

Deference, Defiance, and the Useful Arts

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I came from an administrative law background. 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 PTO.

—Judge S. Jay Plager¹

The court seems inclined to let this matter slide, but I believe the decision today upholding jurisdiction puts the issue squarely before us, and the ramifications of that decision should not go quietly unnoticed. We should not pretend we are reviewing judicial decisions if they are really nothing more than policy actions.

—Judge H. Robert Mayer²

One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize.

—Judge Paul R. Michel³

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¹ S. Jay Plager, *An Interview with Circuit Judge S. Jay Plager*, 5 J. PROPRIETARY RTS. 2, 5 (1993) (Circuit Judge, Court of Appeals for the Federal Circuit).

² *In re Alappat*, 33 F.3d 1526, 1577 (Fed. Cir. 1994) (Mayer, J., dissenting) (discussing the standard of review applied to the Board of Patent Appeals and Interferences).

³ Paul R. Michel, *Advocacy in the Federal Circuit*, C961 ALI-ABA 5, 8 (1994) (Circuit Judge, Court of Appeals for the Federal Circuit). These comments were delivered

I. INTRODUCTION

Ever since the United States Supreme Court decided *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*,⁴ a plethora of scholarship has been published in the area of administrative law, most of which focuses on judicial review of administrative action.⁵ However, this scholarship has never fully addressed the relationship between the Court of Appeals for the Federal Circuit⁶ and the Patent and Trademark Office (PTO).⁷ This paucity of attention

as part of a speech sponsored by the ALL-ABA and the Intellectual Property Law Association of Chicago.

⁴ 467 U.S. 837 (1984).

⁵ See, e.g., Alfred C. Aman, Jr., *Administrative Law in a Global Era: Progress, Deregulatory Change, and the Rise of the Administrative Presidency*, 73 CORNELL L. REV. 1101 (1988); Robert A. Anthony, *Which Agency Interpretations Should Bind Citizens and the Courts?*, 7 YALE J. ON REG. 1 (1990); Stephen Breyer, *Judicial Review of Questions of Law and Policy*, 38 ADMIN. L. REV. 363 (1986); Clark Byse, *Judicial Review of Administrative Interpretation of Statutes: An Analysis of Chevron's Step Two*, 2 ADMIN. L.J. 255 (1988); Cynthia R. Farina, *Statutory Interpretation and the Balance of Power in the Administrative State*, 89 COLUM. L. REV. 452 (1989); Thomas W. Merrill, *Textualism and the Future of the Chevron Doctrine*, 72 WASH. U. L.Q. 351 (1994) [hereinafter Merrill, *Textualism*]; Thomas W. Merrill, *Judicial Deference to Executive Precedent*, 101 YALE L.J. 969 (1992) [hereinafter Merrill, *Judicial Deference*]; Abner J. Mikva, *How Should the Courts Treat Administrative Agencies?*, 36 AM. U. L. REV. 1 (1986); Richard J. Pierce, Jr., *The Supreme Court's New Hypertextualism: An Invitation to Cacophony and Incoherence in the Administrative State*, 95 COLUM. L. REV. 749 (1995) [hereinafter Pierce, *New Hypertextualism*]; Richard J. Pierce, Jr., *Chevron and Its Aftermath: Judicial Review of Agency Action*, 87 COLUM. L. REV. 1093 (1987) [hereinafter Pierce, *Chevron and Its Aftermath*]; Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 DUKE L.J. 511; Peter H. Schuck & E. Donald Elliott, *To the Chevron Station: An Empirical Study of Federal Administrative Law*, 1990 DUKE L.J. 984; Kenneth W. Starr, *Judicial Review in the Post-Chevron Era*, 3 YALE J. ON REG. 363 (1986); Peter L. Strauss, *One Hundred Fifty Cases Per Year: Some Implications of the Supreme Court's Limited Resources for Judicial Review of Agency Action*, 87 COLUM. L. REV. 1093 (1987); Cass R. Sunstein, *Law and Administration After Chevron*, 90 COLUM. L. REV. 2071 (1990) [hereinafter Sunstein, *Law and Administration*]; Cass R. Sunstein, *Interpreting Statutes in an Administrative State*, 103 HARV. L. REV. 407 (1989) [hereinafter Sunstein, *Interpreting Statutes*].

⁶ In 1982, Congress passed the Federal Courts Improvement Act, which created the Court of Appeals for the Federal Circuit. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). The Federal Circuit has exclusive appellate jurisdiction over appeals, relating to patent law, from the Board of Patent Appeals and Interferences and federal district courts. 28 U.S.C. § 1295(a) (1988).

⁷ This Article focuses on PTO actions as they pertain to patent law. Therefore, PTO

may be due in part to the highly specialized character of the patent system and esoteric nature of its rules and regulations.⁸ Agencies such as the Environmental Protection Agency, National Labor Relations Board, Federal Trade Commission, and Food and Drug Administration command a more substantial following among legal academics,⁹ possibly because the respective enterprises of these agencies pertain to a larger segment of society or involve politically sensitive subject matter. Although the actions and internal operations of these agencies, as well as others, are unquestionably deserving of scholarly analysis, there are a number of compelling reasons to address how interpretive power¹⁰ should be allocated between the Federal Circuit and the PTO, perhaps the oldest agency in the American administrative state.¹¹

actions relating to trademark law (e.g., decisions of the Trademark Trial and Appeals Board) will be discussed only to the extent that they are relevant to my thesis.

⁸ See, e.g., Herbert C. Wamsley, *The Rulemaking Power of the Commissioner of Patents and Trademarks (Part 1)*, 64 J. PAT. OFF. SOC'Y 490, 491 (1982) ("Partly because the PTO was established before the field of general administrative law became established, and partly because most patent and trademark lawyers are specialists, the PTO often has not felt the cross-currents arising from administrative law developments."); Wm. Redin Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, 55 HARV. L. REV. 950, 950 (1942).

⁹ For example, I reviewed four casebooks on Administrative Law, and each one had a separate heading in its index for the Environmental Protection Agency, National Labor Relations Board, Food and Drug Administration, and Federal Trade Commission. STEPHEN G. BREYER & RICHARD B. STEWART, *ADMINISTRATIVE LAW AND REGULATORY POLICY* (3d ed. 1992); CASS ET AL., *ADMINISTRATIVE LAW* (2d ed. 1994); WALTER GELLHORN ET AL., *ADMINISTRATIVE LAW* (8th ed. 1987); JERRY L. MASHAW ET AL., *ADMINISTRATIVE LAW: THE AMERICAN PUBLIC SYSTEM* (3d ed. 1992). I also read numerous law review articles on administrative law, and reviewed several more articles focusing particularly on judicial review. Neither the casebooks, nor the scholarly literature, with few minor exceptions, address the administrative law aspects of patent law, specifically the relationship between the Patent and Trademark Office and Federal Circuit, despite the fact that the Federal Circuit is the busiest circuit court with respect to administrative law caseload. Schuck & Elliott, *supra* note 5, at 1018 ("[T]he busiest circuit by far in the most recent period [1984/85] was the Federal Circuit, whose caseload was 36.4%, three times that of the D.C. Circuit, and two and a half times that of its closest competitor, the Ninth Circuit.").

¹⁰ I use the terms "interpretive power" and "interpretive authority" interchangeably. These terms are meant to convey not only the authority to interpret regulatory statutes, but the overall interpretive balance of power between the Federal Circuit and PTO as it pertains to both legal and factual issues.

¹¹ The first patent statute was enacted in 1790. Act of April 10, 1790, ch. 7, 1 Stat. 109 (1790). The 1790 Act established a group of executive officers (the Secretary of State, Secretary of War, and Attorney General) who were authorized to issue patents if the officers determined that the inventor was the "first and true inventor" and that the invention was

First, technological innovation and its relationship with the law is asserting itself within our legal culture, and, as a result, the practical importance of intellectual property law, particularly patent law, is rapidly being recognized and embraced by society, legislatures, lawyers, and law schools.¹²

“sufficiently useful and important.” Thomas Jefferson, the first Secretary of State, was primarily responsible for administering this patent statute. However, it was the 1836 Patent Act that created the Patent Office and vested it with the authority to administer the patent system. Act of July 4, 1836, ch. 357, 5 Stat. 117 (1836). Thus, nearly 100 years before the New Deal and the birth of the modern administrative state, the Patent Office was examining and issuing patents. For a general history of the Patent Office, see P.J. Frederico ed., *Outline of the History of the United States Patent Office*, 18 J. PAT. OFF. SOC'Y 1 (1936).

¹² See, e.g., D. CHISUM & M. JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW § 1A, at 1–2 n.1 (1992):

At no time in history has there been greater public expectation that the science and technology community will devise solutions to dietary, health, environmental, and other problems. It is to this community that the public and public officials look for the prevention or cure of heart disease, cancer, and AIDS, for better biodegradable materials, for more efficient energy use, etc.

. . . This clamor for new technology comes at a time when there is public resistance to higher taxes, which are necessary to support high levels of governmental spending on research and development. Universities and private firms must rely increasingly on private financing for both basic and applied research, which may be unavailable without the prospect of financial return to which patents can contribute.

Furthermore, Bruce Lehman, Assistant Secretary of Commerce and Commissioner of the Patent and Trademark Office, has recently asserted that

[p]roperty law has been the very essence of business law for the whole history of capitalism, but I do not think a lot of people have realized how much property law has shifted from tangible property to intangible. Now we're in an era in which . . . the rules that define what intellectual property is will be the basis of the economy.

Reinventing the Patent Office, NAT'L L.J., Dec. 26, 1994, at C10.

Increasingly, law schools are offering patent law and intellectual property courses. Institutions like George Mason University School of Law and John Marshall Law School have specific patent law curricular tracks. George Washington University School of Law, John Marshall Law School, and Franklin Pierce Law Center are recognized for their emphasis on intellectual property, specifically patent law. Furthermore, a number of law schools offer advanced law degrees in fields generally considered to fall under the umbrella of intellectual property. For example, New York University School of Law, George Washington University School of Law, University of Houston School of Law, and John Marshall Law School offer LL.M. degrees in patent law or trade regulation with an emphasis on patent law. Columbia University School of Law established, in 1985, the Julius

Second, much of the economic literature relating to patent law, while espousing somewhat disparate justifications for the existence of a patent system,¹³ clearly recognizes the patent system's role in encouraging

Silver Program in Law, Science, & Technology.

There are approximately 16 journals, law reviews, or legal publications which pertain specifically or relate in some fashion to law and technology or intellectual property. They are: American Intellectual Property Law Association Quarterly Journal; Computer Law Journal; The Computer Lawyer; Fordham Entertainment, Media & Intellectual Property Law Journal; Journal of Intellectual Property; Harvard Journal of Law & Technology; High Technology Law Journal; IDEA: The Journal of Law & Technology; Journal of Law & Technology; The Journal of Proprietary Rights; Journal of the Patent and Trademark Office Society; Rutgers Computer & Technology Law Journal; Santa Clara Computer & High Technology Law Journal; Software Law Journal; Temple Environmental & Technology Journal; and the University of Baltimore Intellectual Property Journal.

¹³ The most traditional economic theory relating to patent law is the "reward theory," which holds that there will be little or no innovative activity in the absence of patent protection because ideas are easily appropriated once they are made available to the public. See, e.g., SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE JUDICIARY COMMITTEE, 85TH CONG., 2D SESS., AN ECONOMIC REVIEW OF THE PATENT SYSTEM, STUDY NO. 15 (1958) (prepared by Fritz Machlup); Kenneth J. Arrow, *Economic Welfare and the Allocation of Resources for Invention*, in RATE AND DIRECTION OF INVENTIVE ACTIVITY: ECONOMIC AND SOCIAL FACTORS 609-25 (1962); WILLIAM D. NORDHAUS, INVENTION, GROWTH, AND WELFARE 70-90 (1969); F.M. SCHERER, INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE 379-99 (1970); Richard R. Nelson, *The Economics of Invention: A Survey of the Literature*, 32 J. BUS. 101 (1959).

