

# DISCERNING THE RETROACTIVE POLICYMAKING POWERS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

WILLIAM C. NEER\*

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## INTRODUCTION

The United States Patent and Trademark Office (USPTO) accumulates more authority over patents every time Congress amends the Patent Act.<sup>1</sup> The Leahy-Smith America Invents Act (AIA)—the most recent amendment to the Patent Act—drastically changed the practice of patent law when it created the Patent Trial and Appeal Board (PTAB), which allows the agency

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1. See Patent Act of 1952, ch. 950, §§ 1–159, 66 Stat. 792, 792 (codified as amended in scattered sections of 35 U.S.C.); see also Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 609, 617–19 (2012) (discussing the history of administrative power delegated to the United States Patent and Trademark Office (USPTO)) [hereinafter Tran, *Patent Powers*].

to invalidate patents.<sup>2</sup> Patent owners challenged the AIA within three years, catalyzing groundbreaking cases such as *Oil States Energy Services, LLC v. Greene's Energy Group*,<sup>3</sup> *SAS Institute, LLC v. Iancu*,<sup>4</sup> and *Cuozzo Speed Technologies, LLC v. Lee*.<sup>5</sup> These cases illuminate how patent law is inextricably ingrained within administrative law.

While patent law actions, such as infringement, are resolved through litigation, *Oil States* held that the PTAB has the authority to invalidate patents through adjudication.<sup>6</sup> Thus, interested parties may avoid the expense and time associated with litigation and instead challenge the invalidity of a patent through agency adjudication.<sup>7</sup> The Supreme Court's narrow ruling avoided questions such as whether new adjudications, including inter partes review (IPR), would apply retroactively.<sup>8</sup> In the years following the AIA's enactment—despite protracted litigation surrounding its constitutionality—the USPTO has utilized its new and improved policymaking powers more frequently than ever before.<sup>9</sup> The agency is now beginning to realize the scope

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2. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); see also Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 438 (2012) (describing the legislative history of the America Invents Act (AIA) and how it changed the U.S. patent system from a first-to-invent to a first-to-file system and created the Patent Trial and Appeal Board (PTAB)).

3. 138 S. Ct. 1365, 1373 (2018) (affirming the constitutionality of the AIA).

4. 138 S. Ct. 1348, 1355 (2018) (holding that when the Director of the USPTO institutes a petition for review of a patent, he cannot do so partially but must assess the patentability of all claims challenged by the petitioner).

5. 136 S. Ct. 2131, 2144 (2016) (finding that Congress delegated the USPTO authority to engage in substantive rulemaking under the AIA).

6. *Oil States*, 138 S. Ct. at 1373.

7. *Id.*

8. Inter partes review (IPR) is a form of patent reexamination. It allows third parties—someone other than the patent owner or the patent examiner—to challenge the validity of a patent on the grounds of novelty and non-obviousness. *Id.* at 1370–71.

9. Based on a search in the online search engine in the *Federal Register*, an analysis of the results reflects that the USPTO has promulgated more rules post-AIA than it did pre-AIA. Compare *Proposed Rule on or before 09/15/2011*, FED. REGISTER, <https://www.federalregister.gov/documents/search> (last visited May 14, 2019) (using “Advanced Search,” enter “Proposed Rule” for “Document Category,” “on or before 09/15/2011” for “Publication Date,” and “Patent and Trademark Office” for “Agency”) (finding that the USPTO promulgated approximately 5.66 rules per year [Calculation: (total rules in time range)/(years) = (rules/year); (85 rules) / (1/23/1995–09/15/2011 (approximately fifteen years)) = 5.66 rules per year]), with *Proposed Rule on or after 9/16/2011*, FED. REGISTER, <https://www.federalregister.gov/documents/search> (last visited May 14, 2019) (same parameters as previous, but for “Publication Date” enter “on or after 9/16/2011”) (finding that the USPTO promulgated

of its powers under the AIA as it promulgates more rules and issues more orders that invalidate patents.<sup>10</sup> As the USPTO explores its new powers, it is starting to test the metes and bounds of its retroactive policymaking powers.

American law has a “deeply rooted” presumption against retroactivity.<sup>11</sup> Indeed, the law’s aversion to retroactivity is so fundamental to our understanding of justice that it is codified in the Constitution.<sup>12</sup> “It is axiomatic that an administrative agency’s [policymaking] power” is no different.<sup>13</sup> Not only does the USPTO regulate patents, but it may use both rulemaking and adjudication to implement its policies.<sup>14</sup> Agency adjudications result in orders that are inherently retroactive.<sup>15</sup> Agency rulemaking, on the other hand, is antiretroactive because of the elementary notions of fairness through notice.<sup>16</sup> USPTO’s rules are no exception to the general presumption against retroactivity—retroactive actions are only appropriate in certain circumstances.<sup>17</sup>

This Comment is the first to address the retroactive policymaking powers of the USPTO post-AIA. Part I of this Comment reviews the policymaking mechanisms at the disposal of the USPTO and highlights how the USPTO’s policymaking powers have fluctuated throughout the years. Part II begins by generally addressing the principles of retroactivity; it then discusses the difference between retroactivity in agency adjudications and rulemaking. Part III first explores retroactivity in respect to the USPTO’s policymaking

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approximately 7.71 rules per year [(54 rules)/(9/16/2011–12/24/2018 (approximately seven years)) = 7.71 rules per year].

10. See *Proposed Rule on or after 9/16/2011*, *supra* note 9. See generally USPTO, PATENT TRIAL & APPEAL BD., TRIAL STATISTICS 3–10 (2018), [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_nov\\_2018.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_nov_2018.pdf) (illustrating through various graphics how petitions are resolved before the PTAB).

11. See *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994).

12. *Id.* at 266 (“[T]he antiretroactivity principle finds expression in several provisions of our Constitution,” including the Ex Post Facto Clause and the Fifth Amendment’s Takings Clause.).

13. See *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988).

14. See David L. Shapiro, *The Choice of Rulemaking or Adjudication in the Development of Administrative Policy*, 78 HARV. L. REV. 921, 924 (1965) (emphasizing that agencies can have more than one form of policymaking).

15. See Abner S. Greene, *Adjudicative Retroactivity in Administrative Law*, 1991 SUP. CT. REV. 261, 264 (1991) (summarizing how adjudications are inherently retroactive because “they are not, on the orthodox view, creating the rules they apply”).

16. See *Landgraf*, 511 U.S. at 265–66 (articulating general principles of retroactivity).

17. See *Bowen*, 488 U.S. at 208 (stating that an agency can only promulgate a retroactive rule if Congress grants the agency that power).

powers. Part III also explains that while the USPTO does not have the authority to promulgate retroactive rules, the USPTO has the ability to issue retroactive orders through its adjudications. Part IV asserts that the USPTO is appropriately using its retroactive powers and recommends that the best way to avoid promulgating retroactive rules is to engage in notice-and-comment rulemaking.

## I. POLICYMAKING AT THE USPTO

Congress provides agencies with different mechanisms to implement their policy objectives.<sup>18</sup> The two most common policymaking mechanisms are adjudication and rulemaking.<sup>19</sup> These forms of policymaking create substantive orders and rules, which can have the full force and effect of law.<sup>20</sup> Essentially, adjudication “deals with what the law was,” whereas “rulemaking deals with what the law will be.”<sup>21</sup> Adjudications are trial-like proceedings, distinct from the judiciary, that issue orders to determine whether a party violates a statute or regulation.<sup>22</sup> Rulemaking is a quasi-legislative process

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18. See also JEFFREY S. LUBBERS, A GUIDE TO FEDERAL AGENCY RULEMAKING 123–24 (5th ed. 2012) (discussing the benefits of policymaking through rulemaking). See generally Administrative Procedure Act (APA), 5 U.S.C. §§ 551–79 (2012) (codifying and defining the authority and scope of administrative agencies’ policymaking powers).

