reform to Patent Litigation*, 95 TEX. L. REV. 1425 (2017).

²¹⁷ *Gugliuzza*, *supra* note 27, at 285-86 (“[C]ourts have developed a three-factor test to determine whether a stay is warranted, considering: ‘(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.’”).

²¹⁸ See *Picozzi*, *supra* note 205, at 2522.

²¹⁹ *Cf. Gugliuzza*, *supra* note 27, at 293 (“Cases involving concurrent proceedings in court and at the PTO are inevitably complex, and seemingly minor facts and procedural details can play a crucial role.”).

As noted, a patentee who defeats a validity challenge in an infringement case still cannot gain preclusive effect against other parties in subsequent judicial proceedings. Such a ruling should also lack preclusive effect in administrative proceedings instituted by private parties not in privity with the original infringer. In these circumstances, the PTO is not really reviewing (or reversing) a judicial determination; it is reviewing, reexamining, or reversing its own decision to issue the patent in the first place (and in any event, the PTO is not a party to the judicial proceeding). However, that does not settle whether the PTAB must treat a court's final judgment as *res judicata* when *the infringer* institutes an inter partes review proceeding over *the same* claims. The Federal Circuit has given the PTAB wide berth to countermand judicial rulings even under those circumstances and sidestepped *Plaut*'s prohibition against executive revisions of final judicial decisions through a very constricted interpretation of what constitutes a "final" judicial judgment.

To an extent, that position is supported by *Plaut*. While Justice Scalia's opinion for the Court contains categorical language describing finality as the core of "the Judicial Power,"²²⁰ closer inspection shows the core to be surprisingly small. Notably, Congress may prospectively change the scope of injunctive relief, based on the theory that injunctions remain subject to judicial supervision and are therefore not "final" in a constitutionally relevant sense.²²¹ Thus, PTAB cancellations that vitiate a patent holder's final judgment for *injunctive* relief probably pass constitutional muster. In contrast, it seems certain that a final judgment awarding *monetary damages* can no longer be reversed in the course of administrative adjudication.²²² Within these parameters, the Federal Circuit has applied a broad rule of "absolute finality," which permits administrative patent invalidation even when patentees have prevailed on their claims in an earlier infringement proceeding and only a few minor remedial questions (such as the precise scope of injunctive relief) remain open.²²³ The Federal Circuit has come exceedingly close to ignoring even the prohibition against reversing monetary judgments and "nullif[y]ing] district court awards of

²²⁰ See, e.g., *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (1995) (citing *Hayburn's Case*, 2 U.S. 409 (1792) ("Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch").

²²¹ *Id.* at 238-39; *Miller v. French*, 530 U.S. 327, 343 (2000) (upholding automatic stay provision of the Prison Litigation Reform Act).

²²² *Gugliuzza*, *supra* note 27, at 274 ("[S]eparation of powers doctrine likely prohibits a PTO decision from serving as the basis for reopening a *litigation-ending* court judgment awarding damages.").

²²³ The term "absolute finality" is the author's. *Id.* at 274, 293, 295-96 (tracing the Federal Circuit's approach to "two unpublished Federal Circuit opinions decided fifteen years apart that provided scant reasoning" and summarizing the holdings in *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013); *Versata Comput. Indus. Sols., Inc. v. SAP AG*, 564 F. App'x 600 (Fed. Cir. 2014); and *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015)).

infringement damages to patent holders because the PTO invalidated the patent before the court proceedings concluded.”²²⁴

The Federal Circuit has been equally aggressive in deploying preclusion principles in the PTAB’s favor. Under ordinary preclusion rules, there is no conflict in a strict sense between a judicial determination that an infringer has failed to carry his burden in proving invalidity, and a PTAB determination that the patent is nonetheless invalid under different (statutory or regulatory) standards of evidence. The Federal Circuit has explained its position on just this ground, over the strenuous opposition by one of its judges²²⁵ and insistent criticism by some scholars and members of the patent bar.²²⁶ It is fair to say that here, as with finality, the Federal Circuit has pushed the boundaries. In *Novartis AG v. Noven Pharmaceutical Inc.*, for example, the Federal Circuit concluded that the PTAB could invalidate a patent that had been previously upheld by a federal district court in an infringement proceeding *and by the Federal Circuit itself* upon review of that decision.²²⁷ The Court noted several differences between the patent claims at issue in the infringement case and in the reexamination proceeding. Then, in a startling dictum, the Court went out of its way to opine that due to the differing standards of evidence, a de facto revision of a final judgment would be unproblematic even on identical claims and defenses.²²⁸

The Federal Circuit’s position seems doubly problematic. On the one hand, the Circuit’s rigid notion of “finality” is at variance with more flexible doctrines of preclusion among courts.²²⁹ On the other hand, the Circuit has imported

²²⁴ *Id.* at 273 (citing *ePlus*, 789 F.3d at 1361; and citing *Fresenius*, 721 F.3d at 1347). For an account of the convoluted *Fresenius* litigation, see Picozzi, *supra* note 205, at 2524-26.