Another rationale for our patent system is the "disclosure theory." This theory holds that if patents were unavailable, inventors would maintain their inventions in secret in fear of competitive exploitation. See, e.g., *Universal Oil Prods. Co. v. Globe Oil and Ref. Co.*, 322 U.S. 471, 484 (1944); Martin J. Adelman, *Property Rights Theory and Patent-Antitrust: The Role of Compulsory Licensing*, 52 N.Y.U. L. REV. 977, 982 (1977). The reward theory has been criticized for its failure to explain actual patent decisions. For example, there is a great deal of valuable and costly innovation that does not receive patent protection. In light of this criticism, alternate economic theories were developed.

Professor Edmund Kitch formulated his "prospect theory," whereby he focused on the role of patents in post-invention innovation. Kitch emphasized the efficient allocation of resources through central coordination of exclusive property rights. See Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265 (1977).

Professor Mark F. Grady and Jay I. Alexander offered yet another economic theory. According to Grady and Alexander, the reward and prospect theories do not explain actual patent decisions and suggest that patent protection is most likely when inventions are of little value but "signal a large potential for improvement." Patent protection is awarded and its validity upheld for inventions that fall into this category because the low value and high improvement potential minimizes rent dissipation in the pre-inventive and post-inventive stages. That is, due to the minimal value of the invention, there will be a lower probability

technological innovation, especially in certain industries.¹⁴

Third, the basis of American patent law is firmly embedded in the United States Constitution. The Constitution expressly authorizes Congress to "promote the Progress of . . . useful Arts;"¹⁵ and Congress has done just that in the form of Title 35 of the United States Code.¹⁶ Viewed in this light, the proper balance of interpretive authority and standards of review relating to our patent system have constitutional implications, which, as I will discuss, play a significant role in the Federal Circuit's conception of deference.¹⁷

Lastly, and most importantly, an analysis of the appropriate allocation of

of redundant research and development efforts because pioneer inventors will be discouraged from developing low value technology at the pre-inventive stage; and, at the post-inventive stage, third-party inventors will be discouraged from engaging in duplicative research because of the prohibitive nature of the patent scope. See Mark F. Grady & Jay I. Alexander, *Patent Law and Rent Dissipation*, 78 VA. L. REV. 305, 318-21 (1992); see also JOSEPH A. SCHUMPETER, CAPITALISM, SOCIALISM, AND DEMOCRACY 81-110 (3d ed. 1950) (Schumpeter's analysis suggests that technological innovation may be promoted by patent monopolies). For a general economic overview of our patent system that is currently being written, see Roberto Mazzoleni & Richard R. Nelson, *Economic Theories About the Benefits and Costs of Patents* (unpublished manuscript on file with author). For a study of the role of patents in the industrial revolution, see HAROLD I. DUTTON, THE PATENT SYSTEM AND INVENTIVE ACTIVITY DURING THE INDUSTRIAL REVOLUTION 1750-1852 (1984).

¹⁴ See, e.g., Edwin Mansfield, *Unauthorized Use of Intellectual Property: Effects on Investment, Technology Transfer, and Innovation*, in GLOBAL DIMENSIONS OF INTELLECTUAL PROPERTY RIGHTS IN SCIENCE AND TECHNOLOGY 107-45 (Mitchell B. Wallerstein et al. eds., 1993); Richard C. Levin et al., *Appropriating the Returns from Industrial Research and Development*, 3 BROOKINGS PAPERS ON ECON. ACTIVITY 783-820 (1987); Edwin Mansfield, *Patents and Innovation: An Empirical Study*, 1986 MGMT. SCI. 173-81; Robert P. Merges, *Uncertainty and the Standard of Patentability*, 7 HIGH TECH. L.J. 1, 10-12 nn.30-31 (1992).

¹⁵ U.S. CONST. art. I, § 8, cl. 8, states: "[The Congress shall have the power t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

The framers, employing colonial syntax as one would expect, were respectively referring to the works of authors and inventors when they used the terms "Science" and "useful Arts." In the 18th century, the term "Science" meant learning in general or knowledge in a vast array of disciplines. See Kenneth J. Burchfield, *Revisiting the "Original" Patent Clause: Pseudohistory in Constitutional Construction*, 2 HARV. J.L. & TECH. 155 (1989); Edward S. Irons & Mary Helen Sears, *The Constitutional Standard of Invention—The Touchstone of Patent Reform*, 1973 UTAH L. REV. 653; Giles S. Rich, *Principles of Patentability*, 28 GEO. WASH. L. REV. 393, 394-97 (1960); Karl B. Lutz, *Patents and Science: A Clarification of the Patent Clause of the U.S. Constitution*, 18 GEO. WASH. L. REV. 50 (1949).

¹⁶ 35 U.S.C. §§ 1-376 (1988).

¹⁷ See discussion *infra* part II.A.2.

interpretive authority between the Federal Circuit and PTO, in the context of patent law, has never fully been performed.¹⁸ The need to remedy this scholarly void assumes a sense of urgency in light of the fact that the PTO, as of late, has displayed an independent temperament, at times to the point of defiance,¹⁹ and has argued for greater deference with respect to its patentability decisions and interpretations of various provisions of the patent code (i.e., Title 35).²⁰ When confronted with a question of law pertaining to patentability on appeal from the PTO's Board of Patent Appeals and Interferences (BPAI),²¹ the

¹⁸ See generally R. Carl Moy, *Judicial Deference to the PTO's Interpretations of the Patent Law*, 74 J. PAT. & TRADEMARK OFF. SOC'Y 406, 409 (1992) (arguing against deference because "the PTO is outside the class of Federal agencies to whose statutory interpretations the judiciary owes deference"); Clarence M. Ditlow III, *Judicial Review of Patent Office Action: A More Rational Review System*, 53 J. PAT. OFF. SOC'Y 205 (1971).

¹⁹ For example, the PTO issued a directive to examiners on March 29, 1994, instructing them to disregard the Federal Circuit's decision in *In re Baird*, 16 F.3d 380 (Fed. Cir. 1994), when assessing prima facie obviousness under 35 U.S.C. § 103. *PTO Will Not Follow CAFC Decision on Obviousness of Chemical Compounds*, 47 Pat. Trademark & Copyright J. (BNA) 500 (Apr. 7, 1994). In addition, the PTO refused to follow the Federal Circuit's interpretation of the sixth paragraph of 35 U.S.C. § 112 set forth in *In re Bond*, 910 F.2d 831 (Fed. Cir. 1990). *PTO Issues Directive to Examiners on Means-Plus-Function Equivalency*, 41 Pat. Trademark & Copyright J. (BNA) 411-12 (Mar. 14, 1991). The PTO followed this directive with a public notice articulating its position. *PTO Notice on Application of 35 U.S.C. 112 ¶ 6*, 43 Pat. Trademark & Copyright J. (BNA) (Dec. 19, 1991). See discussion *infra* part III.B.

²⁰ For cases in which the PTO has argued for greater deference with respect to patentability determinations, *In re Napier*, 55 F.3d 610, 614 (Fed. Cir. 1995); *In re Brana* 51 F.3d 1560, 1568-69 (Fed. Cir. 1995); *In re McCarthy*, 763 F.2d 411, 412 (Fed. Cir. 1985) (PTO arguing for greater deference with respect to patentability determinations); see also *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522 (Fed. Cir. 1990) (interpretation of the phrase "regulatory review period" in 35 U.S.C. § 156); *Glaxo Operations U.K. Ltd. v. Quigg*, 894 F.2d 392 (Fed. Cir. 1990) (interpretation of the term "product" in 35 U.S.C. § 156); *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988) (interpretation of the phrase "special dispatch" in 35 U.S.C. § 305). See discussion *infra* part III.B. Furthermore, Commissioner Bruce Lehman, in an interview with the author, stressed that the PTO should be given greater deference: "Deference is clearly an issue and there is no doubt where I stand on it. I have a very strong personal opinion that we [the PTO] should have a much more deferential standard of review for our cases." Interview with Bruce Lehman, Commissioner of the PTO, in Washington, D.C. (Nov. 2, 1994).

²¹ The BPAI is an adjudicative board within the PTO which hears (1) appeals from the patent examiner's decision refusing to issue a patent on a particular claimed invention; (2) questions of priority in interference proceedings between two or more inventive entities for the same invention; and (3) entitlement proceedings, which are proceedings to determine whether the inventor or the federal government is the owner of a patent on an invention developed during work on a space program under the National Aeronautics and Space

Federal Circuit has resisted applying the *Chevron* doctrine.²² Instead, the court has adopted a highly questionable, if not erroneous, de novo standard of review. With respect to the PTO Commissioner's statutory interpretations of the patent code, not directly related to patentability, the Federal Circuit, although invoking the *Chevron* doctrine, employs divergent theories of statutory construction resulting, invariably, in a finding that the statutory language in question is *unambiguous*. In essence, the Federal Circuit, in the context of patent law, has eschewed the *Chevron* doctrine, while, at the same time, applied the doctrine to nonpatent related cases, including an appeal from the Trademark Trial and Appeals Board.²³ Regarding questions of fact, the Federal Circuit employs a "clearly erroneous" standard of review. This standard is also troublesome, and like the de novo standard applied to questions of law, appears to be inconsistent with present case law, the Administrative Procedures Act (APA),²⁴ and underlying policy considerations.

The question to be asked is what standard of review best serves the constitutional purpose of promoting the "Progress of [the] useful Arts." My objective in this Article is to demonstrate that the PTO's patentability determinations are questions of policy and, therefore, the Federal Circuit's standards of review, as applied to these determinations, are unsound.²⁵ With

Administration. J. THOMAS MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 32 (1991). Of the three listed above, I am concerned only with appeals from an examiner's rejection because these actions directly relate to patentability. For a general history of the BPAI, see Michael W. Bloomer, *The Board of Patent Appeals and Interferences*, AM. INTEL. PROP. L. ASS'N BULL., Dec. 1992, at 188; Paul J. Federico, *The Board of Appeals 1861-1961*, 43 J. PAT. OFF. SOC'Y 691 (1961); Paul J. Federico, *Evolution of Patent Office Appeals*, 22 J. PAT. OFF. SOC'Y 838 (1940).

²² See discussion *infra* part II.A. This Article is not concerned with the appropriateness of the *Chevron* decision in and of itself. Given the doctrine, my focus is on the reluctance of the Federal Circuit to embrace the *Chevron* doctrine in the context of patent law.

²³ See *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569 (Fed. Cir. 1993). The Trademark Trial and Appeals Board (TTAB), like the BPAI, is an adjudicative body within the PTO. The TTAB hears (1) appeals from the trademark examiner's decision rejecting an application for a trademark; and (2) decides *inter partes* proceedings (i.e., oppositions and cancellations) relating to challenges to registered trademarks. See MCCARTHY, *supra* note 21, at 343.

²⁴ 5 U.S.C. §§ 551-559, 701-706 (1988).