19. See generally Jeffrey J. Rachlinski, *Rulemaking Versus Adjudication: A Psychological Perspective*, 32 FLA. ST. U.L. REV. 529, 529–30 (2005) (explaining that there are advantages and disadvantages to the choice between acting through rulemaking and adjudication); Shapiro, *supra* note 14, at 924 (pointing out that the choice between rulemaking and adjudication may lead to different effects on “the class of persons or practices that will come within its scope”).

20. See LUBBERS, *supra* note 18, at 124 (commenting that legislative rulemaking can result in a policy that has the full force of a law, and adjudications are binding, and thus have the force and effect of law, on the parties to the proceeding).

21. *Bowen*, 488 U.S. at 221 (Scalia, J., concurring).

22. See LUBBERS, *supra* note 18, at 124. Not all claims receive the same right to be heard by the judiciary. See *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 848 (1986) (opining that even though agency adjudications appear to mimic the form and structure of an Article III court proceeding, agencies do not hear the same types of cases). Although adjudications are comparable to the judiciary, agencies do not technically have a common law because each order is only binding upon the parties involved in a given dispute. See Rachlinski, *supra* note 19, at 529–30. Some agencies, such as the USPTO, issue precedential decisions that create a quasi-common law. See David L. Cavanaugh & Jonathan R. Stroud, *Meeting of the Minds—Precedent, Persuasion, and the PTAB*, LANDSLIDE MAG., Mar.–Apr. 2016, at 1, 4; see also Patent Trial & Appeal Bd., *Standard Operating Procedure 2, Publication Of Opinions And Designation Of Opinions As Precedential, Informative, Representative, And Routine*, USPTO, <https://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf> (lasted visited May 14, 2019).

that results in a rule or regulation, which provides the public notice of the law or policy.<sup>23</sup> Although the Administrative Procedure Act (APA) provides agencies with three forms of rulemaking,<sup>24</sup> notice-and-comment rulemaking is considered the most widely used.<sup>25</sup> An agency can then use policy statements to further clarify the meaning of a rule or outline an agency procedure.<sup>26</sup> Even though agencies lack the legislative power of Congress or the adjudicative power of Article III courts, courts have upheld both agency adjudications and rulemaking as constitutional.<sup>27</sup> Unless explicitly mandated by statute, an agency has the authority to choose which type of policymaking it uses to implement its goals.<sup>28</sup> The USPTO enjoys a considerable amount of power over its policymaking mechanisms; however, that was not always the case.

#### A. *The USPTO's Rise to Policymaking*

The USPTO has taken many forms since the ratification of the Constitution. In fact, Congress did not outline the ground work of the current system until 1836.<sup>29</sup> The slow evolution of the USPTO has largely impacted its ability to engage in different forms of policymaking.<sup>30</sup> Until the Patent and

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23. *SEC v. Chenery Corp.*, 332 U.S. 194, 202–03 (1947) (describing rulemaking as quasi-legislative because of its prospective nature). The three types of rules are substantive, procedural, and interpretive. *Nat'l Org. of Veterans' Advocates v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001). Substantive rules involve or create individual rights and obligations; interpretive rules clarify an existing rule and do not create a new right or duty. *Id.* Procedural rules govern the administration of the agency or outline how an adjudication will operate. *Am. Hosp. Ass'n v. Bowen*, 834 F.2d 1037, 1050 (D.C. Cir. 1987).

24. 5 U.S.C. §§ 552–53 (2012); *see also* ANDREW POPPER ET AL., *ADMINISTRATIVE LAW: A CONTEMPORARY APPROACH* 72–75 (3d ed. 2010) (discussing the three different types of rulemaking: formal, informal or notice-and-comment, and policy statements).

25. LUBBERS, *supra* note 18, at 124.

26. *See* Jonathan Stroud, Comment, *The Illusion of Interchangeability: The Benefits and Dangers of Guidance-Plus Rulemaking in the FDA's Biosimilar Approval Process*, 63 *ADMIN. L. REV.* 599, 629 & n.188 (2011) (noting that agencies are increasingly avoiding rulemaking and instead pursuing other mechanisms of policymaking, such as the issuance of interpretive rules).

27. *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) (stating that agency policymaking through rulemaking and adjudication is constitutional so long as it stays within the boundaries set forth by Congress).

28. *See* *SEC v. Chenery Corp.*, 332 U.S. 194, 202–03 (1947).

29. CRAIG ALLEN NARD, *THE LAW OF PATENTS* 22–23 (Rachel E. Barkow et al. eds., 4th ed. 2016) (highlighting the difficulties in establishing a firm date of creation of the Patent Office).

30. *See id.* at 22–25; *see also* Jonathan Masur et al., *Who Defines the Law? USPTO Rulemaking Authority*, 8 *NW. J. TECH. & INTELL. PROP.* 410, 411 (2010) (transcription of panel discussion).

Trademark Act of 1952, the USPTO's primary responsibility was patent prosecution.<sup>31</sup> Before this Act, courts rarely reviewed patent applications.<sup>32</sup> The USPTO has never, and still does not, have the power to shape substantive patent law.<sup>33</sup> Congress gave the USPTO the ability to reexamine patents and potentially cancel claims through *ex parte* reexaminations in 1980, which changed a patentee's litigation options.<sup>34</sup> The Board of Patent Appeals and Inferences (BPAI), the original adjudicative body of the USPTO, oversaw this new examination.<sup>35</sup> Although an *ex parte* examination could invalidate a patent, the proceedings were seen as curative because the patent should have never been granted in the first place.<sup>36</sup>

The agency's adjudicative powers began to grow after the implementation of *ex parte* proceedings. In 1999, Congress passed the American Inventors Protection Act (AIPA), which established *inter partes* reexaminations.<sup>37</sup> These reexaminations mirrored *ex parte* reexaminations in purpose, but allowed for third parties to submit comments regarding the patentability of an invention throughout the reexamination.<sup>38</sup> While the purpose of these examinations has always been curative, some legal scholars argue that they exceed mere reexamination of the patent because of the involvement of a third

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31. Tran, *Patent Powers*, *supra* note 1, at 617–18 (describing the emergence of the USPTO's patent prosecution responsibilities before the Patent and Trademark Act of 1952). Patent prosecution is the process of obtaining a patent. David L. Schwartz, *Retroactivity at the Federal Circuit*, 89 IND. L.J. 1547, 1550–53 (2014).

32. See Schwartz, *supra* note 31, at 1550–53 (explaining how lawyer behavior prior to the Patent and Trademark Act of 1952 limited courts' review of patent applications).

33. Substantive patent law concerns patent eligibility. For someone to receive a patent, her invention must be of eligible subject matter, novel, non-obvious, and properly disclosed. See 35 U.S.C. §§ 101–112 (2012). The USPTO does define patent validity. See, e.g., Arti K. Rai, *Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development*, 61 DUKE L.J. 1237, 1237 n.1 (2012) (explaining, for example, that the USPTO does not decide what it means for an invention to be obvious when reviewing patents).

34. Kenneth R. Adamo, *Patent Reexamination*, 58 CHI.-KENT L. REV. 59, 63–67 (1981); see *infra* notes 152–153 and accompanying text (explaining the different parts of a patent).

35. Mark D. Janis, *Inter Partes Patent Reexamination*, 10 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 481, 486 n.23 (2000) (quoting *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985)) (“Congress had an important public purpose in mind when it enacted the reexamination statute. The statute was part of a larger effort to revive United States industry's competitive vitality by restoring confidence in the validity of patents issued by the PTO.”).