²²⁵ *Novartis AG v. Noven Pharm. Inc.*, 853 F.3d 1289, 1293-94 (Fed. Cir. 2017). *But see In re Constr. Equip. Co.*, 665 F.3d 1254, 1260 (Fed. Cir. 2011) (Newman, J., dissenting) (“[W]hen an issue has been litigated and judgment entered in a court of last resort, ‘[t]he underlying rationale of the doctrine of issue preclusion is that a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided over again.’”) (quoting *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994)).

²²⁶ *See, e.g.*, Daniel Sutter, *Leaving the Fox in the Henhouse: ePlus v. Lawson Software, Inc. and the Court’s Submission to the Executive Branch*, 25 FED. CIR. B.J. 489, 493 (2016) (arguing that the Federal Circuit’s decision in *ePlus* violated the separation of powers).

²²⁷ *Novartis*, 853 F.3d at 1293-94.

²²⁸ *Id.* at 1294 (“[E]ven if the record were the same, *Novartis*’s argument would fail as a matter of law. The PTAB determined that a ‘petitioner in an inter partes review proves unpatentability by a preponderance of the evidence (*see* 35 U.S.C. § 316(e)) rather than by clear and convincing evidence[] as required in district court litigation,’ meaning that the PTAB properly may reach a different conclusion based on the same evidence.”) (quoting *Noven II*, 2015 WL 5782081, at *2 (2015)) (referencing *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2146 (2016) for support).

²²⁹ Professor Gugliuzza, the author of the most careful analysis of the subject, observes that “[o]n first glance, th[e] absolute finality rule seems problematic. As a doctrinal matter, it is inconsistent with the flexible and pragmatic definition of finality found in the law of issue

preclusion principles that govern relations *among courts* into the context of judicial-administrative preclusion—regardless, or so it seems, of any concerns that such a transposition might pose special problems. Infringement actions threaten to become a farce if the Article III action is merely a trial run for subsequent administrative proceedings. Moreover, if a different, lower standard of evidence sufficed to distinguish the proceedings for purposes of preclusion, Congress could *always* make final judgments subject to executive revision by establishing that difference in the statute, or by authorizing an agency to establish it. It is difficult to believe that the Article III limits enunciated in *Plaut* can be circumvented quite so easily.

B. Are “§ 145 Patents” Reviewable and Revocable?

Concerns over the administrative revocation of patents that have been sustained in infringement actions apply with greater force to patents that have been obtained by way of a § 145 action. The Federal Circuit’s latitudinarian jurisprudence with respect to PTAB patent cancellations following a judicial judgment in an infringement action hangs on the proposition that “in post-issuance review, the PTO is not reviewing a court’s decision on patent validity, it is reconsidering its *own* decision to issue the patent.”²³⁰ Whether that proposition can be extended to the administrative review of patents obtained under § 145 depends crucially on how one thinks of those actions. If such actions are “review” actions of the PTO’s initial patent denial, and if the plaintiff’s remedy—a judicial determination that the Director is “authorized” to issue the patent—is a slightly modified remand to the agency, then a subsequent administrative cancellation may pose no greater constitutional difficulties than those that attend the revocation of an administrative patent grant: either way the patent issued from the PTO. Contrariwise, if one thinks of a successful § 145 suit as an original action, administrative review of the court’s order takes on a much more problematic coloration.

The “slightly modified remand” reading of § 145, we have seen,²³¹ was the government’s litigation position in *Hyatt*. It still appears to be the PTO’s current position,²³² but it is hard to defend. The best argument is that *Hyatt*’s strict

preclusion, which generally considers a decision on liability to be entitled to preclusive effect even if the court has not yet determined the remedy. As a structural matter, the absolute finality rule raises separation of powers concerns because it allows the PTO to override decisions of Article III courts.” Gugliuzza, *supra* note 27, at 274. While cautiously concluding that the absolute finality rule “does not necessarily violate Supreme Court caselaw on separation of powers,” the author argues that the “law of the case doctrine” provides a more suitable vehicle to address conflicts between judicial and administrative patent validity decisions *Id.* at 275-76, 308.

²³⁰ Gugliuzza, *supra* note 27, at 309-10.

²³¹ See *supra* notes 179-183 and accompanying text.

²³² The agency’s rules and regulations provide that “the procedures to be followed in the U.S. Patent and Trademark Office after a decision, remand, or dismissal of the case by the

holding was limited to district courts' evidentiary standards in § 145 actions. What follows from *Hyatt*'s characterization of such proceedings as original actions is arguably a somewhat different question. *Hyatt* did say that a judicial decision in a § 145 plaintiff's favor was not a mere remand—but only in a half-sentence, buttressed with another half-sentence that sounds in practicality rather than first principle.²³³ *Hyatt* did not specifically address the PTO's statutory obligations that would flow from a § 145 ruling, or the precise meaning of the "authorized" language of § 145. Perhaps, then, "§ 145 patents" are on a par with administrative patents and subject to revocation on the same terms.