²⁵ See discussion *infra* part II.A.-B. Instead of appealing to the Federal Circuit, a patent applicant may appeal the BPAI's decision to the District Court for the District of Columbia. However, this Article focuses only on appeals to the Federal Circuit because patent applicants, in a vast majority of cases, take their appeal to the Federal Circuit. This is not to suggest that appeals to the district court are not worthy of discussion. In fact, just the opposite is true, especially in light of the fact that a civil action is a de novo proceeding in that it is not limited to review "on the record" as is an appeal to the Federal Circuit. See 35

respect to the Commissioner's statutory interpretations, I intend to demonstrate that the court's "traditional factors of statutory construction,"²⁶ which are used in such a way as to avoid deferring to the PTO, result in irrational decisions, or at the very least, an alternative theory of interpretation no more convincing than that put forth by the PTO.²⁷ My principle assertion, grounded in both doctrine and policy, is that the Federal Circuit's judicial review of the BPAI's patentability determinations and the Commissioner's statutory interpretations is paternalistic and results in a less than optimal balance of interpretive power. What I ultimately advocate, therefore, is a "paradigm shift" with respect to the way deference is viewed by the Federal Circuit.

This Article is divided into three main parts. In Part II, I review the standards of review employed by the Federal Circuit when reviewing the decisions of the BPAI. Specifically, I explore the court's treatment of questions of law and questions of fact. Part III addresses the Federal Circuit's use of "traditional tools of statutory construction" as applied to the Commissioner's statutory interpretations. Lastly, I discuss the policy concerns as they relate to the proper balance of interpretive authority.²⁸

II. THE FEDERAL CIRCUIT AND THE PTO: A UNIQUE RELATIONSHIP

Traditionally, the standard of review adopted by a court was dictated by the type of question it was reviewing, that is, a question of law or question of fact. However, at times, it was very difficult to distinguish law from fact, and the dichotimization of such has long plagued and confused courts.²⁹ Indeed,

U.S.C. §§ 144-145 (1988); *see also* 3 DONALD S. CHISUM, PATENTS § 11.06[3], 11-190 to 11-191 (1994).

²⁶ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 n.9 (1984).

²⁷ *See* discussion *infra* part III.

²⁸ While I am critical of the Federal Circuit's judicial review analysis, it is important to keep in mind that, as Jerome Frank once stated, "one who calls attention to defects should not be presumed to be delighting in defects. The physician who publicizes the prevalence of a dangerous and preventable disease does not desire its perpetuation but its cure." JEROME FRANK, *LAW AND THE MODERN MIND* XXVII (6th ed. 1970). Indeed, I recognize the perplexing nature of this area of administrative law. There are no easy answers, for Justices, judges, and commentators have struggled with scope of review issues for years. I am no exception.

²⁹ *See, e.g., Pullman-Standard v. Swint*, 456 U.S. 273, 288 (1982) (referring to the "vexing nature of the distinction between questions of fact and questions of law."); *see also* Ronald M. Levin, *Identifying Questions of Law in Administrative Law*, 74 GEO. L.J. 1, 11-12 (1985). Among the first commentators to address this issue were Professors Kenneth Culp Davis and Louis L. Jaffe. *See* KENNETH C. DAVIS, *ADMINISTRATIVE LAW TREATISE*

law and fact often overlap, forming a third category called mixed questions of law and fact or law application to fact.³⁰ In light of this law-fact blurredness, some have opined that because questions of law had been generally regarded to be within the domain of the judiciary, if a court desires to decide an issue or disagrees with the agency's decision, it would define that issue as one of law. On the other hand, if the court wished for the agency to make the decision, the court would characterize the issue as one of fact.³¹ Despite this potential confusion, once a federal appellate court ascertained the type of question on appeal, the applicable standard of review usually reflected the fact that an agency's decision was being reviewed. That is, the standard of review was generally more deferential than if a decision of an Article III tribunal were on appeal. As will be discussed below, the *Chevron* decision did away with this

ch. 30 (1st ed. 1958); LOUIS L. JAFFE, *JUDICIAL CONTROL OF ADMINISTRATIVE ACTION* ch. 16 (1965).

³⁰ See, e.g., JAFFE, *supra* note 29, at 546-47 (toward the center of the law-fact continuum a "finding of fact [shades] imperceptibly into conclusion of law."); see also *Campbell v. Merit Sys. Protection Bd.*, 27 F.3d 1560, 1565 (Fed. Cir. 1994) ("In cases . . . which fall within the zone of logical overlap, '[t]here [can be] no fixed distinction [between questions of law and fact]. . . . The knife of policy alone effects an artificial cleavage at the point where the court chooses to draw the line").

³¹ See, e.g., JAFFE, *supra* note 28, at 572:

[W]here the judges are themselves convinced that certain reading, or application, of the statute is the correct or the only faithful reading or application, they should intervene and so declare. Where the result of their study leaves them without a definite preference, they can and often should abstain if the agency's preference is "reasonable."

Id.; Ernest Gellhorn & Glen O. Robinson, *Perspectives on Administrative Law*, 75 COLUM. L. REV. 771, 780 (1975); Levin, *supra* note 29, at 8 n.41; see also William H. Rogers, Jr., *Judicial Review of Risk Assessments: The Role of Decision Theory in Unscrambling the Benzene Decision*, 11 ENVTL. L. 301, 302 (1981). The Federal Circuit has also stated:

When law and fact merge, "courts in such situations do not decide to defer because they have concluded *a priori* that something is a question of fact, but rather, decide something is a question of fact because they have concluded it is wise policy to defer The mixed question at issue here . . . is not sufficiently close to one end of the [law-fact] spectrum or another to permit an easy answer based on logic alone. Characterization therefore must follow from an *a priori* decision as to whether deferring to the [Merit Systems Protection] Board's application . . . is sound judicial policy. We would be less than candid to suggest otherwise.

Campbell, 27 F.3d at 1565.

law-fact distinction.

However, with respect to the Federal Circuit's administrative caseload, specifically decisions of the BPAI, the issue of what is a question of law and question of fact is still of great relevance and leads to the application of standards of review less deferential than those applied by other federal circuit courts.³² Specifically, questions of law and questions of fact are reviewed by the Federal Circuit under the *de novo* and clearly erroneous standards, respectively. In modern administrative law, these standards of review are rarely, if ever, applied, and it is the Federal Circuit's adoption and use of these standards, as well as the court's review of the Commissioner's statutory interpretations, which form the primary thesis of this Article.

A. Appeals from the BPAI: Questions of Law and De Novo Review

1. The Chevron Decision

Prior to the Supreme Court's ruling in *Chevron, NLRB v. Hearst Publications Inc.*³³ and *Packard Motor Car Co. v. NLRB*³⁴ were generally considered as representative of the Court's view on deferring to an agency's statutory interpretation. *Hearst* is often cited for the proposition of limited judicial intervention in an agency's statutory interpretation;³⁵ whereas *Packard*

³² See discussion *infra* part II.A.-B.

³³ 322 U.S. 111 (1944).

³⁴ 330 U.S. 485 (1947).

³⁵ The issue in *Hearst* was whether "newsboys" were "employee[s]" as that term was used in the National Labor Relations Act (NLRA). If they were employees, the newsboys could organize; if not, however, the newsboys would be "independent contractors." The Court initially decided *de novo* the proper legal standard, that is, whether the common law standard applied in determining whether newsboys were employees. The Court decided that the common law did not apply because Congress meant for there to be a uniform standard in this regard. After holding that the common law did not apply, the Court decided that the term "employee" must be determined in light of "the history, terms and purpose of the" NLRA. Until this point, the Court had not mentioned the agency in setting these legal parameters. However, the Court deferred to the agency in determining whether certain persons are employees under the NLRA. *Hearst*, 322 U.S. at 123-30. The *Hearst* Court also stated:

It is not necessary in this case to make a completely definitive limitation around the term "employee." That task has been assigned primarily to the agency created by Congress to administer the Act. . . . Everyday experience in the administration of the statute gives it familiarity with the circumstances and backgrounds of employment relationships. . . . The experience thus acquired must be brought frequently to bear on

is seen as being at odds with *Hearst* and supporting a court's independent review.³⁶ Thus, for nearly forty years there existed these diverging and, at

the question who is an employee under the Act. Resolving that question, like determining whether unfair labor practices have been committed, "belongs to the usual administrative routine" of the Board.

....

In making that body's determinations as to the facts in these matters conclusive, if supported by evidence, Congress entrusted to it primarily the decision whether the evidence established the material facts. Hence in reviewing the Board's ultimate conclusions, it is not the court's function to substitute its own inferences of fact for the Board's, when the latter have support in the record Undoubtedly questions of statutory interpretation, especially when arising in the first instance in judicial proceedings, are for the courts to resolve, giving appropriate weight to the judgment of those whose special duty is to administer the questioned statute But where the question is one of specific application of a broad statutory term in a proceeding in which the agency administering the statute must determine it initially, the reviewing court's function is limited [T]he Board's determination that specified persons are "employees" under this Act is to be accepted if it has "warrant in the record" and a reasonable basis in law.

Hearst, 322 U.S. at 130-31 (citations omitted).

The Court seemed to bifurcate (1) pure questions of law like statutory interpretation and (2) application of law to fact. With respect to the former, the court is to give "appropriate weight" to the agency if the agency administers the statute. As for (2), the agency's decision is to be affirmed if there is "warrant in the record and a reasonable basis in law." See also *Gray v. Powell*, 314 U.S. 402 (1941) (deferring to the decision of the National Bituminous Coal Commission that the Seaboard Airline Railway was not a "producer" under the Bituminous Coal Code and was therefore not exempted from its provisions). But see Nathaniel L. Nathanson, *Administrative Discretion in the Interpretation of Statutes*, 3 VAND. L. REV. 470, 473-75 (1950) (asserting that the broader issue in *Gray* was "whether the regulatory provisions of the statute authorizing maximum and minimum prices could be applied to deliveries of coal which involved no change of ownership.").

³⁶ The issue in *Packard*, as in *Hearst*, was the scope of the term "employee" under the NLRA. However, instead of "newsboys," the question was whether "foremen" were employees. A more conspicuous contrast with *Hearst* is that the *Packard* Court defined the issue as a "naked question of law," and although the Court affirmed the Board's decision, it did not give any weight to the reasoning of the Board. Furthermore, the *Packard* Court did not cite *Hearst* even though the two cases involved seemingly similar issues. Arguably, *Packard* involved a "tremendously important" issue having national industrial ramifications. Thus, perhaps the Court thought it was best to decide independently whether foremen were employees; whereas ramifications related to whether newsboys were employees were relatively insubstantial. Nevertheless, it seems unwise to base the scope of deference on the subjective determination of importance of the issue being decided. It should also be noted that the *Packard* Court found the statutory language unambiguous. Therefore, it is uncertain

times confusing, approaches to deference,³⁷ which attempted to resolve “one of the most persistently intriguing puzzles” in administrative law: What is the proper balance of interpretive power between an agency and a court?³⁸ *Chevron* addressed this question and sought to relieve the tension associated with the legacy of *Hearst* and *Packard*.

In *Chevron*, the issue before the Court was the Environmental Protection Agency’s (EPA) definition of the phrase “stationary source” in the “new source review” program established in the 1977 amendments to the Clean Air Act.³⁹ The EPA required “nonattainment” states, that is, states that have failed to reduce air pollution to levels below specific ambient air quality standards, to establish permit programs “for the construction and operation of new or

whether the Court would have deferred to the agency if the statute was ambiguous.