36. *Id.*

37. American Inventor's Protection Act of 1999, Pub. L. No. 106-113, § 4604, 113 Stat. 1501A-1, 567 (codified as amended at 35 U.S.C. §§ 311-319 (2012)).

38. *Id.*

party.<sup>39</sup> The AIPA did not last long, but it was a necessary stepping stone for the new adjudications created in the AIA.<sup>40</sup>

Along with methods of adjudication, Congress also vested the USPTO with the power to promulgate rules. Congress first gave the USPTO the ability to promulgate rules in the Patent Act of 1952.<sup>41</sup> This grant of authority seemed to encompass the ability to promulgate *any form* of rules.<sup>42</sup> The USPTO enjoyed its seemingly broad rulemaking power until 1991, when the Court in *Animal Legal Defense Fund v. Quigg*<sup>43</sup> suggested that the USPTO did not have the authority to promulgate substantive rules.<sup>44</sup> After *Animal Legal Defense Fund*, the Federal Circuit invalidated several USPTO rules; soon, the USPTO could only promulgate procedural rules.<sup>45</sup> *Dickinson v. Zurko*,<sup>46</sup> *Tafas v. Doll*,<sup>47</sup> and *Cooper Technologies Co. v. Dudas*<sup>48</sup> all held that the USPTO never had full rulemaking powers.<sup>49</sup> In fact, the USPTO rarely used its rulemaking authority, and whenever it did, the courts almost always invalidated the

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39. Janis, *supra* note 35, at 486; *see also* Michael Xun Liu, *Patent Policy Through Administrative Adjudication*, 70 BAYLOR L. REV. 43, 49–50 (2018) (examining the Supreme Court’s decision in *Cuozzo Speed Tech. v. Lee*, 136 S. Ct. 2131, 2144 (2016) (stating that “[a]lthough Congress changed the name from ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision”)).

40. 35 U.S.C. §§ 311–29 (2012) (creating inter partes review (IPRs), post-grant review, and covered business method review); Tran, *Patent Powers*, *supra* note 1, at 625–26.

41. Patent Act of 1952, ch. 950, §§ 1–159, 66 Stat. 792, 792; Tran, *Patent Powers*, *supra* note 1, at 617–18 (discussing the history of the USPTO).

42. *See* *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 931 (Fed. Cir. 1991) (addressing the question of whether the USPTO had the power to promulgate rules).

43. 932 F.2d 920, 931 (Fed. Cir. 1991) (holding that the USPTO had the power to promulgate rules but questioned whether it could promulgate substantive rules).

44. *Id.*; *see* Tran, *Patent Powers*, *supra* note 1, at 618–19. Tran essentially argues that subsequent courts should not have relied upon this dictum, and that it was this misguided reliance that caused the USPTO to lose its rulemaking power. *Id.*

45. *See* Sarah Tran, *Administrative Law, Patents, and Distorted Rules*, 80 GEO. WASH. L. REV. 831, 834 (2012) [hereinafter Tran, *Distorted Rules*].

46. 527 U.S. 150 (1999).

47. 559 F.3d 1345 (Fed. Cir. 2009).

48. 536 F.3d 1330 (Fed. Cir. 2008).

49. All together, these cases show that the courts slowly deprived the USPTO of its rulemaking capabilities until the USPTO was only allowed to promulgate procedural rules. *See* *Dickinson v. Zurko*, 527 U.S. at 165 (holding that the APA, not the USPTO, should set the appropriate standard of review in patent review); *Tafas v. Doll*, 559 F.3d at 1352–53 (stating that the USPTO does not have the authority to promulgate substantive rules); *Cooper Techs. Co. v. Dudas*, 536 F.3d at 1335 (concluding that the USPTO can create procedural rules).

rule.<sup>50</sup> These cases even led judges to question whether the USPTO was an administrative agency because courts refused to apply the APA to the USPTO's decisions in the 1990s.<sup>51</sup> In response to the uncertainty, Congress enacted the AIA in 2011.<sup>52</sup>

### B. *The USPTO's Policymaking Powers Under the AIA*

The AIA changed the practice of patent law because it changed the USPTO's policymaking powers. The AIA replaced the BPAI with the PTAB as the new adjudicative body tasked with reviewing certain patent appeals.<sup>53</sup> Congress also gave the USPTO the power to promulgate rules governing the proceedings of the PTAB.<sup>54</sup> Additionally, the AIA gave the PTAB the power to hear several new post-grant proceedings where third parties could challenge the validity of patents on different patentability grounds; including IPRs, post-grant review, and covered business methods.<sup>55</sup> These proceedings contain subtle differences, which make one more favorable than the others to third party challengers.<sup>56</sup> Since the creation of these proceedings in 2011, the PTAB has received over eight thousand petitions.<sup>57</sup> The new post-grant proceedings are more popular because they easily and relatively inexpensively invalidate frivolous patents.<sup>58</sup> The increasing number of invalidations resulted in much litigation concerning the administrative law of patents.

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50. Tran, *Patent Powers*, *supra* note 1, at 617–23 (referencing the string of cases that dismantled the USPTO's rulemaking authority before the APIA and AIA).

51. As Judge S. Jay Plager once put it: “I thought the PTO was an administrative agency. But we don't review it as if it is. There is no other administrative agency in the United States that I know of in which the standard of review over the agency's decisions gives the appellate court as much power over the agency as we have over the Patent Office.” Tran, *Distorted Rules*, *supra* note 45, at 834 (quoting Ronald Zibelli & Steven D. Glazer, *An Interview with Circuit Judge S. Jay Plager*, 5 J. PROPRIETARY RTS., Dec. 1993, at 2, 5); *see also* Tran, *Patent Powers*, *supra* note 1, at 618–19 (arguing that the Federal Circuit first restricted the USPTO's rulemaking authority with the court's decision in *Animal Legal Defense Fund v. Quigg*).

52. Tran, *Patent Powers*, *supra* note 1, at 626.

53. *See* 35 U.S.C. § 6 (2012) (creating the PTAB).

54. *Id.*

55. *See* 35 U.S.C. § 311. All of these post-grant proceedings (inter partes review, post-grant review (PGR), and computer business method) were not necessarily new. There were versions of these in previous Patent Acts; however, the more adversarial nature that IPRs allow is different. 35 U.S.C. §§ 314–325.

56. For example, PGR must be filed within nine months of the issuance of a patent, whereas an IPR can only be filed after nine months. Tran, *Patent Powers*, *supra* note 1, at 631–37.

57. *See* USPTO, PATENT TRIAL & APPEAL BD., TRIAL STATISTICS, *supra* note 10, at 3.

58. *Id.*



The AIA has been challenged in the Supreme Court three times since it became effective in 2013; two of these cases involved questions surrounding the USPTO's adjudication powers. In the landmark case of *Oil States v. Greene*, the Supreme Court declared that IPRs are constitutional even though IPRs are conducted through agency adjudications.<sup>59</sup> Justice Thomas, however, cautioned that the Court's decision is limited to IPR, and that the decision does not speak to other constitutional challenges, such as retroactivity and due process.<sup>60</sup> On the same day, the Supreme Court issued a decision in *SAS Institute, LLC v. Iancu*, holding that the Director of the USPTO cannot partially institute petitions and must issue a decision on all challenged claims.<sup>61</sup> *SAS* may have limited the authority of the PTAB; however, *Oil States* proves that these adjudications are a proper use of agency authority.