The argument is colorable, but barely so. In every respect—the emphasis on the de novo nature of § 145; the reliance on *Butterworth*; the decided rejection of administrative law notions of exhaustion and expertise—*Hyatt* rejected the "review and remand" interpretation of § 145. Pursue the thought and the logic: *Hyatt* teaches that the successful § 145 plaintiff is entitled to his patent as a matter of right. The judicial disposition that the Director is authorized to issue the patent means that she is duty-bound—contingent upon the patentee's payment of the applicable fee, and provided no newly discovered ground arises—to perform a ministerial act for which she previously, and erroneously, believed to lack statutory authority.

If that reading of *Hyatt* is right, a patent issued pursuant to a § 145 proceeding cannot be subject to the AIA's review and reexamination procedures. If § 145 patents issue as of right and neither require nor, in the ordinary course, permit further administrative proceedings, it follows a fortiori that the Director cannot *then* entertain or initiate an administrative review or reexamination proceeding that would divest the patentee of the benefits of a conclusive Article III judgment. It makes no difference that the administrative proceeding would be conducted under different standards of evidence: on that theory, *no* final judicial judgment (with the possible exception of monetary relief) would ever be immune against executive revision, and agencies would be free to correct not only their own errors but also those of Article III courts. Nor does it matter for constitutional purposes that PTAB's cancellation would again be reviewable on appeal to the Federal Circuit. Once the initial patent grant pursuant to § 145 has become final, it has res judicata and estoppel effect in any court; and that preclusive effect cannot be circumvented by means of an administrative reversal and subsequent (deferential) appellate review.²³⁴ The short of it is that "§ 145

district court [under § 145] are the same as the procedures followed with respect to 35 U.S.C. § 141 appeals." MPEP § 1216.02 (9th ed. Rev. 8, Jan. 2018) (alteration in original).

²³³ *Kappos v. Hyatt*, 566 U.S. 431, 439 (2012) ("Section 145, moreover, does not provide for remand to the PTO to consider new evidence, and there is no pressing need for such a procedure because a district court, unlike a court of appeals, has the ability and the competence to receive new evidence and to act as a factfinder.").

²³⁴ The Federal Circuit itself may have upheld a district court's patent grant on appeal. *Burlington Indus. v. Quigg*, 822 F.2d 1581, 1584 (Fed. Cir. 1987). If the PTAB were to cancel that patent administratively and the patentee were to appeal, could or would the Federal Circuit review that decision under the ordinarily applicable deferential standard—and

patents” are immune from administrative review and reexamination except under the most unusual circumstances. *Hayburn’s Case* and *Plaut* must at least mean that much.

V. SECTION 145 AND “PATENT EXCEPTIONALISM,” POST-*OIL STATES*

Suppose the preceding analysis is right: what follows? Section A sketches possible practical consequences on the patent side. The longer and closer-to-my-heart Section B examines the implications of the § 145 question on the administrative law side. Should a case concerning the administrative cancellation of a “§ 145 patent” come before the Supreme Court, I believe the Justices will reaffirm the statutorily “exceptional” nature of the patent system.

A. *Gold-Plated Patents?*

The preceding analysis strongly suggests that the Patent Act’s bifurcated judicial review scheme may produce a bifurcated review and reexamination pattern: AIA post-grant procedures for patents issued in the ordinary course by the PTO; and de facto immunity against administrative cancellation for patents issued pursuant to § 145. If that is right, patent applicants may increasingly avail themselves of the § 145 option. They may even decide to do what the PTO feared they might do: hold back on evidence in an initial patent application in the hope of “gold-plating” patents through de novo review and a favorable disposition in district court.²³⁵

Under current conditions, such prospects seem remote, as § 145 proceedings are very expensive, time-consuming, and risky. A far cheaper and more expeditious response to an unsuccessful patent prosecution is to amend the application and to re-file it with a different patent examiner. Even after the *Hyatt* decision, § 145 filings have remained rare, although the actions of the PTO and of the patent bar in the wake of *Hyatt* suggest that the stakes are not inconsiderable.²³⁶

conclude that on second thought, it was wrong the first time around? That seems unlikely, and exceedingly odd.