³⁷ See, e.g., Starr, *supra* note 5, at 292–93 (“Prior to *Chevron*, it was difficult to discern any single standard for judicial review of agency interpretations.”); Sunstein, *Law and Administration*, *supra* note 5, at 2082 (“Before 1984 [the year *Chevron* was decided], the law . . . reflected a puzzling and relatively ad hoc set of doctrines about when courts should defer to administrative interpretations of law.”); KENNETH C. DAVIS & RICHARD J. PIERCE, JR., 1 ADMINISTRATIVE LAW TREATISE § 3.1, 107–08 (1994) (Prior to *Chevron*, “[t]he [Supreme] Court . . . substitutes judgment in some cases and uses the reasonableness test in other cases, without providing any guide as to what actuates its choices It has consistently kept the scope of review unpredictable, and for that reason the volume of litigation has been large.”); see also *Pittston Stevedoring Corp. v. Dellaventura*, 544 F.2d 35 (2d Cir. 1976), *aff’d*, 432 U.S. 249 (1977), wherein Judge Friendly stated:

We think it is time to recognize . . . that there are two lines of Supreme Court decisions on this subject [of deference] which are analytically in conflict, with the result that a court of appeals must choose the one it deems more appropriate for the case at hand. Leading cases support the view that great deference must be given to the decisions of an administrative agency applying a statute to the facts and that such decisions can be reversed only if without rational basis However, there is an impressive body of law sanctioning free substitution of judicial for administrative judgment when the question involves the meaning of a statutory term.

Id. at 49.

³⁸ See Farina, *supra* note 5, at 452; see also William S. Jordan III, *Deference Revisited: Politics as a Determinant of Deference Doctrine and the End of the Apparent Chevron Consensus*, 68 NEB. L. REV. 454, 458 (1989) (The ultimate question is “[h]ow to assure agency compliance with the law and protection of individual rights ‘without detracting from the efficiency of the administrative agencies in their legitimate operations in their legitimate field.’” (quoting Dean Pound, *Administrative Law and the Courts*, 24 B.U. L. REV. 201, 202 (1944))).

³⁹ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 840 (1984).

modified stationary sources" of air pollution.⁴⁰

During the Carter Administration, the EPA interpreted "stationary source" to mean each pollution emitting device within a plant. Thus, if a plant modified an existing "stationary source" or added a new one, it was required to apply for a permit. When the Reagan Administration was elected to office, however, the EPA repealed these existing rules and adopted the so-called "bubble" doctrine. Under the "bubble" approach, a "stationary source" was defined as the entire plant, not each pollution emitting device.⁴¹ It became possible for a plant to add or modify a pollution emitting facility without having to apply for a permit, as long as there was no net increase in the amount of pollution emitted from the *entire* plant. In essence, the plant as a whole was viewed as being enveloped in a notional bubble.

The D.C. Circuit rejected the "bubble" approach and substituted its own interpretation, despite the court's recognition that there was an absence of congressional intent regarding the term "stationary source."⁴² However, the Supreme Court, in a unanimous opinion,⁴³ reversed the D.C. Circuit. In light of the ambiguity of the statute at issue and lack of congressional guidance, the Court thought it unwise that the D.C. Circuit willingly supplanted its interpretation for that of the agency.⁴⁴ As such, the Supreme Court developed a two-step analytical approach (i.e., the *Chevron* doctrine) for addressing an agency's interpretation of law:

First, always, is the question whether Congress has directly spoken to the precise question at issue. If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress. If, however, the court determines Congress has not directly addressed the precise question at issue, the court does not simply impose its own construction on the statute, as would be necessary in the absence of an administrative interpretation. Rather, if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.⁴⁵

⁴⁰ *Id.* at 840 n.1.

⁴¹ *Id.* at 840.

⁴² *Id.* at 841.

⁴³ Justices Rehnquist, O'Connor and Marshall did not participate in the *Chevron* decision, but all three subsequently endorsed *Chevron*. See, e.g., *Chemical Mfgs. Assoc. v. Natural Resources Defense Council, Inc.*, 470 U.S. 116 (1985).

⁴⁴ *Chevron*, 467 U.S. at 842.

⁴⁵ *Id.* at 842-43. With respect to step one, a court is to use "traditional tools of statutory construction" to ascertain whether Congress spoke to the "precise question at

It is important to note that the *Chevron* doctrine does not apply to every governmental agency, but only to agencies charged with administrative authority.⁴⁶

This two-step inquiry⁴⁷ sent shock waves through the legal community and has provoked a tremendous amount of commentary, both critical⁴⁸ and favorable.⁴⁹ According to Justice Scalia, "*Chevron* has proven to be a highly important decision perhaps more important in the field of administrative law since *Vermont Yankee Nuclear Power Corp. v. NRDC*";⁵⁰ Kenneth Starr, then Judge Starr, has referred to *Chevron* as a "revolutionary" decision;⁵¹ Professors Davis and Pierce have called *Chevron* "one of the most important decisions in the history of administrative law."⁵²

The primary reason for this reaction is that *Chevron*, read to its fullest, would dictate that agencies assume the primary responsibility of interpreting federal statutes when the statutory term at issue is ambiguous or the statute is silent as to its meaning. The agency would assume the role of that which has been traditionally reserved for an Article III court; whereas the court's interpretive prowess would only come into play when the relevant statutory term is unambiguous. Because of this shift of interpretive power, *Chevron* has been viewed by some as a "counter-*Marbury*."⁵³ However, *Chevron* has proven to be less than "revolutionary" in practice and the impending doom or deliverance, depending on your judicial philosophy, forecasted by many has not been realized.⁵⁴ Nevertheless, *Chevron's* impact has been significant, for it has been cited by the federal appellate and district courts no less than 1600 and 900 times, respectively;⁵⁵ and the effect of the *Chevron* doctrine on the issue of deference has been noteworthy.⁵⁶

issue." *Id.* at 842 n.9.

⁴⁶ *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990) ("A precondition to deference under *Chevron* is a congressional delegation of administrative authority.").

⁴⁷ The *Chevron* doctrine has been referred to as the *Chevron* two-step. See DAVIS & PIERCE, *supra* note 37, at 109; Pierce, *New Hypertextualism*, *supra* note 5, at 749.

⁴⁸ Aman, *supra* note 5, at 1101; Farina, *supra* note 5, at 452; Mikva, *supra* note 5, at 1; Sunstein, *Interpreting Statutes*, *supra* note 5, at 407.

⁴⁹ Pierce, *New Hypertextualism*, *supra* note 5, at 749-50; Scalia, *supra* note 5, at 511; Starr, *supra* note 5, at 512.

⁵⁰ Scalia, *supra* note 5, at 512.

⁵¹ Starr, *supra* note 5, at 284.

⁵² DAVIS & PIERCE, *supra* note 37, at 110.

⁵³ Sunstein, *Law and Administration*, *supra* note 5, at 2075.

⁵⁴ Merrill, *Judicial Deference*, *supra* note 5, at 980-93.

⁵⁵ These figures were gathered from conducting a Westlaw search. My query was "467 +2 U.S. +2 837."

⁵⁶ According to Professors Schuck and Elliott, the affirmance rate of agency decisions

2. *The Federal Circuit and the Chevron Doctrine*

The impact of *Chevron* has been lost on the Federal Circuit as it relates to the BPAI's patentability determinations;⁵⁷ whereas just the opposite can be said about the Federal Circuit's nonpatent administrative caseload. An examination of the Federal Circuit's post-*Chevron* administrative caseload in Table 1 illustrates this point.⁵⁸

rose from 60.6% in 1975 (prior to *Chevron*) to 76.6% in 1984–85, the year after *Chevron* was decided. Schuck & Elliott, *supra* note 5, at 1007–09.

⁵⁷ A patentability determination is an informal adjudication because a hearing is *not* statutorily required. A formal adjudication is "required by statute to be determined on the record after opportunity for an agency hearing." See 5 U.S.C. § 554(a) (1988). It should be noted, however, that a patent applicant *may* request a hearing upon paying a fee. See 35 U.S.C. § 41(a)(6) (1988). The BPAI is required to grant a hearing if such is requested. See 37 C.F.R. § 1.194 (1994). Regardless of the informal nature of a patentability determination, the PTO, like other agencies involved in informal adjudication, is required to produce a record of the informal proceeding. See *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971); *Camp v. Pitts*, 411 U.S. 138 (1973). As such, if an applicant appeals an adverse decision of the BPAI, "the Commissioner shall transmit to the [Federal Circuit] a certified list of the documents comprising the record in the Patent and Trademark Office." Furthermore, "the Commissioner shall submit to the [Federal Circuit] in writing the grounds for the decision of the [PTO], addressing all the issues involved in the appeal." See 35 U.S.C. § 143 (1988). With respect to an issued patent, the examiner must ensure that the patent prosecution record is complete and that the reasons for allowing the patent are "evident from the [prosecution] record." See PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1302.14 (5th ed. 1983 & Supp. 1989) [hereinafter MPEP]. If the examiner determines that the file history is not clear as to the reasons for allowance, she may, under 37 C.F.R. § 1.109, provide additional reasons for allowing the patent to issue. The MPEP states:

[W]here the examiner's actions clearly point out the reasons for rejection and the applicant's response explicitly represents reasons why claims are patentable over the reference, the reasons for allowance are in all probability evident from the record and no statement should be necessary. Conversely, where the record is not explicit as to reasons, but allowance is in order, then . . . the examiner [under 37 C.F.R. § 1.109] should make reasons of record and such reasons should be specific.

MPEP *supra*, § 1302.14.

⁵⁸ Column A reflects those agencies over which the Federal Circuit has appellate jurisdiction: (1) Merit Systems Protection Board (MSPB); (2) International Trade Commission (ITC); (3) Patent and Trademark Office (BPAI/TTAB); (4) Board of Contract Appeals (BCA); (5) Court of Federal Claims; (6) Court of Veterans Appeals (CVA); and (7) International Trade Administration (Commerce). The "Commissioner of PTO" reflects the

statutory interpretations of the Commissioner, not directly related to patentability, which were initially appealed to a federal district court. I will discuss these cases in detail in part III.B. Column B posed some difficulties. There are some problems in deciding which cases include a deference issue. For example, as Professor Thomas W. Merrill, to whom I am indebted for the idea of constructing Table 1 above, points out: “[I]t is commonly perceived that there are many cases in which the Court substitutes its judgment for that of the agency and fails even to mention the possibility of deference.” See Merrill, *Judicial Deference*, *supra* note 5, at 981 n.51 (although Merrill was referring to the Supreme Court, the same principle applies to the Federal Circuit). Professor Merrill also states that “[o]n the other hand, it would be very difficult to determine all the cases involving a question of federal statutory interpretation.” *Id.* Therefore, I conducted a Westlaw search and selected only cases which cited *Chevron*. This search was conducted on April 3, 1995. My search query, as in the CAFC database, was “DA(aft 10-1-84) and AB(name of agency) and 467 +2 U.S. +2 837.” I realize that I may have missed some deference cases, but my main concern is with those cases that cited *Chevron* and applied (or did not apply) the two-step doctrine. In column C, I included cases which affirmed the agency in its entirety or affirmed the agency in part (the part being the issue relating to deference). In column D, the criteria I used to determine if the Federal Circuit applied the *Chevron* doctrine was whether the court quoted the two-step doctrine and proceeded to analyze the case within that framework, or structured its analysis around the doctrine. I did not include decisions that merely cited *Chevron* or asserted the proposition that “if an agency administers a statute its decision is entitled to deference if it is not inconsistent with the plain meaning of the statute.” In other words, there was no analysis within the *Chevron* framework. This approach does not run the danger of exaggerating the effect of *Chevron* and its influence on the Federal Circuit’s administrative caseload. Indeed, there were cases that expressed what could be considered as reflecting the spirit of *Chevron*. Lastly, column E reflects cases that found statutory ambiguity and were decided at step two of *Chevron* (i.e., a reasonableness determination).