When Congress made the PTAB, it also gave the USPTO the ability to promulgate substantive rules in addition to its ability to create procedural rules. Through IPRs in particular, Congress granted the USPTO the power to issue "regulations . . . establishing and governing inter partes review under this chapter," which the Supreme Court later interpreted to give the USPTO the power to engage in limited substantive rulemaking.<sup>62</sup> The AIA, arguably, gives the USPTO at least seventeen substantive rulemaking powers in regard to post-grant proceedings because it enables the USPTO to be able to:

set[] standards for the showing of sufficient grounds to institute a post-grant review; establish[] and govern[] post-grant reviews and their relationship to other proceedings; set[] standards and procedures for discovery of relevant evidence; prescrib[e] sanctions for any improper uses of post-grant review proceedings; set[] forth standards and procedures for allowing patent owners to move to amend their patents; and set[] fees for the requests for post-grant reviews.<sup>63</sup>

Further, the AIA gives the USPTO the ability to make rules that prioritize inventions, which could impact substantive patent law.<sup>64</sup> Moreover, the AIA also gives the USPTO approximately thirty rulemaking powers that could be

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59. An agency cannot generally adjudicate private rights, which are reserved for Article III courts. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (holding that patents are public, not private, rights, which is why the USPTO may invalidate patents through IPRs).

60. *Id.* at 1379.

61. 138 S. Ct. 1348, 1349–51 (2018) (stating that § 318 does not provide the Director partial institution power).

62. See 35 U.S.C. § 316(a)(4) (2012); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016).

63. Tran, *Patent Powers*, *supra* note 1, at 633–35.

64. *Id.* at 639. These substantive rulemaking powers do not give the USPTO the authority to affect statutory patent law.

either substantive or procedural.<sup>65</sup> Regardless of whether these rules are substantive or procedural, Congress and the courts have granted the USPTO more power than it had ever previously enjoyed.<sup>66</sup>

*Cuozzo Speed Technologies, LLC v. Lee* was the third case that the Supreme Court heard regarding the AIA and that also addressed the USPTO's rule-making authority.<sup>67</sup> *Cuozzo* questioned whether the USPTO had the power to promulgate a rule that concerned the standard of review during an IPR.<sup>68</sup> The Court held that § 316(a)(4) of the AIA, which provides for the USPTO to issue "regulations . . . establishing and governing inter partes review under this chapter," gave the agency the power to promulgate substantive rules.<sup>69</sup> Section 316 allows the USPTO to issue these rules regarding *only* the establishment and governance of IPR; it does not explicitly allow the agency to promulgate rules that could define subject matter under § 101 or enablement under § 112.<sup>70</sup> The agency may one day try to issue a rule that explicitly regulates these patent doctrines, but it will likely only be successful if it finds a way to embed that regulation within the establishment or governance of IPRs.<sup>71</sup> While the USPTO mainly promulgates procedural rules, it is starting to utilize its newly recognized substantive rulemaking power—even to potentially promulgate retroactive ones.

## II. PRINCIPLES OF RETROACTIVITY

Retroactivity is "deeply rooted in our jurisprudence, and embodies a legal doctrine centuries older than our Republic."<sup>72</sup> A law, rule, order, or decision

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65. *See id.* at 655 (outlining the sections of the AIA that Professor Tran asserts are new substantive or procedural rulemaking authorities).

66. *See id.*

67. 136 S. Ct. at 2142.

68. *Id.*

69. The Court in *Cuozzo* does not explicitly grant or interpret the USPTO to have the power to promulgate substantive rules; however, it does distinguish § 316 from previously litigated patent statutes and states that "[t]he Circuit's prior interpretation of § 2(b)(2)(A) cannot magically render unambiguous the different language in the different statute before us." *Id.* at 2143.

70. 35 U.S.C. § 316(a)(4) (2012) (stating that the USPTO may issue rules "establishing and governing inter partes review," not patentability).

71. A substantive rule under *Cuozzo* and § 316 would likely be a regulation that affects the outcome of a case in a procedural manner, such as the standard of review.

72. *See Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994). This presumption is even codified into the Constitution. *Id.* at 266. The Constitution embodies the presumption against retroactivity in more than just the Ex post facto Clause prohibiting Congress from passing certain forms of retroactive legislation. *Id.* The Takings Clause, Contracts Clause, and the principle of due process all protect against the negative effects of retroactive action. *Id.*

is retroactive when it changes the legality of past conduct.<sup>73</sup> Indeed, retroactivity embodies the principles of notice and fairness.<sup>74</sup> While the doctrine is normally associated with protecting individuals from vindictive and arbitrary state action, it can also be used to correct mistakes and respond to emergencies.<sup>75</sup> Accordingly, retroactivity generally only becomes a problem when a new law negatively affects the legal relationships or decisions of private parties on prior laws.<sup>76</sup>

Unlike the explicit provisions from the Constitution, the lack of authority or guidance from the APA means that the doctrine of retroactivity in administrative law is a judicial creation.<sup>77</sup> Administrative law shares the presumption against retroactivity: agency adjudications are inherently retroactively curative just like judicial decisions, and rulemaking is equally analogous to legislation's anti-retroactive nature. *Bowen v. Georgetown University Hospital*<sup>78</sup> is the principle authority on retroactivity in administrative law.<sup>79</sup> Although *Bowen* pertains mostly to rulemaking, it discusses policymaking generally at times and stands for the principle that an agency cannot enact retroactive policy unless Congress has explicitly granted it the authority to do so.<sup>80</sup> *Bowen* appears to create a bright-line rule; however, the "general legal principles governing retroactivity are relatively easy to state, although not as easy to apply."<sup>81</sup>

#### A. Retroactivity in Adjudications

Agency adjudications, just like judicial adjudications, are inherently retroactive because of their curative nature.<sup>82</sup> When a court decides the legal status of a past action, it is settling the dispute between parties or putting

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73. *Id.*

74. *Id.* at 266–67.

75. *Id.* at 267–68. The majority of the discussions concerning retroactivity revolve around the negative consequences of the doctrine or its use to harm individuals because most people do not have issues when these actions help them. *Id.*

76. Jan G. Laitos, *Legislative Retroactivity*, 52 WASH. U.J. URB. & CONTEMP. L. 81, 81 (1997).

77. See *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 220, 223–24 (1988) (Scalia, J., concurring) (discussing how the APA does not explicitly contain a presumption against retroactivity, but courts have nonetheless held agencies to the same standards). The APA does not state a presumption against retroactivity. See generally 5 U.S.C. §§ 500–96 (2012).

78. 488 U.S. 204 (1988).

79. *Id.* at 220.

80. *Id.* at 224.

81. Nat'l Mining Ass'n v. Dep't of Labor, 292 F.3d 849, 859 (D.C. Cir. 2002).

82. Greene, *supra* note 15, at 263–66 (explaining retroactivity in agency adjudications).

them back into the position they should have been in had the law not been violated.<sup>83</sup> Just as the judiciary has the power to settle disputes, Congress has delegated an analogous power to agencies.<sup>84</sup> Specifically, an agency can issue orders or decisions to settle a dispute or determine the legal relationship of parties.<sup>85</sup> Because orders affect past legal relationships, they have a retroactive effect analogous to judicial decisions.<sup>86</sup> Justice Scalia plainly stated that “retroactivity is not only permissible but [the] standard.”<sup>87</sup> Thus, agency adjudications inherently and purposefully have retroactive effects.