²³⁵ See *Hyatt*, 566 U.S. at 445 (citing Brief for Petitioner at 23). The *Hyatt* Court dismissed the scenario as “unlikely” because “[a]n applicant who pursues such a strategy would be intentionally undermining his claims before the PTO on the speculative chance that he will gain some advantage in the § 145 proceeding.” *Id.*

²³⁶ At this writing, four § 145 actions are still pending in the District of Columbia, all before Judge Lamberth. All of them are Mr. Hyatt’s (not including the patent prosecution at issue in *Hyatt*, which was dismissed some three years after the Supreme Court’s remand for lack of prosecution). I have identified 11 reported § 145 and § 146 cases since 2011 in the Eastern District of Virginia (post-AIA, the exclusive venue). According to the PTO, § 145 filings have remained rare after *Hyatt*. *NantKwest Inc. v. Iancu*, 898 F.3d 1177, 1196 (Fed. Cir. 2018) (at oral argument, “the PTO estimated that there were four to five [§ 145] proceedings in the last three years.”).

The PTO has never been fond of § 145 challenges and has persistently attempted to eviscerate them.²³⁷ Its response to *Hyatt* is appropriately described as non-acquiescence. For example, the Office supported an attempt in Congress to repeal § 145 by means of a “technical amendment” to the AIA.²³⁸ The PTO has declined to amend procedural regulations that treat a district court ruling in favor of a § 145 plaintiff as a mere remand.²³⁹ In several cases, the PTO has effectively insisted that *Hyatt* does not mean what it plainly says.²⁴⁰ In the same vein, the PTO has argued that the “expenses” to be paid by § 145 plaintiffs include the PTO’s in-house attorneys’ fees,²⁴¹ an idea that had not occurred to the Office in 174 years and until the *Hyatt* decision. The Supreme Court rejected it in a prompt, brusque per curiam opinion authored by Justice Sotomayor.²⁴²

Members of the patent bar, meanwhile, have spent considerable time and money on the defense of § 145 actions, even on ancillary issues. For example, the litigation over expenses to be paid by § 145 plaintiffs drew substantial amicus support from prominent patent firms and trade associations not just in the Supreme Court but even at the appellate level. Neither the amount at issue in the case (\$78,592.50 allegedly owed by NantKwest in reimbursable PTO attorneys’ time) nor any immediate interest would seem to warrant the investment: almost exclusively, § 145 actions have been the domain of individual inventors (such as Gilbert Hyatt) rather than institutional repeat players.²⁴³ Still, those actors appear to attribute at least some deterrent value to § 145 actions.

²³⁷ See Charles E. Miller & Daniel P. Archibald, *Beware the Suppression of District-Court Jurisdiction of Administrative Decisions in Patent-Validity Challenges Under the America Invents Act: A Critical Analysis of a Legislative Black Swan in an Age of Preconceived Notions and Special-Interest Lobbying*, 95 J. PAT. & TRADEMARK OFF. SOC’Y 124, 160-61 (2013).

²³⁸ Section 9(a) of the so-called Innovation Act was formally introduced on October 13, 2013 by Rep. Bob Goodlatte (R-Va) as H.R. 3309 (113th Congress). This attempt to effectively repeal § 145 was rebuffed by the House of Representatives on the floor. Charles E. Miller, *The USPTO’s Ongoing Campaign to Suppress the Right to U.S. District Court De Novo Review of Administrative Decisions in Patent Applications and of the Agency’s Post-Grant Review of Issued Patents*, CORP. COUNSEL BUS. J. (Nov. 18, 2013), <https://ccbjournal.com/articles/usptos-ongoing-campaign-suppress-right-us-district-court-de-novo-review-administrati> [<https://perma.cc/G5CH-6PAG>].

²³⁹ See MPEP, *supra* note 232, § 1216.02.

²⁴⁰ In *BTG Int’l Ltd. v. Kappos*, 2012 WL 6082910 (E.D. Va. Dec. 6, 2012), for example, the PTO argued that the PTAB’s unilateral decision to select a single “representative” patent claim for consideration constitutes a waiver of the applicant’s right to litigate all other claims in a § 145 proceeding. The district court squarely rejected that position as foreclosed by *Hyatt*.

²⁴¹ See 35 U.S.C. § 145 (“All the expenses of the proceedings shall be paid by the applicant.”).

²⁴² *Peter v. NantKwest, Inc.*, 140 S. Ct. 365, 367 (2019).

²⁴³ It seems equally unlikely that the PTO insisted in this case on the reimbursement of attorneys’ time to stem a flood of § 145 suits and a shifting of the attendant costs to less

B. Exceptionalism Revisited

Patentees and their attorneys are fully incentivized to bring a case involving the cancellation of a § 145 patent before the Supreme Court. In that event, enduring tensions and contentions between private right and public administration, and between patent law and general administrative law, will again command the Justices' attention and engagement. The Court's decisions at the intersection of patent and administrative law have wavered between anti-exceptionalist decisions (*Dickinson*) and cases of "patent stare decisis" (*Hyatt*). However, in view of its administrative law jurisprudence in recent years, the Court is likely to reaffirm and extend the logic of the *Hyatt* decision, and very unlikely to retreat from that position.