TABLE 1
FEDERAL CIRCUIT POST-CHEVRON
ADMINISTRATIVE CASELOAD

A Agency Name	B <i>Chevron</i> Cited	C Agency Affirmed	D <i>Chevron</i> Doctrine Applied	E Decision Based on Step 2
MSPB	21	12	3	3
ITC	8	6	4	2
BPAI	0	0	0	0
TTAB	2	2	1	1
BCA	3	1	1	1
Court of Federal Claims	18	13	7	6
CVA	5	4	2	0
Commerce	11	9	3	3
Comm'r of PTO	3	0	3	0

I do not mean to suggest that *Chevron* has had a “revolutionary” impact on the Federal Circuit’s administrative caseload; nor am I asserting that the court has consistently applied *Chevron* to non-patent related cases. Rather, my point is that a panel majority has not only cited *Chevron*, but has applied it to every adjudicative body except the BPAI,⁵⁹ including the: (1) International Trade Commission;⁶⁰ (2) Merit Systems Protection Board;⁶¹ (3) Court of Federal

⁵⁹ Although the Federal Circuit has applied the *Chevron* doctrine to the TTAB and the statutory interpretations of the Commissioner, the court has never applied the doctrine to a patentability determination of the BPAI. Moreover, *Chevron* has been cited only in a dissenting opinion. See *In re Alappat*, 33 F.3d 1526, 1577 n.9 (Fed. Cir. 1994) (Mayer, J., dissenting).

⁶⁰ See, e.g., *Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1540 (Fed. Cir. 1994) (applying *Chevron* doctrine); *Texas Instruments Inc. v. United States Int’l Trade Comm’n*, 988 F.2d 1165, 1180 (Fed. Cir. 1993), *dismissed*, 1994 WL 745517 (Fed. Cir. 1994) (same); *Chaparral Steel Co. v. United States*, 901 F.2d 1097, 1101 (Fed. Cir. 1990) (same); *Lannom Mfg. Co. v. United States Int’l Trade Comm’n*, 799 F.2d 1572, 1579–80 (Fed. Cir. 1986) (same); *Springfield Indus. Corp. v. United States*, 842 F.2d 1284, 1285–86 (Fed. Cir. 1986) (same); see also *Avesta AB v. United States*, 914 F.2d 233, 236–38 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 920 (1991); *Borlem SA Empreedimentos Industriais v. United States*, 913 F.2d 933 (Fed. Cir. 1990); *Corning Glass Works v. United*

Claims;⁶² (4) Board of Contract Appeals;⁶³ (5) Court of Veterans Appeals;⁶⁴ and (6) Secretary of Commerce (i.e., International Trade Administration).⁶⁵ What is most telling, however, is that the Federal Circuit, in *Eastman Kodak v. Bell Document Management Products Company*,⁶⁶ applied the *Chevron* doctrine to an appeal from the Trademark Trial and Appeals Board, a close relative of the BPAI.

In *Eastman Kodak*, Bell & Howell (B & H) filed an intent-to-use trademark application under 15 U.S.C. § 1051(b) in an attempt to register the numbers

States Int'l Trade Comm'n, 799 F.2d 1559 (Fed. Cir. 1986); *American Lamb Co. v. United States*, 785 F.2d 994, 1001 (Fed. Cir. 1986).

⁶¹ See, e.g., *Vesser v. Office of Personnel Management*, 29 F.3d 600, 604 (Fed. Cir. 1994) (applying *Chevron* doctrine); *Wassenaar v. Office of Personnel Management*, 21 F.3d 1090, 1095 (Fed. Cir. 1994) (same); see also *Oshiver ex rel. Oshiver v. Office of Personnel Management*, 896 F.2d 540, 541 (Fed. Cir. 1990); *Money v. Office of Personnel Management*, 811 F.2d 1474 (Fed. Cir. 1987); *Morgan v. Office of Personnel Management*, 773 F.2d 282 (Fed. Cir. 1985). In determining the validity of an administrative regulation, the court stated in *Morgan* that

[a]s long as the regulation reasonably implements the purpose of the legislation and is not inconsistent with any constitutional or specific statutory provision, we have no basis on which to overturn it We cannot substitute our judgment for that of the agency with respect to the determination of which requirement will best serve the statutory purpose.

Id. at 287.

⁶² See, e.g., *Chacon v. United States*, 48 F.3d 508 (Fed. Cir. 1995) ("When we consider the merits of a party's challenge to an agency's interpretation of a statute it has been charged with administering, we take our analytic framework from the Supreme Court's decision in *Chevron*"); *DeCosta v. United States*, 987 F.2d 1556, 1558-59 (Fed. Cir. 1993) (applying *Chevron* doctrine); *Essex Electro Engineers, Inc. v. United States*, 960 F.2d 1576, 1580 (Fed. Cir.), *cert. denied*, 113 S. Ct. 408 (1992) (same); *Collins v. United States*, 946 F.2d 864, 868-69 (Fed. Cir. 1991) (same); *Pine Products Corp. v. United States*, 945 F.2d 1555, 1558 (Fed. Cir. 1991) (same); *New York Guardian Mortgagee Corp. v. United States*, 916 F.2d 1558, 1559-60 (Fed. Cir. 1990) (same).

⁶³ See, e.g., *United States v. Grumman Aerospace Corp.*, 927 F.2d 575, 578 (Fed. Cir.), *cert. denied*, 502 U.S. 919 (1991) (applying *Chevron* doctrine).

⁶⁴ See, e.g., *Skinner v. Brown*, 27 F.3d 1571, 1572-73 (Fed. Cir. 1994) (applying *Chevron* doctrine); *Gardner v. Brown*, 5 F.3d 1456, 1458 (Fed. Cir. 1993) (same), *aff'd*, 115 S. Ct. 552 (1994).

⁶⁵ See, e.g., *Koyo Seiko Co. v. United States*, 36 F.3d 1565, 1570-71 (Fed. Cir. 1994) ("Our review . . . is guided, however, by the Supreme Court's decision in *Chevron*"); *Suramerica de Aleaciones Laminadas, C.A. v. United States*, 966 F.2d 660, 665 (Fed. Cir. 1992) (applying *Chevron* doctrine).

⁶⁶ 994 F.2d 1569 (Fed. Cir. 1993).

"6200," "6800," and "8100."⁶⁷ The examiner approved the applications for publication in the principal register. Upon their publication, Eastman Kodak filed an opposition to these marks stating that they were "merely descriptive," and should not be registered.⁶⁸ Under the Lanham Act,⁶⁹ which governs the federal registration of trademarks, § 1051(b) precludes registration of a mark if it "consists of a mark which . . . when used on or in connection with the goods of the applicant is merely descriptive . . . of them." The examiner, in ruling for B & H, asserted that the numerical marks were not "merely descriptive."⁷⁰ Kodak appealed the examiner's decision to the Trademark Trial and Appeals Board (TTAB). After the TTAB affirmed the examiner, Kodak appealed to the Federal Circuit.⁷¹ According to the Federal Circuit, "[t]he statute on its face neither requires nor precludes the Board's interpretation."⁷² In other words, the statutory provision (i.e., "merely descriptive") was ambiguous. Instead of reviewing the applicable law de novo, the Federal Circuit applied the "Chevron doctrine," deferred to the TTAB, and held that the Board's decision was "reasonable" under step two of *Chevron*.⁷³

Thus, the Federal Circuit has ushered *Chevron* into the realm of trademark law.⁷⁴ But instead of following this approach and applying the *Chevron* doctrine when reviewing questions of patentability arising from the informal adjudications of the BPAI,⁷⁵ the Federal Circuit has adopted a de novo

⁶⁷ *Id.*

⁶⁸ *Id.* An "opposition" is a proceeding before the TTAB whereby a person who believes she will be injured by the federal registration of a trademark can oppose the registration. 15 U.S.C. § 1063 (1988).

⁶⁹ 15 U.S.C. §§ 1051-1178 (1988).

⁷⁰ *Eastman Kodak*, 994 F.2d at 1570.

⁷¹ *Id.* at 1570-71.

⁷² *Id.* at 1572.

⁷³ *Id.* at 1571-73. Keep in mind that this was a trademark case. The degree of expertise needed to determine whether a mark is "trademarkable" does not approach that which is necessary in examining complex inventions for patentability purposes. I will discuss the "expertise" of the patent examiners and the BPAI in part IV.C, *infra*.

⁷⁴ This is particularly relevant because the Commissioner of the PTO derives his congressionally delegated authority to grant and issue patents and trademarks from the same statutory source. *See* 35 U.S.C. § 6(a) (1988). I discuss the statutory delegation provisions of the BPAI and TTAB in part II.A.3.b., *infra*.

⁷⁵ It is important to note that although *Chevron* was a rulemaking case, it is well established that the *Chevron* doctrine applies to adjudications. *See, e.g.,* NLRB v. United Food and Commercial Workers Union Local 1987, 484 U.S. 112, 123 (1987); *Fall River Dyeing and Finishing Corp. v. NLRB*, 482 U.S. 27, 42-43 (1987); *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 633-34 (7th Cir. 1993) (applying *Chevron* to a Trademark Trial and Appeals Board adjudication); *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569, 1571-72 (Fed. Cir. 1993) (applying *Chevron* to

standard of review;⁷⁶ despite the fact that the use of de novo review by federal appellate courts is extremely rare and “is reserved for extraordinary cases.”⁷⁷

The de novo standard was first enunciated in 1990 by the Federal Circuit

Trademark Trial and Appeals Board adjudication); *Midtec Paper Corp. v. United States*, 857 F.2d 1487, 1496–97 (D.C. Cir. 1988); *National Fuel Gas Supply Corp. v. F.E.R.C.*, 811 F.2d 1563, 1569–70 (D.C. Cir.), *cert. denied*, 484 U.S. 869 (1987); BERNARD SCHWARTZ, ADMINISTRATIVE LAW § 10.35, 703–05 (1994).

⁷⁶ See, e.g., *In re Epstein*, 32 F.3d 1559, 1567–68 (Fed. Cir. 1994) (applying de novo review to the “on-sale” bar and “public use” bar); *In re Lowry*, 32 F.3d 1579, 1582 (Fed. Cir. 1994) (“This court reviews the Board’s determination of obviousness *de novo*.”); *In re Harvey*, 12 F.3d 1061, 1063 (Fed. Cir. 1994) (“Obviousness is a question of law which we review *de novo*.”); *Avia Group Int’l, Inc. v. L.A. Gear California, Inc.* 853 F.2d 1557, 1561–62 (Fed. Cir. 1988) (patent validity is a question of law); *Paperless Accounting, Inc. v. Bay Area Rapid Transit System*, 804 F.2d 659, 664 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 933 (1987) (whether the specification is enabling is a question of law to be reviewed de novo).

⁷⁷ ALFRED C. AMAN, JR. & WILLIAM T. MAYTON, ADMINISTRATIVE LAW 459 (1993); See also 2 KENNETH C. DAVIS & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE 174 (1994); *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971) (De novo review is to be applied in only two circumstances: (1) “when the action is adjudicatory in nature and the agency factfinding procedures are inadequate” and (2) “when issues that were not before the agency are raised in a proceeding to enforce nonadjudicatory agency action.”); *Camp v. Pitts*, 411 U.S. 138, 141 (1973) (“It is quite plain from our decision in *Citizens to Preserve Overton Park v. Volpe*, that *de novo* review is appropriate only where there are inadequate factfinding procedures in an adjudicatory proceeding, or where judicial proceedings are brought to enforce certain administrative actions.”) (citation omitted). It should also be noted that de novo review may be guaranteed by statute, but such a provision does not exist in Title 35.