There are instances in which an administrative agency’s adjudicative body may not be curative because it announces a prospective “rule” under the shroud of an order.<sup>88</sup> The difference between an order and a rule is vital when determining the permissibility of a retroactive effect in an adjudication.<sup>89</sup> When an agency issues a prospective order, it effectively engages in rulemaking without abiding by the proper APA procedures, and courts have applied the same retroactive tests to it.<sup>90</sup> While orders that are curative are permissibly retroactive, orders that act as rules are not.<sup>91</sup>

One of the first challenges to retroactive agency adjudications came in *SEC v. Chenery Corp. (Chenery II)*.<sup>92</sup> The substance of the case centers around whether the Securities and Exchange Commission could retroactively apply its new standard to deny the Chenery Corp.’s request to reorganize its business.<sup>93</sup> *Chenery II* stands for both the rule-order distinction and the

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83. *Id.*

84. *See id.* at 264 (asserting that while agencies may not always adjudicate the same issues as Article III courts, they serve a similar purpose to the judiciary).

85. *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 218–19 (1988) (Scalia, J., concurring).

86. *Cf. id.* at 216–17 (discussing retroactive orders).

87. *Id.* at 221.

88. *De Niz Robles v. Lynch*, 803 F.3d 1165, 1173 (10th Cir. 2015) (stating that a new agency order that effectively works as a rule “should be treated no different[ly] from a new agency rule announced by notice-and-comment rulemaking . . . for purposes of retroactivity analysis”) (quoting *Velásquez-García v. Holder*, 760 F.3d 571, 581 (7th Cir. 2014) (internal quotation marks omitted)).

89. *See Bowen*, 488 U.S. at 217–21 (Scalia, J., concurring).

90. *Id.*

91. *Compare id.* at 216–19 (describing the purpose behind the term “for the future” in the APA’s definition of a rule and how it is different from an order), *with De Niz Robles*, 803 F.3d at 1172 (detailing legislation that is prospective and embodies the purpose of rules).

92. 332 U.S. 194, 201–02 (1947) (holding that the SEC could only decide the case before it, even if the standards to do so were not stated in a rule or regulation).

93. *Id.* at 203–04.

presumption that agency adjudications interpreting and applying pre-existing law are not retroactive.<sup>94</sup> Even though some agencies have misused adjudications, courts can discern the difference between an impermissible prospective order and a permissibly retroactive one.<sup>95</sup>

### B. *Retroactive Rulemaking*

Contrasted with agency adjudications, rulemaking involves a greater presumption against retroactivity. In administrative law, a “rule is retroactive if it takes away or impairs vested rights acquired under existing law, or creates a new obligation, imposes a new duty, or attaches a new disability in respect to transactions or considerations already past.”<sup>96</sup> In other words, a rule is retroactive if it changes a legal status of a past relationship.<sup>97</sup> An agency, however, may only promulgate a retroactive rule if Congress has explicitly granted the agency the power to do so.<sup>98</sup>

In *Bowen*, the Medicare Act allowed the Secretary of Health and Human Services to promulgate rules that concerned cost-reimbursement regulations.<sup>99</sup> When the Secretary issued a rule that changed the “wage index, a factor used to reflect the salary levels for hospital employees” retroactively, hospitals challenged the validity of the rule.<sup>100</sup> The Secretary argued that he had the authority to promulgate the retroactive rule because the Medicare Act allowed him to “provide for the making of suitable retroactive corrective adjustments;” however, the Court disagreed with his interpretation of the statute.<sup>101</sup> The Court ruled in favor of the hospitals, holding that the statute only allowed for the retroactive adjudications of correcting reimbursements and that an agency may only promulgate a retroactive rule when Congress expressly

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94. *Id.*; see also Greene, *supra* note 15, at 273 (discussing the purpose and inherent retroactive nature that adjudications have when settling disputes that occurred in the past).

95. *Chenery II*, 332 U.S. at 203–04.

96. *Nat’l Mining Ass’n v. Dep’t of Labor*, 292 F.3d 849, 859 (D.C. Cir. 2002) (citing *Nat’l Mining Ass’n v. Dep’t of Interior*, 117 F.3d 1, 8 (D.C. Cir. 1999) (internal quotation marks omitted)). Whether the right has actually vested is not always a vital part of a court’s retroactive analysis. Geoffrey C. Weien, Note, *Retroactive Rulemaking*, 30 HARV. J.L. & PUB. POL. 749, 762 (2007).

97. *Nat’l Mining Ass’n*, 292 F.3d at 859.

98. *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) (stating “a statutory grant of legislative rulemaking authority will not . . . encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms”).

99. *Id.*

100. *Id.* at 206 (internal quotation marks omitted).

101. *Id.* at 209 (citing 42 U.S.C. § 1395x(v)(1)(A)(ii) (1974)).

grants it the authority to do so.<sup>102</sup> Although the majority opinion in *Bowen* states the rule, it does not anchor its reasoning using the APA, which is why Justice Scalia's concurrence is frequently referred to as an explanation of the law.<sup>103</sup>

There are two types of retroactive rules: primary and secondary.<sup>104</sup> A primary retroactive rule follows the standard definition of a retroactive rule, altering the legal status of a past relationship.<sup>105</sup> Conversely, a secondary retroactive rule affects the future legal consequences of a legal relationship that already exists.<sup>106</sup> The distinction, while minute, allowed subsequent courts to dim the bright-line prohibition of retroactive rules.<sup>107</sup> Justice Scalia acknowledged that a secondary retroactive rule is not per se invalid, but that it could be when it is arbitrary and capricious under the APA.<sup>108</sup> Applying *Chevron* deference to an agency's interpretation of a statute, if the secondary rule is sufficiently supported by minimum standards of rationality, then a secondary retroactive rule may be upheld.<sup>109</sup> Although this seems to be a bright-line rule, *Bowen*'s progeny have interpreted it in different ways, obscuring the seemingly straightforward presumption against retroactive rules.<sup>110</sup>

Courts grappled with whether the type of rule, substantive or procedural, affects the presumption against retroactive rules.<sup>111</sup> Substantive rules cannot retroactively affect some rights, whereas procedural rules may affect a pre-existing right even when applied retroactively.<sup>112</sup> However, if a procedural

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102. *Id.* at 211–13.

103. *Compare id.* at 208 (Kennedy, J., majority opinion) (applying general principles of retroactivity to administrative agencies), *with id.* at 216 (Scalia, J., concurring) (using the APA, in addition to general principles of retroactivity, to find the rule at hand retroactive).

104. *Id.* at 219–21.

105. *Id.*

106. Scalia offers the regulation of a trust as an example of secondary retroactivity; the legal rights existed under one rule, but the new rule will govern the trust once it becomes effective. *Id.* at 219–20.

107. Weien, *supra* note 96, at 756.

108. *Bowen*, 488 U.S. at 220 (“A rule that has unreasonable secondary retroactivity—for example, altering future regulation in a manner that makes worthless substantial past investment incurred in reliance upon the prior rule—may for that reason be ‘arbitrary’ or ‘capricious,’ *see* 5 U.S.C. § 706, and thus invalid.”).

109. *Nat'l Mining Ass'n v. Dep't of Labor*, 292 F.3d 849, 868 (D.C. Cir. 2002).

110. *See generally* Weien, *supra* note 96, at 756.

111. *National Mining Ass'n*, 292 F.3d at 859–60; *Landgraf v. USI Film Prods.*, 511 U.S. 244, 275 (1994). While *Landgraf* addresses principles of retroactivity and is often cited by decisions that involve questions of retroactive rules, it does not actually concern an administrative agency. *See Landgraf*, 511 U.S. at 275.