"Anti-exceptionalist" scholars insist on the normative force and the trans-substantive aspirations of the APA and general administrative law.²⁴⁴ Much can be said for a program that seeks to combat an unthinking fragmentation of general administrative law. However, an appeal to a trans-substantive APA regime has lost most of its purchase. Scholars have shown that the administrative state teems with "unorthodox" practices,²⁴⁵ "boundary organizations,"²⁴⁶ and other institutional patterns and practices that fit the standard model of agencies and their actions poorly, if at all.²⁴⁷ Agency adjudication in particular is a whole "new world" outside the APA.²⁴⁸ Viewed in that light, the PTO is no "exception," just one more boundary organization with somewhat funky arrangements.

litigious patent applicants. *See* *NantKwest v. Iancu*, 898 F.3d 1177, 1195-96 (Fed. Cir. 2018) (dismissing PTO arguments to that effect). Much more likely, the PTO's aggressive position on the expense issue was calculated to bring down the hammer on Mr. Hyatt, whose obligations for PTO attorneys' time spent on his multiple § 145 suits (dating back to 1995) would amount to many millions. *See* *Hyatt v. Kappos*, 625 F.3d 1320, 1344 n.2 (2010).

²⁴⁴ *E.g.*, Walker, *supra* note 10, at 151-52 (conceding that "the *Mead* standard is hopelessly confusing" but nonetheless urging broader application of general administrative law principles to PTAB interpretations); Wasserman, *The Changing Guard*, *supra* note 10, at 1994 ("[A]lthough scholars have amply criticized the *Chevron* and *Mead* decisions, these cases articulated the legal framework that represents the current administrative law norms. As a result, patent exceptionalism to administrative law is justified only to the extent it is premised on the specific context of the patent system and not solely on the rehashing of arguments against the legal framework offered by *Chevron* and its progeny." (footnote omitted)).

²⁴⁵ *See, e.g.*, Abbe R. Gluck et al., *Unorthodox Lawmaking, Unorthodox Rulemaking*, 115 COLUM. L. REV. 1789 (2015).

²⁴⁶ *See, e.g.*, Anne Joseph O'Connell, *Bureaucracy at the Boundary*, 162 U. PA. L. REV. 841 (2014).

²⁴⁷ *See, e.g.*, James W. Coleman, *Policymaking by Proposal: How Agencies are Transforming Industry Investment Long Before Rules Can be Tested in Court*, 24 GEO. MASON L. REV. 497 (2017); Daniel A. Farber & Anne Joseph O'Connell, *The Lost World of Administrative Law*, 92 TEX. L. REV. 1137 (2014); Michael S. Greve & Ashley C. Parrish, *Administrative Law Without Congress*, 22 GEO. MASON L. REV. 501 (2015).

²⁴⁸ *See* Walker & Wasserman, *supra* note 4, at 142.

On a broader, more normative note, “anti-exceptionalism” presupposes a consensual baseline understanding of administrative law that can be mobilized against the non-conforming practices and provisions of patent law. For better or worse, though, the APA and its appellate review baseline have become intensely controverted. The most aggressive critics deem the entire enterprise unconstitutional,²⁴⁹ and even scholars who resist that dramatic verdict have lamented the highly improvised, undertheorized nature of administrative law and have called for a “constitutional reassessment.”²⁵⁰ The contestation is no longer solely a matter of arcane academic dispute but also of public debate, and it has reached the United States Supreme Court.²⁵¹

Scholarly and judicial contentions have extended both to what I have called the “external” reach of the appellate review model to matters of private right and to the “internal” operation of *Crowell*, *Chevron*, and associated deference canons.²⁵² Both sets of questions both have figured prominently in the Supreme Court’s decisions at the intersection of patent law and administrative law. The Justices’ opinions in both respects bode well for Sandy and her fans; I consider them in turn.

Private Rights and Appellate Review.

The appellate review system cannot extend to invention patents: those are *private* rights and therefore, under the Constitution, revocable only by Article III courts. That, in a nutshell, was the petitioners’ position in *Oil States*. The Supreme Court rejected that contention.²⁵³ However, the decision is hardly a blanket endorsement of the appellate review model. Fairly read, the *Oil States*

²⁴⁹ See, e.g., PHILIP HAMBURGER, IS ADMINISTRATIVE LAW UNLAWFUL? (Univ. of Chi. Press 2014); Gary Lawson, *The Rise and Rise of the Administrative State*, 107 HARV. L. REV. 1231 (1994).

²⁵⁰ Robert R. Gasaway & Ashley C. Parrish, *Administrative Law in Flux: An Opportunity for Constitutional Reassessment*, 24 GEO. MASON L. REV. 361, 385-86 (2017); see also Greve & Parrish, *supra* note 247, at 547 (urging a “search for doctrines that respond to the administrative state as is actually is”); see generally Aditya Bamzai, *The Origins of Judicial Deference to Executive Interpretation*, 126 YALE L.J. 908 (2017); Nathan S. Chapman & Michael W. McConnell, *Due Process as Separation of Powers*, 121 YALE L. J. 1673 (2012); Caleb Nelson, *Adjudication in the Political Branches*, 107 COLUM. L. REV. 559 (2007); Mila Sohoni, *Agency Adjudication and Judicial Nondelegation: An Article III Canon*, 107 NW. U. L. REV. 1569 (2013); Ann Woolhandler & Caleb Nelson, *Does History Defeat Standing Doctrine?*, 102 MICH. L. REV. 689 (2004).