To my knowledge, the administrative courts of Germany are the only tribunals in an industrialized country to employ de novo review of legal determinations of an agency. See MAHENDRA P. SINGH, GERMAN ADMINISTRATIVE LAW IN COMMON LAW PERSPECTIVE 65 (1985) (The administrative law courts “[c]an go into all questions of legality whether apparent on the face of the record or hidden in or behind it and can also replace the administrative determination by their own.”). Singh cites § 113(2) cl.3 of the Law on Administrative Courts, which states that an administrative law court “may also order the grant of a benefit in addition to invalidation of an administrative action. For example, if denial of licence by an administrative authority is found to be wrong by the court, it may not only invalidate the order of denial, but also order that licence be granted.” In the United States, there was an attempt, in 1975, to codify de novo review of agency questions of law. Senator Dale Bumpers of Arkansas, in an attempt to encourage courts to play a more active role in reviewing agency decisions, introduced a bill, which was ultimately defeated, to amend § 706 of the APA requiring courts to review all questions of law “de novo” and “independently.”

in *In re Kulling*,⁷⁸ and since its adoption, the court has failed to explain, analyze, or define exactly what it means by de novo review. One could assume that de novo implies independent review, and there is Federal Circuit support for this assumption.⁷⁹ However, if this is correct and it certainly appears to be,

⁷⁸ 897 F.2d 1147 (Fed. Cir. 1990).

⁷⁹ In a 1979 opinion of the Court of Customs and Patent Appeals, a predecessor to the Federal Circuit, the court stated:

[O]bviousness is a legal conclusion based on factual evidence, . . . and not a factual determination. Therefore, the proper issue before us is whether the board [BPAI] erred, as a matter of law, in holding that the claims were properly rejected under 35 U.S.C. § 103. In deciding this issue, the court will make "an independent determination as to the legal conclusions and inferences which should be drawn from . . . [the findings of fact]."

In re Carleton, 599 F.2d 1021, 1024 n.14 (C.C.P.A. 1979) (citations omitted).

See also *Gardner v. Tec Sys., Inc.*, 725 F.2d 1338, 1344 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 830 (1984) ("A conclusion on obviousness is one of law and subject to full and independent review in this court."), *cert. denied*, 469 U.S. 830 (1984); *In re Vaeck*, 947 F.2d 488, 493 (Fed. Cir. 1991) ("Obviousness is a legal question which this court independently reviews . . ."). However, Judge Michel, in a recent speech, put somewhat of a different spin on this interpretation of de novo:

For issues categorized by precedent as issue of law, our review is termed "de novo." An example is in-validity for obviousness. However, since we do nothing truly "anew," this standard is better expressed as "simple error" or "free review," *i.e.*, neither mandatory nor fixed deference. Now that does not mean no deference can or will be afforded in a particular case, but only that we are free to deny or limit deference according to the specifics of the case. Only where the issue is one of pure law, as statutory construction usually is, is our review truly independent. Then there is little or no deference to the court or Board being reviewed.

Michel, *supra* note 3, at 9.

What exactly does Judge Michel mean when he says that the court is "free to deny or limit deference according to the specifics of the case?" What are these specifics? Perhaps de novo review can mean whatever the Federal Circuit wants it to mean. More likely, however, de novo review as applied by the Federal Circuit is in accord with Professor Farina's definition:

The term 'de novo' is not meant to suggest that the court will necessarily try the case afresh. Indeed, in many instances, the case will proceed on a record compiled before the agency. Rather, the decision is de novo in the same sense that we speak of an appellate court reviewing, de novo, a trial court's conclusions of law: the court will reach its own independent conclusion on the record before it.

the Federal Circuit's analytical framework for reviewing questions of law is in direct contravention of the *Chevron* doctrine.⁸⁰

The Federal Circuit's view on the deference doctrine generally and the court's apparent disregard for *Chevron* specifically can be illustrated by examining how the court approaches a nonobviousness determination.⁸¹ According to the Federal Circuit, although a nonobviousness determination entails a number of antecedent factual considerations which are reviewed under the "clearly erroneous" standard,⁸² the ultimate question of nonobviousness is one of law to be reviewed de novo.⁸³ I choose nonobviousness because it is the

Farina, *supra* note 5, at 453 n.7.

See 35 U.S.C. § 144 (1988) ("The [Federal Circuit] shall review the decision [of the BPAI] on the record before the Patent and Trademark Office.").

⁸⁰ See *supra* note 45 and accompanying text.

⁸¹ The statutory basis for a nonobviousness determination is embodied in 35 U.S.C. § 103:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made by a person having ordinary skill in the art to which said subject matter pertains.

35 U.S.C. § 103 (1988).

Even if an invention is novel and has utility it may nevertheless be unpatentable if it discloses and claims a trivial advancement in the art; in other words, if it is obvious. The nonobviousness requirement assures that the inventor contributes something to society before she is granted a 17 year exclusive right to exclude others from making, selling, or using her invention. It wasn't until 1850 that nonobviousness became a requirement for patentability. In the Supreme Court case of *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248 (1850), the Court rejected a patent because it lacked the "degree of skill and ingenuity which constitute essential elements of every invention." *Id.* at 266. This notion of "invention" or "inventiveness" became an additional requirement for patentability, but it was a vague concept, easily manipulated by a court. This led to a lack of uniformity in its application. Therefore, in 1952, Congress created § 103, above, in an attempt to lend structure and coherency to what became known as the nonobviousness requirement. In 1966, the Supreme Court recognized that § 103 was a "codification" of *Hotchkiss*. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

⁸² See *infra* part II.B. for a discussion on the Federal Circuit's review of questions of fact.

⁸³ See *supra* note 76 for cases holding that a nonobviousness determination is a question of law. The legislative requirement for nonobviousness was reiterated by the Federal Circuit in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) The factual determinations include the (1) scope and content of the prior art; (2) differences between the prior art and the claims at issue; (3) level of ordinary skill in the pertinent art; and (4) the

most litigated issue relating to patent validity⁸⁴ and, arguably, the most important patentability requirement. In fact, some commentators have called it the "ultimate condition of patentability"⁸⁵ and the "final gatekeeper of the patent system."⁸⁶ In 1985, one year after *Chevron* was decided, the PTO, in an appeal from a BPAI decision rejecting a claimed invention as obvious, argued that the Federal Circuit should grant the BPAI greater deference. The Federal Circuit was less than receptive:

The Commissioner, through the Solicitor, raises the threshold question of the scope of appellate review. The Commissioner urges the novel position that this court's role, in fulfillment of the mandate of 35 U.S.C. §§ 141-144, is limited to an inquiry as to this appeal, the Commissioner states "[t]here is a rational basis for the Board decision. Consequently, there would not be reversible error therein."

. . . We have articulated, on occasion, the standard by which we review a Board determination that a claimed invention would have been obvious under 35 U.S.C. § 103. Obviousness is a conclusion of law. It is our responsibility, as for all appellate courts, to apply the law correctly; *without deference to Board determinations, which may be in error even if there is a rational basis therefor.*⁸⁷

so-called "objective" indicia like commercial success and long felt need.) After these factual determinations are made, the question becomes would the claimed invention have been obvious to a person having ordinary skill in the art at the time the invention was made. This latter inquiry is, according to the Federal Circuit, a question of law. See *CHISUM & JACOBS*, *supra* note 12, at 2-58 (The *Graham* opinion "for the most part, merely restates the language of Section 103."); see also *Panduit Corp. v. Dennison Mfg.*, 810 F.2d 1561, 1566 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987). The Federal Circuit's characterization of nonobviousness as ultimately a question of law is in and of itself somewhat troublesome. In fact, a nonobviousness determination is actually a mixed question of law and fact; or, as some have argued, a question of fact. See Jens H. Hillen, Note, *The Court of Appeals for the Federal Circuit: Independent Review of Patent Decisions and the Constitutional Facts Doctrine*, 67 S. CAL. L. REV. 187 (1993); Bradley G. Lance, Note, *A Proposal to View Patent Claim Nonobviousness from the Policy Perspective of Federal Rule of Civil Procedure 52(a)*, U. MICH. J.L. REF. 1157, 1200 (1987). However, it is not my intention to challenge the Federal Circuit's characterization of nonobviousness as ultimately a question of law based on underlying facts. Rather, assuming such is true, I am more concerned with the applicable standard of review.

⁸⁴ See *CHISUM*, *supra* note 25, at 11-102.

⁸⁵ See *NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY* (John F. Witherspoon ed., 1980).

⁸⁶ See ROBERT P. MERGES, *PATENT LAW AND POLICY* 379 (1992).

⁸⁷ *In re McCarthy*, 763 F.2d 411, 412 (Fed. Cir. 1985) (emphasis added). Most recently, the PTO has argued for greater deference in *In re Brana*, 51 F.3d 1560 (Fed. Cir.

Given the fact that the statutory term "obvious," as I will discuss below, is an ambiguous and undefined term,⁸⁸ the court's appellate review framework is exactly what *Chevron* so strongly denounced. As a recent empirical study demonstrates, this lack of deference is reflected in the BPAI's affirmance rate with respect to decisions based on § 103 (i.e., nonobviousness).⁸⁹ This study found that 35 U.S.C. § 103 issues on appeal from the BPAI were affirmed 79% of the time.⁹⁰ Initially, one may presume, as does this study, that a 79% affirmance rate is high. What this means, however, is that roughly one in every five § 103 appeals from the BPAI is either reversed or vacated. When compared to the Federal Circuit's 95% and 91% affirmance rates of MSPB and ITC decisions, respectively,⁹¹ the 79% affirmance rate does not appear so deferential. This is especially true given the highly technical nature of the patentability determination.

Although correlation is not causation, it is at least plausible, if not probable, that the Federal Circuit's de novo review of the BPAI's nonobviousness determinations is a strong factor in the court's 79% affirmance rate. Because nonobviousness is an extremely important, if not the most important, requirement in a patentability determination, this low affirmance rate is troublesome in that it suggests that the court is supplanting its interpretation of the nonobviousness requirement in place of the BPAI's. Furthermore, the court's use of de novo review calls into question the very existence of the PTO as an administrative agency, and compels us to focus on the Federal Circuit's reasoning behind its "checkerboard" deference policy.⁹² Why is the Federal Circuit so resolute in its application of de novo review to questions of law on appeal from the BPAI, especially § 103 nonobviousness determinations? Another way of asking the same question is why is the Federal Circuit reluctant to apply the *Chevron* doctrine to questions of law on appeal from the BPAI, yet is willing to apply the doctrine to non-patent related cases? I believe there are primarily three answers to these questions, which are also challenges to my thesis.

1995), and *In re Napier*, 55 F. 3d 610 (Fed. Cir. 1995).

⁸⁸ See *infra* notes 154-57.

⁸⁹ Donald R. Dunner et al., *A Statistical Look at the Federal Circuit's Patent Decisions: 1982-1994*, 5 FED. CIRCUIT B.J. 151 (1995).

⁹⁰ *Id.* at 163.

⁹¹ ANN. REP. OF THE DIRECTOR OF THE ADM. OFF. (1983-94). It should be noted that while the Annual Report is not broken down issue by issue (i.e., § 102 or § 103), the affirmance rate was roughly 80%, almost the same as that put forth by Dunner et al., *supra* note 89.

⁹² I use the term "checkerboard" to mean an inconsistent application of a particular rule or principle to similar situations justified on policy considerations. See RONALD DWORKIN, *LAW'S EMPIRE* 178-84, 217-18 (1986).

3. *A Look Behind De Novo Review: Some Answers and Challenges*

a. *The "Uniformity" and "Specialization" Challenge*

This challenge asserts that the characterization of patent validity as a question of law, to be reviewed under the de novo standard, promotes uniformity in the application of our patent laws,⁹³ and Congress created the Federal Circuit for this very purpose.⁹⁴ Therefore, if the PTO were granted greater deference, the Federal Circuit's review of the patentability requirements, as initially interpreted by the PTO, would differ depending upon whether the appeal was from the BPAI or a federal district court. This would lead to one set of validity standards for the BPAI and another for federal district courts. For example, this argument asserts that under my proposal, the BPAI, in affirming an examiner's rejection, may interpret an ambiguous statutory term and that interpretation will be given *Chevron* deference by the Federal Circuit. Assuming the interpretation is reasonable, the BPAI will be affirmed. On the other hand, with respect to an issued patent, that same interpretation, reviewed de novo, may be overruled by the Federal Circuit, even though reasonable, because the court does not agree with the examiner's interpretation.