112. *Nat'l Mining Ass'n*, 292 F.3d at 859–60.

rule is outcome-determinative, then it affects a substantive right and is impermissible.<sup>113</sup> In these instances, procedural-substantive rules are held to the same standard as substantive rules.<sup>114</sup> *National Mining Ass'n v. Department of Labor*<sup>115</sup> simplified this confusing distinction and reaffirmed the presumption against retroactive rules.<sup>116</sup> Now, regardless of whether the rule is substantive or procedural, a new rule is retroactive if it creates a new legal consequence for past actions.<sup>117</sup>

More recent cases concerning retroactive rules have articulated a test to determine whether a rule is retroactive.<sup>118</sup> First, the court determines whether Congress has delegated the power to promulgate retroactive rules to the agency.<sup>119</sup> Absent that power, the court assesses whether a rule has retroactive effects and asks whether the new rule effects a substantive change from the previous rule.<sup>120</sup> If it does effect a substantive change, the court determines whether the legal consequences of the conduct in question changed.<sup>121</sup> Then, if the rule changes the past legal consequences of a past act, it is retroactive.<sup>122</sup>

### III. THE RETROACTIVE POLICYMAKING POWERS OF THE USPTO

#### A. *The Retroactive Adjudicative Powers of the USPTO*

The USPTO's adjudicative body, either the old BPAI or the new PTAB, has the authority to issue decisions that have retroactive effects.<sup>123</sup> The creation of an adjudicative body vests it with the authority to grant orders, which are inherently retroactive.<sup>124</sup> The adjudicative power started with

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113. *Id.*

114. *See id.* (stating that the type of rule does not change the analysis).

115. 292 F.3d 849 (D.C. Cir. 2002).

116. *Id.* at 859–60.

117. *Id.*

118. *Regents of the Univ. of Cal. v. Burwell*, 155 F. Supp. 3d 31, 43–45 (D.C. Cir. 2016).

119. *Id.* at 43.

120. A substantive change is not well defined and seems to be a subjective standard relative to change itself. *See id.* at 44–45.

121. *Id.*

122. The retroactivity test does not merely turn on whether the rule affected the past legal relationships; it appears to only apply to previous rules and practices. *Id.* This raises a few interesting questions: does this include new rules or practices? Would a new congressionally mandated formal rule with retroactive effects be a grant of retroactive power even if there is no explicit grant of authority?

123. *See* 35 U.S.C. § 6(b)(4) (2012); *SEC v. Chenery Corp.*, 332 U.S. 194, 203–04 (1947) (summarizing how adjudications are inherently and permissibly retroactive).

124. 35 U.S.C. § 6(b)(4); *see Chenery Corp.*, 332 U.S. at 203–04 (discussing the limited

reexamination and certificates of correction.<sup>125</sup> These agency actions are orders because they are final decisions of a matter that is not completed using rulemaking.<sup>126</sup> Pre-AIA adjudications were not retroactive because they were corrective or curative actions—putting the patentee in the proper legal position she would have been in had the patent been issued correctly in the first place.<sup>127</sup> The same order-qualification applies to the new post-grant proceedings under the AIA because they are not final decisions under rulemaking.<sup>128</sup> Even though the order issued from a PTAB proceeding is called a decision, it still is an order because it is an agency action that is not rulemaking. The AIA giving the USPTO an adjudicative body is an explicit grant of retroactive powers.<sup>129</sup>

Unlike the pre-AIA adjudications, the retroactivity of the new post-grant proceedings has yet to be challenged. The majority opinion in *Oil States* declared the IPR proceedings constitutional, but specifically noted that the decision did not determine whether IPRs were, among other things, retroactive.<sup>130</sup> The Supreme Court's allusion to this issue raises the question of whether these proceedings are impermissibly retroactive. Regardless of how this issue may be phrased, it will ask whether the AIA adjudications change patentees' previously established rights.<sup>131</sup>

The USPTO's adjudications do not retroactively change a patentee's legal rights. A patent grants a patentee the right to exclude others from using, making, selling, offering to sell, or importing the patentee's invention.<sup>132</sup> The purpose of these adjudications is to cancel patents that already exist or that

scope of orders).

125. See Chelsea A. Priest, *Certificates of Correction Corrected: Their History and Retroactive Application*, 67 STAN. L. REV. 961, 969 (2015).

126. 5 U.S.C. § 551(6).

127. Priest, *supra* note 125, at 979. Additionally, pre-AIA adjudications did not amount to takings or other similar retroactive violations. See, e.g., *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 645–48 (1999) (holding that infringement by a state does not violate due process).

128. Priest, *supra* note 125, at 979.

129. See Greene, *supra* note 15, at 264–67.

130. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373, 1379 (2018) (stating that IPRs are constitutional because patents are public, not private, rights that can be adjudicated by an administrative agency).

131. If this question is proffered in terms of due process or judicial takings, then factors outside the scope of this Comment would come into play. For more information, see generally Camilla A. Hrdy & Ben Picozzi, *The AIA Is Not a Taking: A Response to Dolin & Manta*, 72 WASH. & LEE L. REV. 472 (2016).

132. 35 U.S.C. § 154(a)(1) (2012) (stating that patents grant the right to exclude others from making, using, and selling the invention in the United States).



can be found in prior art.<sup>133</sup> There are minimum standards that an invention must meet to be patentable: the invention must be directed to patentable subject matter and be useful, novel, non-obvious, and enabled through a definite written description.<sup>134</sup> If the invention already exists in prior art, then a patent is ineligible and will not be granted.<sup>135</sup> Patent examiners may miss prior art in their research and mistakenly issue a patent. An improperly issued patent indicates that the patentee never had the right in the first place because the invention did not meet the statutory requirements.<sup>136</sup> Therefore, post-grant proceedings that invalidate patents do not retroactively change a patentee's rights because it never had the right in the first place.

Furthermore, the PTAB's invalidation accomplishes the same purpose as an Article III court's invalidation.<sup>137</sup> For years, different parts of the government have reexamined patents.<sup>138</sup> Patentees have used invalidity as a defense against infringement in federal courts.<sup>139</sup> The USPTO never adjudicated issues of third-party invalidity suits because it did not previously have the power to do so.<sup>140</sup> *Oil States* clarified that IPRs are constitutional and can be performed through agency adjudications because patents are public franchises, and there is nothing stopping the PTAB from issuing decisions that have the same result as an invalidity defense.<sup>141</sup> The only thing that distinguishes IPRs from other curative adjudicative bodies is adversarial involvement of a third party.<sup>142</sup> The third party should not make a difference

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133. *Id.* § 311(b). Prior art is any patent, public use, sale, printed publication, or other way that the invention was made available to the public before the patent application filing date. *Id.* § 102(a)(1).

134. *Id.* §§ 101–12.

135. *Id.* §§ 102–03.

136. Michael Xun Liu, *Balancing the Competing Functions of Patent Post-Grant Proceedings*, 25 J. INTELL. PROP. L. 157, 165–67 (2018) (suggesting that a patent should not be considered valid because over-worked patent examiners improperly issued the patent).

137. *Id.* § 311(b) (stating that IPRs use prior art to cancel a patent on the grounds of anticipation or obviousness of §§ 102 and 103).

138. See Tran, *Patent Powers*, *supra* note 1, at 630–35 (explaining the history of patent reexaminations).

139. 35 U.S.C. §§ 281–84.

140. See *id.*

141. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1374–75 (2018) (“So, like the [US]PTO’s initial review, the Board’s inter partes review protects the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope . . . Thus, inter partes review involves the same interests as the determination to grant a patent in the first instance.”) (internal quotations omitted).

142. See *supra* Section I.A.

because the purpose of the proceedings is still the same—to invalidate frivolous patents.<sup>143</sup> Thus, the PTAB adjudications do not violate any principles of retroactivity because they are just as curative as an Article III court’s decision.