²⁵¹ Gillian E. Metzger, *Foreword: 1930’s Redux: The Administrative State Under Siege*, 131 HARV. L. REV. 1, 9 (2017) (“The striking feature of the current challenges [to the administrative state], however, is the extent to which they are surfacing in court and being framed in terms of constitutional doctrine.”); *id.* at 35-42 (critically discussing the Supreme Court’s “anti-administrativist” decisions and opinions).

²⁵² See *supra* text accompanying notes 41-42.

²⁵³ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018).

opinions fit a set of cases and opinions in which individual justices have sought to reconnect questions of judicial review to notions of private right.

Justice Gorsuch's *Oil States* dissent, joined by Chief Justice Roberts, squarely embraced the proposition that the adjudication of private rights—including invention patents—may *never* be committed to any entity other than Article III courts.²⁵⁴ “The Court does not quarrel with this test,” Justice Gorsuch continued.²⁵⁵ That averment is an overstatement to the extent that the majority did not affirmatively endorse a “private rights” test, either. But it is correct in the sense that the majority conspicuously, and unnecessarily, couched the analysis in terms of private and public right. Previously, the Supreme Court employed that dichotomy almost exclusively in cases dealing with the power of bankruptcy courts to adjudicate private (common law) rights.²⁵⁶ In contrast, agency adjudication has been governed, “for better or worse,”²⁵⁷ by *Crowell* and its modern-day elaboration in *Commodity Futures Trading Commission v. Schor*²⁵⁸ and subsequent cases. Under that analysis, Congress may commit the adjudication even of private rights to an administrative agency, within the bounds of a multi-factor test that renders the “private rights” question nearly irrelevant.²⁵⁹ The AIA's reexamination and review procedures easily would have passed constitutional muster under this approach.²⁶⁰ By instead resting its decision on the categorical private-public distinction, the *Oil States* Court invited the obverse inference: if Congress may provide for the administrative adjudication of public rights (including invention patents), perhaps it may *not* so provide when private rights *are* at stake.

In a concurring opinion, Justice Breyer (joined by Justices Ginsburg and Sotomayor) resisted that looming inference as contrary to precedent.²⁶¹ The

²⁵⁴ *Id.* at 1381 (Gorsuch, J., dissenting).

²⁵⁵ *Id.*

²⁵⁶ *E.g.*, *Stern v. Marshall*, 564 U.S. 462, 494 (2011).

²⁵⁷ *Id.* at 504 (Scalia, J., concurring).

²⁵⁸ *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 852-53 (1986).

²⁵⁹ The *Schor* factors include “the extent to which the ‘essential attributes of judicial power are reserved to Article III courts, and, conversely, the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts, the origins and importance of the right to be adjudicated, and the concerns that drove Congress to depart from the requirements of Article III.” *Id.* at 851. In addition, *Schor* asked whether the private parties consented to administrative adjudication; and whether appellate judicial review remains available. *Id.* at 849-850, 855.

²⁶⁰ For extended discussion, see Reilly, *supra* note 8, at 401-29.

²⁶¹ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018) (Breyer, J., concurring) (citing *Stern*, 564 U.S. at 494) (“[T]he Court's opinion should not be read to say that matters involving private rights may never be adjudicated other than by Article III courts, say, sometimes by agencies. Our precedent is to the contrary.”); *see also Stern*, 564 U.S. at 513 (Breyer, J., dissenting) (citing *Schor*, 478 U.S. at 854) (“The presence of ‘private rights’ does not automatically determine the outcome of the question but requires a more ‘searching’ examination of the relevant factors.”).

author of the *Oil States* opinion, however, articulated just that position in a dissent in *B & B Hardware, Inc. v. Hargis*.²⁶² The case arose under the Lanham Act,²⁶³ which governs trademarks and is administered by the PTO under a system with a strong resemblance to the AIA. Like the AIA, the Lanham Act affords the holder of a legal entitlement a right to defend that entitlement by means of infringement actions in federal court.²⁶⁴ And, like the AIA, the Lanham Act permits rival claimants to institute parallel administrative proceedings,²⁶⁵ thus producing analogous coordination problems. The question in *B & B Hardware* was whether an administrative determination has preclusive effect in a parallel, pending judicial enforcement proceeding.²⁶⁶ Relying in part on precedents establishing a “presumption in favor of administrative preclusion”²⁶⁷ and in other part on the complainants’ failure to raise potential constitutional objections,²⁶⁸ Justice Alito’s opinion for the Court held that the question was one of ordinary issue preclusion in accordance with the Restatement of Judgments.²⁶⁹ Under those principles, a conclusive administrative determination does have collateral estoppel effect in a judicial proceeding.²⁷⁰