The answer to this dilemma is for the Federal Circuit to provide, as it now does, the same degree of deference to the PTO, whether the appeal is from the BPAI (rejected claimed inventions) or a federal district court (issued patents). However, the *degree* of deference presently accorded to the PTO and district courts, although the same, does not necessarily result in an optimal balance of interpretive power. That is, although the same degree of deference should be accorded by the Federal Circuit, the *degree* accorded should foster an optimal balance of interpretive authority. As long as the same degree of deference is applied to PTO patentability decisions, stability and uniformity will not be threatened.

Another aspect of this challenge suggests that the Federal Circuit is a specialized court with the necessary expertise to handle patent cases. Yet a majority of the judges on the Federal Circuit possessed little if any prior patent experience before coming to the bench. Furthermore, the legislative history

⁹³ See *Panduit Corp. v. Dennison Mfg.*, 810 F.2d 1561, 1567 (Fed. Cir. 1987) ("One effect of considering the § 103 question one of law in this court is to facilitate a consistent application of that statute in the courts and in the Patent and Trademark Office (PTO)."), *cert. denied*, 481 U.S. 1052 (1987).

⁹⁴ See H.R. REP. NO. 312, 97th Cong., 1st Sess. 20-23 (1981); S. REP. NO. 275, 97th Cong., 1st Sess. 4-6 (1981).

makes it clear that it was not the intention of Congress to make the Federal Circuit a "specialized court."⁹⁵

In addition, the creation of the Federal Circuit was prompted by a post-issuance phenomenon. The lack of uniformity in the application of the patent laws was due to the disparities extant in the regional circuit courts, not the PTO. A patent issued by the PTO may have been declared invalid in one circuit court, but its validity upheld in another.⁹⁶ Thus, one of the primary policies behind the creation of the Federal Circuit was to prevent forum shopping by patentees and alleged infringers,⁹⁷ and had very little, if anything, to do with the competency of the PTO or its application of the patent laws.⁹⁸ The PTO is just as able, if not better suited, than the Federal Circuit to interpret the patentability requirements. In fact, as I will discuss below, by not defining the patentability requirements, Congress delegated to the PTO the authority to interpret the statutory provisions relating to patentability;⁹⁹ and there are cogent policy considerations which support this conclusion.¹⁰⁰

A brief review of the history of § 103 nonobviousness further illustrates

⁹⁵ See H.R. REP. NO. 312 at 19 ("By combining the jurisdiction of the two existing courts along with certain limited grants of new jurisdiction, the bill creates a new intermediate appellate court markedly less specialized than either of its predecessors and provides the judges of the new court with a breadth of jurisdiction that rivals in its variety that of the regional courts of appeals. The proposed new court is not a "specialized court." Its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket spanning a broad range of legal issues and types of cases."); S. REP. NO. 275 at 6 ("[The Federal Circuit's] rich docket assures that the work of the . . . court will be broad and diverse and not narrowly specialized. The judges will have no lack of exposure to a broad variety of legal problems. Moreover, the subject matter of the new court will be sufficiently mixed to prevent any special interest from dominating it.")

⁹⁶ H.R. REP. NO. 312 at 20-22 ("[S]ome circuit courts are regarded as 'pro-patent' and other 'anti-patent,' and much time and money is expended in 'shopping' for a favorable venue." Furthermore, "the validity of a patent is too dependent upon geography (i.e., the accident of judicial venue) to make effective business planning possible.")

⁹⁷ *Id.* at 22 ("A single court of appeals for patent cases will promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, the forum-shopping that now occurs."); see also S. REP. NO. 275 at 5 ("The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity in this area of the law. Such uniformity will reduce the forum-shopping that is common to patent litigation.")

⁹⁸ For purposes of deference to the BPAI, we are not concerned with the action of *patentees* (i.e., patent holders) or regional circuit courts; rather our focus is on *pre-issuance* patent *applicants*, who are unable to forum shop because the PTO is the only governmental entity authorized to examine and issue patents. With respect to the pre-issuance time frame, uniformity is built in to the patent examination process.

⁹⁹ See *infra* part II.A.4.

¹⁰⁰ See *infra* part IV. for discussion of policy considerations.

the reasons behind the creation of the Federal Circuit. Prior to the enactment of 35 U.S.C. § 103 in 1952, it was generally thought that to be patentable a claimed invention had to possess an "inventive step," which became known as the "invention" requirement.¹⁰¹ However, there were no legislative guidelines or criteria for determining when the "invention" requirement was satisfied; and, as a result, the term "invention" was interpreted differently by the various regional circuit courts. By creating a legislative requirement with certain guidelines to be followed, the authors of § 103 thought they were bringing a sense of statutory stability to the "invention" determination.¹⁰² The enactment of a legislative requirement in 1952, however, did not prevent the regional circuit courts from creating their own standards for what is now called the nonobviousness requirement. A major benefit in creating the Federal Circuit was that Congress took away from the regional circuit courts the ability to interpret the patentability requirements, which led to divergent and varying standards of patentability and, in turn, prompted a spree of forum shopping.¹⁰³ Thus, the Federal Circuit, like the creation of § 103 before it, was designed to infuse stability and uniformity into our patent laws. Yet, stability and uniformity do not necessarily mean that the court should *interpret* the patentability requirements, particularly when the requirements are undefined and ambiguous.¹⁰⁴ As stated below, if the same degree of deference is applied to PTO decisions, stability and uniformity will not be threatened, especially since the regional circuit courts are statutorily precluded from hearing patent appeals. In this regard, the Federal Circuit's role in promoting uniformity in

¹⁰¹ The invention requirement was the precursor to the nonobviousness requirement. See *supra* note 81.

¹⁰² See Giles S. Rich, *The Vague Concept of "Invention" as Replaced by Section 103 of the 1952 Patent Act*, in NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY, *supra* note 85, at 1:401:

"One of the greatest technical weaknesses of the patent system is the lack of a definitive yardstick as to *what is invention*. To provide such a yardstick and to assure that the various courts of law and the Patent Office *shall use the same standards*, several changes are suggested. It is proposed that Congress shall declare a national standard whereby [mark these words] *patentability* of an invention shall be determined by the objective test as to its advancement of the arts and sciences."

(alteration in the original) (quoting H.R. DOC. NO. 239, 78th Cong., at 6, 10). Furthermore, the House Report on § 103, states that: "This section should have a stabilizing effect and minimize great departures which have appeared in some cases." H.R. REP. NO. 1923, 82d Cong., 2d Sess. 7 (1952).

¹⁰³ See *supra* notes 96-97.

¹⁰⁴ See *infra* notes 154-57.

the application of the patent laws is fulfilled simply by its exclusive appellate jurisdiction over appeals relating to patent law and its authority, as an Article III court, to patrol the boundaries of the PTO's congressional delegation.¹⁰⁵

Implicit in this uniformity challenge, however, is yet another challenge. That is, the *ex parte* nature of the patent examination proceeding is problematic in terms of increasing the breadth of deference for issued patents because it is possible for the PTO to issue a patent without considering all of the relevant prior art. My concern here is not with the PTO's ability to examine patent applications or interpret statutes that it is authorized to administer;¹⁰⁶ rather, my concern relates to the PTO's search mechanism and failure, for whatever reason, to consider a material prior art reference during the examination process.¹⁰⁷ With respect to issued patents, therefore, *Chevron* deference should

¹⁰⁵ See *infra* notes 127–30.

¹⁰⁶ Where a district court upholds a patent's validity, the Federal Circuit affirms the district court 89% of the time. See ROBERT L. HARMON, *PATENTS AND THE FEDERAL CIRCUIT* 793 (3d ed. 1994); see also Dunner et al., *supra* note 89, at 154 ("The most notable trend, similar to that observed by Harmon, is that, in district court cases, the Federal Circuit was significantly more likely to affirm judgments in favor of patent owners than accused infringers. For example, the court affirmed validity of the patent under §103 . . . about 88% of the time . . ."); Ronald B. Coolley, *What the Federal Circuit Has Done and How Often: Statistical Study of the CAFC Patent Decisions—1982 to 1988*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 385, 391 (1989) (From 1982 to 1988, where the district court upheld the validity of a patent, the Federal Circuit affirmed the district court 25 out of 28 times or 89%. However, if the district court held the patent claims invalid, the Federal Circuit affirmed the district court only 18 out of 37 times or 47%). In light of this high affirmance rate, one could argue that my claim for greater deference is emphasizing form over substance. At the same time, however, with such a high affirmance rate, the Federal Circuit is sending a message that the PTO is entitled to deference. Moreover, *de novo* review fosters judicial waste and duplication and calls into question the function of the PTO as a governmental agency. See *infra* part IV.

¹⁰⁷ In order to obtain a patent, an applicant must file a patent application, as well as what she considers to be material prior art, with the PTO claiming what her invention is. The application is assigned to a patent examiner based on the technology disclosed in the application. The examiner, after searching the prior art to determine if the claimed invention meets the requisite patentability requirements, either issues a patent or rejects the patent application. If the application is rejected, the examiner issues an office action setting forth the reasons why the application was rejected. The applicant may amend her claims in light of the office action, and resubmit her application. Again, the examiner may issue a patent or reject the application (at this stage the rejection is usually final). See 35 U.S.C. §§ 131–133 (1988); 37 C.F.R. §§ 1.101–1.127 (1994). At this point, the applicant may (1) simply abandon her quest for a patent; (2) file a continuation application; or (3) file an appeal with the BPAI asserting that the examiner improperly rejected her application. See 35 U.S.C. §§ 120, 134 (1988); 37 C.F.R. §§ 1.191–1.198 (1994). With respect to the

be accorded to the examiner's patentability determination only when a prior art reference had previously been considered by the examiner during the examination process. On the other hand, deference is not warranted if the examiner failed to consider the prior art reference,¹⁰⁸ and the court should independently review the patentability requirements with respect to the nonexamined reference.

Ideally, to the extent that prior art has not been considered by the PTO, patent litigants should be compelled, or at least, strongly encouraged to utilize

latter, if the BPAI affirms the examiner's rejection, the applicant may abandon her application or appeal to either the Federal Circuit or the District Court for the District of Columbia. *See* 35 U.S.C. §§ 141-145 (1988); 37 C.F.R. §§ 1.301-1.304 (1994). This Article is primarily concerned with the Federal Circuit's judicial review of BPAI patentability determinations.

¹⁰⁸ The Federal Circuit, to a very limited extent, has adopted this approach. However, the deference to which the court refers is procedural, not substantive. That is, a person asserting invalidity has the burden of proving such because an issued patent is presumed to be valid under 35 U.S.C. § 282. Thus, the Federal Circuit reviews *de novo* whether an invention is "obvious," but places the burden of proving obviousness on the person asserting it. *See American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984):

[Section] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. . . . Deference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered but no such deference is due with respect to evidence it did not consider.

See also Solder Removal Co. v. United States Int'l Trade Comm'n, 582 F.2d 628, 633 & n.10 (C.C.P.A. 1978) ("Application of § 282 in its entirety has suffered from analogy of the presumption itself to the deference due administrative agencies."). In *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1571 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1034 (1987), the district court properly held that defendant

failed to proffer prior art more pertinent than that considered by the PTO and therefore had the "added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job." That deference merely recognizes the statutory mandate that all patents shall be presumed valid.