*B. The USPTO’s Lack of Retroactive Rulemaking Powers*

Congress uses the principle of retroactivity to limit the USPTO’s policymaking powers. The Patent Act explicitly mentions retroactivity twice.<sup>144</sup> It is first mentioned in § 184, which provides that a “license may be granted *retroactively* where an application has been filed abroad through error and the application does not disclose an invention within the scope of section 181.”<sup>145</sup> Retroactivity is mentioned again in § 375(b).<sup>146</sup> This section allows a court to limit the scope of a patent retroactivity when there is an error in translation of an international application.<sup>147</sup> Congress granted the USPTO the power to act retroactively, but this power is limited and does not apply in every circumstance.<sup>148</sup> Congress knew how to give the USPTO retroactive powers and selectively chose when to grant the authority, just as it did in *Bowen*;<sup>149</sup> thus, the Patent Act does not grant the USPTO the power to engage in any retroactive policymaking beyond those inherently granted in adjudications.

The USPTO’s authority to promulgate a retroactive rule has not been challenged under the AIA. However, the issue could have been raised regarding the proposed rule titled Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board,<sup>150</sup> which changes the claim construction standard used in

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143. *Id.*

144. *See* 35 U.S.C. §§ 184, 375 (2012).

145. *Id.* § 184 (emphasis added).

146. *Id.* § 375 (“Where due to an incorrect translation the scope of a patent granted on an international application designating the United States, which was not originally filed in the English language, exceeds the scope of the international application in its original language, a court of competent jurisdiction may *retroactively* limit the scope of the patent, by declaring it unenforceable to the extent that it exceeds the scope of the international application in its original language.”) (emphasis added).

147. *Id.*

148. *Compare* 42 U.S.C. § 1395x(v)(1)(A) (1976) (the statute at issue in *Bowen*), with 35 U.S.C. §§ 184, 375 (2012) (noting the limited use of the term retroactive).

149. *Cf.* *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988). Both the statute at issue in *Bowen* and the Patent Act contain the word retroactive, but this only indicates ability to selectively grant the power. *Id.* Thus, the USPTO lacks a grant of explicit retroactive rulemaking authority. *Id.*

150. *See* Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 21,221 (proposed May

PTAB proceedings to match the one used in the Court of Appeals for the Federal Circuit.<sup>151</sup> Patents are comprised of two parts: the specification and the claims.<sup>152</sup> The specification describes how the invention is used, whereas the claims disclose the scope of the invention.<sup>153</sup> Sometimes claims are ambiguous, so an adjudicative body must discern their meaning using what is called claim construction.<sup>154</sup> The Federal Circuit uses the *Phillips* standard<sup>155</sup> when construing the meaning of a claim.<sup>156</sup> The *Phillips* standard gives disputed claims their ordinary and customary meaning.<sup>157</sup> The PTAB, on the other hand, traditionally used the broadest reasonable interpretation (BRI) standard unless faced with an expired patent.<sup>158</sup> The Claim Construction Rule seeks to unify the claim construction standards, amending the standard the PTAB uses to match the Federal Circuit's.<sup>159</sup>

The Claim Construction Rule could have retroactive effects on pending cases. The Rule does not seek to change past decisions or legal relationships in any way and would only apply to those cases after it goes into effect.<sup>160</sup> Indeed, it presents no problems to those cases that are instituted after it is effective. This Rule would present an issue of secondary retroactivity because

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9, 2018) (to be codified at 37 C.F.R. pt. 42) [hereinafter Proposed Claim Construction Rule]. The final rule reflects the retroactive concerns that the public raised during the comment period and no longer contains a retroactive issue. *See* Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340, 51,356 (Oct. 11, 2018) (to be codified at 37 C.F.R. pt. 42) [hereinafter Final Claim Construction Rule].

151. *See* Proposed Claim Construction Rule, *supra* note 150, at 21,221; Final Claim Construction Rule, *supra* note 150, at 51,340.

152. 35 U.S.C. § 112.

153. *See* Univ. of Rochester v. G.D. Searle & Co., 358 F.3d 916, 922 n.5 (Fed. Cir. 2004) (“[T]he role of the claims is to give public notice of the subject matter that is protected, the role of the specification is to teach, both what the invention is (written description) and how to make and use it (enablement).”).

154. *See* Markman v. Westview Instruments, Inc., 517 U.S. 370, 374–75 (1996) (defining claim construction).

155. *Phillips v. AWH Corp.*, 415 F.3d 1304, 1314 (Fed. Cir. 2005).

156. *Id.* at 1312–13; *see also* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139 (2016) (stating that the Federal Circuit uses the *Phillips* standard).

157. *Phillips*, 415 F.3d at 1317–20 (explaining that intrinsic evidence—the claims themselves, specifications, and prosecution history—is prioritized over extrinsic evidence—expert testimony, dictionaries, or anything that is not considered intrinsic).

158. Proposed Claim Construction Rule, *supra* note 150; Final Claim Construction Rule, *supra* note 151.

159. *See id.*

160. *Id.*

it applies to not only new cases, but to pending cases as well.<sup>161</sup> As some of the comments on the Claim Construction Rule pointed out, applying the rule to pending cases could have retroactive effects such as prejudicing parties that may have chosen the PTAB for the claim construction standard, subjecting parties to unforeseen estoppel, and forcing them to re-brief their arguments at high-costs.<sup>162</sup> The USPTO ultimately changed the rule reflecting the retroactive concerns when it stated that the “changes to the claim construction standard will apply to proceedings where a petition is filed on or after the effective date of the final rule.”<sup>163</sup> Had the final rule not clarified the prospective application of the rule, it may have been challenged on retroactive grounds.

If someone challenged the Claim Construction Rule, a court would have applied the test described in Part II. The USPTO does not have the power to make retroactive rules.<sup>164</sup> The Rule is a substantive change from the previous rule because it narrows the standard used in claim construction, potentially prohibiting parties from arguing certain facts that may have been acceptable under BRI but not under *Phillips*.<sup>165</sup> The legal consequences would change because estoppel would prevent either party from appealing the institution’s decision.<sup>166</sup> The court would conclude the Rule was retroactive and invalidate it because it would have been a substantial change from previous rules and change legal consequences.<sup>167</sup>

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161. *See id.* at 21,224; *cf.* *Nat’l Mining Ass’n v. Dep’t of Labor*, 292 F.3d 849, 860 (D.C. Cir. 2002) (holding that the rule was “impermissibly retroactive as applied to pending claims.”).

162. *See* PTAB Bar Ass’n, Comment Letter on Proposed Rule to Claim Construction Rule (July 9, 2018), <https://www.uspto.gov/sites/default/files/documents/comment-ptab-bar-association.pdf>.

163. Final Claim Construction Rule, *supra* note 150, at 51,344.

164. *See Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) (“[A] statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms.”).

165. *But see Nat’l Mining Ass’n*, 292 F.3d at 861 (stating that a codification of a judicial standard is not a substantial change). While *Phillips* is a judicial standard used in the Federal Circuit, the change from one standard to match the judicial standard is different from newly codifying a standard. The parties involved in a PTAB proceeding could have chosen the PTAB over the Federal Circuit because of the standard. *See* PTAB Bar Ass’n, *supra* note 162.

166. *See Ne. Hosp. Corp. v. Sebelius*, 657 F.3d 1, 17 (D.C. Cir. 2011) (holding that a rule that “alters the method of calculating . . . fractions . . . changes the legal consequences of treating low-income patients”).

167. *Id.* at 17–18 (affirming the District Court’s grant of summary judgment for the hospital because the Circuit Court found the Secretary’s promulgated rule to be retroactive).