Justice Thomas’s dissent, joined by Justice Scalia, articulated statutory and constitutional objections, ultimately grounded in notions of private right.²⁷¹ Common-law rules of preclusion, Justice Thomas insisted, historically governed relations among ordinary courts, and cannot be transported willy-nilly into a court-agency context.²⁷² In that setting, the question is one of right: while Congress may give preclusive effect to administrative determinations of *public* rights, a statutory scheme that would make administrative determinations of *private* right binding in Article III courts would raise grave constitutional concerns.²⁷³ And while the registration of trademarks is a mere public privilege, the defense of trademarks against infringement—once they have entered the private domain—has historically been deemed a private right with deep common law origins.²⁷⁴ While Justice Thomas declined to provide an affirmative answer

²⁶² *B & B Hardware v. Hargis*, 135 S. Ct. 1293, 1310 (2015) (Thomas, J., dissenting).

²⁶³ Lanham Act, Pub. L. No. 79-489, 60 Stat. 427 (1946).

²⁶⁴ 15 U.S.C. § 1121(a) (2012).

²⁶⁵ *Id.* § 1067(a).

²⁶⁶ *B & B Hardware*, 135 S. Ct. at 1299.

²⁶⁷ *Id.* at 1311 (citing *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104, 108 (1991); and *Univ. of Tenn. v. Elliott*, 478 U.S. 788, 797-98 (1986)).

²⁶⁸ *Id.* at 1304.

²⁶⁹ *Id.* at 1309.

²⁷⁰ *Id.* at 1310. The principle applies to patent as well as trademark proceedings. *Maxlinear, Inc., v. CF Crespe, LLC*, 880 F.3d 1373, 1376 (Fed. Cir. 2018) (“The TTAB, at issue in *B & B Hardware*, and the Board, in this case, are indistinguishable for preclusion purposes.”).

²⁷¹ *B & B Hardware*, 135 S. Ct. at 1310 (Thomas, J., dissenting).

²⁷² *Id.* at 1312-13.

²⁷³ *Id.* at 1316.

²⁷⁴ *Id.* at 1317.

to the constitutional question,²⁷⁵ his dissent leaves little doubt about the author's commitment to engage it in an appropriate case.

A case over the administrative cancelation of a “§ 145 patent” would involve somewhat different legal questions, but the same underlying precepts and intuitions. Congress, the train of thought runs, may provide for the public administration or private adjudication of invention patents as it sees fit. It may *not* provide for a judicial determination of an invention patent and then for its administrative revocation.

Chevron and the PTO.

The Supreme Court appears increasingly reluctant to bring *Chevron*'s gravitational force to bear on patent law. The point is illustrated by *SAS Institute Inc. v. Iancu*, decided the same day as *Oil States* and addressing the same inter partes review process.²⁷⁶ SAS sought review of a software patent held by a competitor, claiming that all of the patent's claims were unpatentable.²⁷⁷ The PTAB concluded that SAS was likely to succeed with respect to at least one of the claims and that review was therefore warranted.²⁷⁸ Section 318(a) of the AIA provides that once an IPR proceeding has been instituted, the PTAB “shall issue a final written decision with respect to the patentability of *any* patent claim challenged by the petitioner.”²⁷⁹ However, pursuant to a regulation issued after notice and comment,²⁸⁰ the PTAB instituted review on only some of the claims and denied review on the rest.

SAS prevailed in its challenge to the Director's claimed power of “partial institution.”²⁸¹ The Court deemed the plain language of § 318(a) (the use of “shall” and “any”) as “both mandatory and comprehensive,”²⁸² thus foreclosing any discretion to institute a partial review. The *SAS* majority found support for its strict reading in the statutory context.²⁸³ In contrast to the pre-existing, agency-led and inquisitorial *ex parte* reexamination proceedings, Justice Gorsuch wrote, Congress had deliberately designed inter partes review as a

²⁷⁵ Justice Thomas instead argued that the presumption in favor of preclusion—dubious to his mind—should not apply to statutes (such as the Lanham Act) enacted prior to the Supreme Court's creation of that presumption, or to statutes that suggest no firm congressional intent to that effect. *Id.* at 1314 (Thomas, J., dissenting).

²⁷⁶ *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2017).

²⁷⁷ *Id.* at 1351.

²⁷⁸ *Id.* at 1354.

²⁷⁹ 35 U.S.C. § 318(a) (2012) (emphases added).

²⁸⁰ 37 C.F.R. § 42.108(a) (2016) (“When instituting inter partes review, the [Director or PTAB under authority delegated by the Director] may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.” (alteration in original)).

²⁸¹ *SAS*, 138 S. Ct. at 1359.

²⁸² *Id.* at 1354, 1356.