Unlike *Bowen* and its progeny, this rule changes how an adjudication operates, specifically the standard that is used. The adjudications themselves result in permissible retroactivity; however, the standard that the adjudication does use can affect whether the patent is invalidated. This suggests that the rule could be retroactive in some cases but not in others, depending on the facts. Regardless, the legal relationship or standard that would change is the parties' ability to appeal, which would make the rule retroactive to pending cases.<sup>168</sup>

The USPTO does not have the authority to enact retroactive rules absent Congress amending the Patent Act. If the USPTO does enact a rule and it is challenged on retroactive grounds, a court will apply the test in a similar fashion as presented with the Claim Construction Rule. When a rule is a substantial change from the norm and affects the past legal relationship of the parties, the court will hold the rule void for retroactivity.

#### IV. RETROACTIVE RECOMMENDATIONS AND CONCLUSION

After the AIA, administrative and patent law are more intertwined than ever. While the USPTO may have new policymaking powers, it is not immune from the law's deeply rooted presumption against retroactivity. The USPTO's status and powers as an administrative agency have fluctuated throughout the years, causing patent exceptionalism in administrative law.<sup>169</sup> Although the USPTO is unique because it is the only agency to issue patents, it should be held to the same standards as every other agency, especially when it comes to retroactivity.

The USPTO should avoid promulgating retroactive rules. Congress has not granted the USPTO the authority to do so, but that does not mean the USPTO will never try to promulgate a retroactive rule.<sup>170</sup> Absent congressional permission, a rule is retroactive if it substantially changes from a previous version and creates new legal consequences.<sup>171</sup> Part III of this Comment

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168. See PTAB Bar Ass'n, *supra* note 162 (stating that a retroactive shift to the *Phillips* standard could subject parties to increased risk of estoppel); see also *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015) (holding that issue preclusion applies when an administrative agency is acting in a judicial capacity).

169. Christopher J. Walker, *Chevron Deference and Patent Exceptionalism*, 65 DUKE L.J. ONLINE 149, 149 (2016) (explaining that exceptionalism is "the misperception that a particular regulatory field is so different from the rest of the regulatory state that general administrative law principles do not apply"); *id.* at 151 (stating the debate on whether the USPTO should be given *Chevron* deference is a new debate with the creation of the AIA).

170. See 35 U.S.C. §§ 184, 375 (2012) (stating the only times Congress has granted the USPTO retroactive powers).

171. See *Regents of the Univ. of Cal. v. Burwell*, 155 F. Supp. 3d 31, 44–45 (D.D.C. 2016)

discussed the success story of the USPTO avoiding one potentially retroactive rule.<sup>172</sup> What made the USPTO successful in avoiding the promulgation of a retroactive rule was its reliance on notice-and-comment rulemaking. The notice-and-comment period allowed the public, or any interested party, to suggest changes to the rule.<sup>173</sup> But for the public's participation in the rulemaking process, the USPTO may have promulgated its first retroactive rule under the AIA. In the future, the USPTO should continue to rely on notice-and-comment rulemaking to avoid retroactive rules.

Notice-and-comment rulemaking is a better solution than issuing policy statements because it involves public participation. The law does not distinguish between categories of rulemaking—a retroactive rule is a retroactive rule.<sup>174</sup> The USPTO has the ability to issue a variety of policy statements; externally, these statements could be basic memorandum or could be precedential decisions.<sup>175</sup> Since these statements are not made with formal or notice-and-comment rulemaking, they do not involve public participation.<sup>176</sup> As retroactivity is concerned with fairness and notice,<sup>177</sup> rulemaking that involves the public will be fairer and provide better notice. Fostering public participation allows for greater review and opportunities to catch a latent retroactive effect.

All retroactive rules are impermissible, and notice-and-comment rulemaking would subject even interpretive rules to public commenting. Whether the rule is interpretive, procedural, or substantive does not matter; a retroactive rule is impermissible.<sup>178</sup> Under the APA, the USPTO may issue interpretive rules or policy statements simply by publishing them in the *Federal Register*.<sup>179</sup> Although it is simpler to promulgate interpretive rules without a notice-and-comment period, nothing prevents the USPTO from using notice-and-comment rulemaking for these types of rules.<sup>180</sup> If the USPTO subjected all of its rules to notice-and-comment rulemaking, then it could avoid implementing retroactive interpretive rules and policy statements.

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(stating the test to determine a retroactive rule).

172. See *supra* Part III.

173. See, e.g., PTAB Bar Ass'n, *supra* note 162.

174. *Burwell*, 155 F. Supp. 3d at 43–46.

175. See Cavanaugh & Stroud, *supra* note 22, at 2–4 (discussing the differences between the USPTO's policy statements).

176. The patent judges and the Director must agree to issue a precedential decision. *Id.* at 4.

177. See *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994).

178. *Burwell*, 155 F. Supp. 3d at 43 (stating that no matter the type of rule, all retroactive rules are void).

179. 5 U.S.C. § 552(a)(1)(D) (2012).

180. *Id.* §§ 552–553.

Retroactive rules are promulgated to solve problems. The USPTO promulgated the proposed Claim Construction Rule to resolve the different claim construction standards between the PTAB and the Federal Circuit.<sup>181</sup> In this instance, the USPTO sought to create a unified standard so that parties in either venue would have the same standards applied to patent invalidation.<sup>182</sup> The goal of the rule was purposeful and well-intentioned. Unfortunately, the principles of retroactivity in administrative law do not reward or consider intention and purpose. Therefore, the USPTO must intelligently promulgate rules to avoid retroactive challenges.

If the USPTO needs to promulgate a rule retroactively, it should lobby Congress for the explicit power to do so. Understandably, time, money, and uncertainty present difficulties and objections to lobbying Congress for reform. These difficulties do not outweigh the need for properly promulgating a rule because a challenge to a retroactive rule would also require time and money, but if the rule is retroactive, then it would certainly be invalidated. Although, the USPTO may not have foreseen the retroactive effects of the proposed Claim Construction Rule, the public did foresee them. The USPTO received the public's comments, reviewed them, and had the opportunity to go forward with the rule, change it, or even rescind it.<sup>183</sup> If the USPTO intended and saw merit in the retroactive rule, then it could have gone to Congress.

The USPTO, or specifically the PTAB, must maintain its ability to issue retroactive orders to implement policy and fulfill its purpose. Without the PTAB's ability to invalidate patents, the agency would not be able to issue orders.<sup>184</sup> Prior art existing before the filing date of a patent indicates that a patent was never valid in the first place.<sup>185</sup> A PTAB adjudication merely corrects an improperly issued patent.<sup>186</sup> Whether the PTAB should be adjudicating patents granted before the AIA is a question that concerns congressional intent and not whether the adjudications themselves are retroactive. The PTAB is just the same as any other administrative adjudicative body and should be treated as one. To create a different standard for the

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181. Final Claim Construction Rule, *supra* note 150.

182. Proposed Claim Construction Rule, *supra* note 150.

183. *Comments on Changes to the Claim Construction Standard Used in AIA Trial Proceedings*, USPTO, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/comments-changes-claim-construction> (last visited May 14, 2019).

184. See *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S.Ct. 1365, 1372 (2018).

185. *Id.* at 1370–71.

186. *Id.* at 1372.

PTAB would mean increasing patent exceptionalism instead of more closely aligning it with administrative law.

This Comment is the first of its kind to assess the retroactive powers of the USPTO post-AIA. Engaging the public in notice-and-comment rulemaking is the safest way to promulgate rules that maintain our nation's deeply rooted presumption against retroactivity. The PTAB has the authority to issue decisions that are retroactive because they are inherently curative. After the question was raised in *Oil States*,<sup>187</sup> whether the new post-grant proceedings are retroactive may be challenged in the next few years. While discerning the retroactive policymaking powers of the USPTO, this Comment revealed that the USPTO does not have the power to promulgate retroactive rules, but it does have the power to issue retroactive orders.

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187. See generally *id.*