²⁸³ *Id.* at 1359.

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“party-directed, adversarial process” that mimics civil litigation and treats the challenging party as master of its complaint.²⁸⁴ Dismissing the government’s policy arguments in defense of partial institution as being more appropriately addressed to Congress,²⁸⁵ the Court concluded that the statute left no room to apply *Chevron* deference.²⁸⁶

In a forceful dissent (joined by Justices Ginsburg, Sotomayor, and Kagan) Justice Breyer argued that § 318(a) does leave room for interpretation. Moreover, the Court “previously held that a statute’s complexity, the vast number of claims that it engenders, and the consequent need for agency expertise and administrative experience’ normally ‘lead us to read [a] statute as delegating to the Agency considerable authority to fill in, through interpretation, matters of detail related to its administration.’ These considerations all favor such a reading here.”²⁸⁷ Nor was Justice Breyer “helped by analogizing the inter partes review proceeding to civil litigation.”²⁸⁸ The purposes of the “hybrid” procedure, he argued, were “not limited to ‘helping resolve concrete patent-related disputes among parties,’ but extend to ‘reexamin[ing] . . . an earlier administrative grant of a patent’ and ‘protect[ing] the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”²⁸⁹

The majority firmly rejected the dissenters’ appeals to ordinary background principles of administrative law. In that and other respects, the majority opinion is of one piece with *Hyatt*. Both decisions closely parse the statutory provisions. Both reject the PTO’s demands for judicial deference and its appeals to the Office’s policy-setting prerogatives. Both insist on enforcing the litigant-driven mechanisms that Congress has preserved or placed in the statutory framework. Neither decision views the agency-centered administrative law model as a paradigm or lodestar. In fact, the *SAS* Court showed an almost ostentatious disregard for the agency’s position, on a matter of agency practice squarely within *Chevron*’s domain. Such a Court is very unlikely to defer to the PTO’s interpretation of § 145 actions as mere review-and-remand proceedings.

CONCLUSION

The judicial review regime of the Patent Act enshrines differences and tensions between *Marbury*, *Crowell*, and *Chevron*, between private right and public administration. Those tensions, of course, run through many fields of administrative law, but it is unusual to see them embodied in a single statutory review regime. I cannot think of another “Sandy.”

²⁸⁴ *Id.* at 1355.

²⁸⁵ *Id.* at 1357-58.

²⁸⁶ *Id.* at 1358. In a concluding section, presented almost as an afterthought, the Court rejected the government’s principal claim that the Director’s action was judicially unreviewable. *Id.* at 1360.

²⁸⁷ *Id.* at 1364-65 (quoting *Barnhart v. Walton*, 535 U.S. 212, 225 (2002)).

²⁸⁸ *Id.* at 1363.

²⁸⁹ *Id.* (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)).

Having chronicled Sandy's origins and remarkable resilience, I readily admit to my abject failure to offer a convincing explanation for her strange survival. My best answer is that the life of American administrative law has never been logic or coherence, but rather intellectual and institutional improvisation. That leaves considerable room for sheer contingency and for statutory pieces that do not quite fit the overall picture. The bifurcated review regime of the Patent Act emerged in 1927, before the appellate review regime had received a canonical formulation and became generally accepted. In the debates leading up to the enactment of the APA, the patent system remained something of an afterthought. Legislative reforms of the patent system, especially the creation of the AIA's administrative review machinery, could have prompted Congress to strip § 145 from the Patent Act to better conform judicial review under the Act to the appellate review model. However, Congress is rarely good at clearing the statutory deck when creating new regulatory regimes. Instead, Congress usually adds "kludges" to the existing machinery, as seen with the AIA.²⁹⁰

Confronted with the tension between private right and public administration, the Supreme Court appears to resist the pull in either direction. *Oil States* says that Congress may create a purely administrative patent regime. However, Congress has retained elements of a private-rights model, including § 145, even as it has superimposed administrative review mechanisms and procedures. And while nothing in the Constitution or the nature of invention patents provides grounds for freezing patents in a private-rights paradigm, the increasingly doubtful precepts and presumptions of *Chevron's* domain provide no grounds for cramming non-conforming statutory provisions of patent law into that framework.

For a Supreme Court amid ideological contentions over the administrative state, the statutory ground may not be a bad place to be. It does mean, though, that seemingly marginal, non-conforming statutory provisions—remnants of a lost legal world—may well become focal points of legal argument over first principles. Having survived for so long and against all odds, Sandy may yet shine a light into our stoned faces.²⁹¹

²⁹⁰ Steven M. Teles, *Kludgeocracy in America*, 17 NAT'L AFF. 97, 98 (2013).

²⁹¹ With profuse apologies to the Boss. See BRUCE SPRINGSTEEN, *4th of July, Asbury Park (Sandy)*, on THE WILD, THE INNOCENT, & THE E STREET SHUFFLE (Columbia Records 1973).