(citation omitted) (quoting *American Hoist & Derrick Co.*, 725 F.2d at 1359). *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555 (Fed. Cir. 1985) ("The presumption of validity under § 282 is a procedural device, placing the burden of proving invalidity on the party asserting it. It is not substantive law."); *Alco Standard Corp. v. TVA*, 808 F.2d 1490, 1497 (Fed. Cir. 1986), *cert. dismissed*, 483 U.S. 1052 (1987) (The introduction of prior art that was not considered by the PTO "makes it easier for the party challenging the validity of the patent to carry his burden of proof.").

the reexamination process.¹⁰⁹ The reexamination process has the benefit of reincorporating the PTO's expertise into the patentability determination. Furthermore, after the patent is reexamined the district court would not have to apply different standards of review because each prior art reference would have been considered by the PTO. Yet another potential solution would be for the PTO to adopt a European style opposition proceeding.¹¹⁰ Indeed, there seems to be growing support for an opposition proceeding among members of the private bar.¹¹¹

b. *The "Constitutional" Challenge*

This challenge, less conspicuous than that of "uniformity," lies in the history of the issue of patent validity, particularly the nonobviousness requirement. Patent validity was not always viewed as a question of law. In fact, the Supreme Court, in the first quarter of the twentieth century, reviewed nonobviousness¹¹² as a question of fact;¹¹³ and in a later opinion, identified

¹⁰⁹ A reexamination is a procedure "pursuant to which a patent owner or anyone else can seek review by the [PTO] of the validity of a patent on the basis of additional prior art not previously considered by the PTO." See MCCARTHY, *supra* note 21, at 280. See also 35 U.S.C. §§ 301-307 (1988). A reexamination proceeding has the advantage of permitting the patent's validity to be "tested in the Patent Office where the most expert opinions exist and at a much reduced cost." See H.R. REP. NO. 1307, 96th Cong., 2d Sess. 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463. Although the reexamination process as it now stands permits limited third party involvement, there is legislation pending in Congress that would broaden the role of a third party participation in reexamination proceedings. See Senate Bill 1070, which was introduced on July 25, 1995, and the counterpart to S. 1070 in the House of Representatives, H.R. 1732. S. 1070, 104th Cong., 1st Sess (1995); H.R. 1732, 104th Cong., 1st Sess. (1995). For a discussion of the Senate and House bills, respectively, see 50 Pat. Trademark & Copyright J. (BNA) 331 (1995); 50 Pat. Trademark & Copyright J. (BNA) 115, 126 (1995)..

¹¹⁰ The deference doctrine and its relation to opposition and reexamination procedures brings to the fore the subject of my second article. In this article, I intend to advocate the creation of an Article I "Board of Validity and Infringement" (BVAI) or, in the alternative, a pre-grant opposition proceeding or compulsory reexamination whenever a patent is litigated.

¹¹¹ See Lawrence G. Kastriner, *U.S. Oppositions: A Procedure Whose Time Has Come*, J. PAT. & TRADEMARK OFF. SOC'Y (forthcoming 1995) (Mr. Kastriner conducted a survey of 65 patent counsel cutting across the technological spectrum. Of those 65, 42 responded. Of those 42, 80% said they favored a European style pre-grant opposition proceeding, whereas 90% indicated that they would support a post-grant opposition proceeding.).

¹¹² Prior to 1952, nonobviousness was referred to as "invention," or the "invention requirement." See *supra* note 81.

patent validity as a question of ultimate fact.¹¹⁴ In 1966, however, the Supreme Court decided *Graham v. John Deere Co.*,¹¹⁵ which held that “the ultimate question of patent validity is one of law.”¹¹⁶ Implicit in the Court’s opinion, written by Justice Clark, is that nonobviousness is a question of law.

The lack of strong precedent and rationale for Justice Clark’s assertion makes it difficult, at first glance, to ascertain why the Court held that validity is a question of law. Yet, in light of the fact that patentability requirements like nonobviousness are necessary to further the constitutional goal of “promoting the Progress of the useful Arts” and to ensure that the public domain is adequately safeguarded, a plausible reading of *Graham* is that the Court may have wanted to place constitutional limits on Congress’s authority in the area of patent law and accentuate its power of judicial review over Congress and the PTO.¹¹⁷

This interpretation is helpful in discerning why the Federal Circuit is so reluctant to embrace *Chevron* in the context of patent law. Not only does *Chevron* have the potential to severely enfeeble the Federal Circuit’s judicial review of patent validity determinations, but it goes further, calling into

¹¹³ See *Thomson Spot Welder Co. v. Ford Motor Co.*, 265 U.S. 445, 446–47 (1924).

¹¹⁴ See *United States v. Esnault-Pelterie*, 299 U.S. 201, 205 (1936).

¹¹⁵ 383 U.S. 1 (1966).

¹¹⁶ *Id.* at 17.

¹¹⁷ See Giles S. Rich, *Laying the Ghost of the “Invention” Requirement*, in NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY, *supra* note 85, at 1:501:

I am going to discuss § 103 of Title 35 United States Code, the 1952 Patent Act, the unobviousness provision, because it is the heart of the patent system and the justification of patent grants. Why do I say that? For two reasons: *First*: it is Section 103 which brings about statutory *compliance with the Constitutional limitation* on the power of Congress to create a patent system *Second*, it is the provision which assures that the patent grant of exclusive right is *not in conflict with the anti-monopoly policy* brought to this country from England

Id.; see also Charles D. Reed, *Some Reflections on Graham v. John Deere Co.*, in NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY, *supra* note 84, at 2:305:

[O]ne must recall that the Court has consistently indicated that there is a constitutional issue involved in the grant of a patent. Call it sensitivity to *stare decisis* or be cynical and call it a form of judicial politics necessary to accommodate those on the Court who instinctively equated patent monopoly with other monopolies, but the Court affirmed the existence of constitutional limitations and noted that the “ultimate question of patent validity is one of law.”

Mr. Reed was Justice Clark’s law clerk at the time *Graham* was decided. *Id.* at 2:301.

question the court's perceived constitutional role as the final arbiter of our patent system. The Federal Circuit may view *Chevron* as not only weakening its duty as an Article III court "to say what the law is," but also its perceived function as the gatekeeper of Article I, Section 1, Clause 8. This contention is buttressed by the fact that the Federal Circuit has applied *Chevron* to an appeal from the TTAB.¹¹⁸ Trademark law is not inextricably linked with a constitutional dictate as is patent law,¹¹⁹ yet, as I will discuss below,¹²⁰ the Commissioner derives his delegated authority, as it pertains to patent law and trademark law, from the same statutory source;¹²¹ and the statutory provisions pertaining to the TTAB and BPAI are very similar.¹²²

Therefore, it is somewhat doctrinally disingenuous to characterize patent validity as a question of law and then refuse to invoke the *Chevron* doctrine because, according to the Federal Circuit, it is the court's "responsibility . . . to apply the law correctly; without deference to Board determinations."¹²³ How can the Federal Circuit justify applying the *Chevron* doctrine to questions of law arising from the TTAB, but not applying such to questions of law on appeal from the BPAI? Perhaps the underlying reason is that the Federal Circuit, in response to the *Chevron* doctrine and all that it implies, characterizes patent validity as a question of law in order to maintain its sense of constitutional integrity that *Chevron* seemingly threatens.

Yet, what is truly being threatened by the Federal Circuit's resistance to

¹¹⁸ See *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569 (Fed. Cir. 1993).

¹¹⁹ It is generally thought that Congress derives its authority to legislate in the area of trademark law from Article I, Section 8, Clause 3 of the Constitution (i.e., the Commerce Clause). See PAUL GOLDSTEIN, *COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* 20 (rev. 3d ed. 1993). Thus, the Federal Circuit is perhaps more willing to apply the *Chevron* doctrine to an appeal from the TTAB because the empowering constitutional provision is not as explicit as Article I, Section 8, Clause 8 (i.e., "to promote the Progress of [the] useful Arts.")

¹²⁰ See *infra* notes 151-53.

¹²¹ Specifically, 35 U.S.C. § 6(a) states that "[t]he Commissioner . . . shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks." See *infra* note 153.

¹²² See 35 U.S.C. § 7 (1988) and 15 U.S.C. §§ 1067, 1070 (1988); see also *infra* note 149. Also of relevance is the Federal Circuit's recent decision holding that BPAI members are not independent of the Commissioner, but are "examiner-employees of the PTO, and the ultimate authority regarding the granting of patents lies with the Commissioner." See *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994). Given the virtually identical statutory provisions, it stands to reason that the TTAB, like the BPAI, also lacks independence from the Commissioner.

¹²³ See *In re McCarthy*, 763 F.2d 411, 412 (Fed. Cir. 1985).

Chevron is the PTO's explicit congressional delegation to "superintend or perform all duties required by law respecting the granting and issuing of patents."¹²⁴ Granted, the Federal Circuit's *de novo* review of questions of law appears to have impressive support. The Administrative Procedure Act states that "the reviewing court shall decide all relevant questions of law,"¹²⁵ and Chief Justice Marshall, in *Marbury v. Madison*, instructed us that "[i]t is, emphatically, the province and duty of the judicial department, to say what the law is."¹²⁶ However, in the post-*Chevron* era, the question of law is one of *delegation*.¹²⁷ One of the reasons *Chevron* is so welcomed in my opinion is

¹²⁴ 35 U.S.C. § 6(a) (1988). *See infra* notes 141-43.

¹²⁵ 5 U.S.C. § 706 (1988). *But see* COMMITTEE ON ADMINISTRATIVE PROCEDURE, ADMINISTRATIVE PROCEDURE IN GOVERNMENT AGENCIES, S. DOC. NO. 8, 77th Cong., 1st Sess. 90-91 (1941) (appointed by the Attorney General):

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

Id. (footnote omitted); *see also* Scalia, *supra* note 5, at 512-13 (asserting the Attorney General's Report "formed the basis for enactment of" the APA); Sunstein, *Law and Administration*, *supra* note 5, at 2086 ("The APA's provision for independent judicial interpretation of law is not inconsistent . . . with *Chevron's* deference to the agency's interpretation if Congress has, under particular statutes, granted the relevant authority to administrative agencies.").

¹²⁶ 5 U.S. (1 Cranch) 137, 177 (1803).

¹²⁷ *See* Henry P. Monaghan, *Marbury and the Administrative State*, 83 COLUM. L. REV. 1, 27 (1983):

The court's task [in reviewing an administrative action] is to fix the boundaries of delegated authority, an inquiry that includes defining the range of permissible criteria . . . [T]he judicial role is to specify what the statute cannot mean, and some of what it must mean, but not all that it does mean. In this context, the court is not abdicating its constitutional duty to "say what the law is" by deferring to agency interpretations of law: it is simply applying the law as "made" by the authorized law-making entity. Indeed, it would be violating the legislative supremacy by failing to defer to the interpretation of an agency to the extent that the agency had been delegated law-making

that it has shifted the focus from the law-fact distinction, which is nothing short of confounding at times,¹²⁸ to the scope of the agency's delegation. As the Supreme Court has held: "[a] precondition to deference under *Chevron* is a congressional delegation of administrative authority."¹²⁹ The issue that is unquestionably within the province of the judiciary is to determine the extent to which Congress has delegated "administrative authority" to an agency. In this vein, *Chevron* has relegated the judiciary to policing the boundaries of the agency's delegation.¹³⁰

c. The "Comparative Competence" Challenge

This third challenge, which primarily emanates from the private patent bar, asserts that the Federal Circuit is more competent than the PTO to make patentability determinations. There is a wide spread belief among members of the patent bar that the PTO is in need of greater technological expertise and, for the most part, view the Federal Circuit as a "court of correction." Because my response to this challenge is grounded in policy considerations and focuses on the comparative advantages of the PTO, I will defer my discussion until Part

authority.

Id.; see also DAVIS & PIERCE, *supra* note 37, at 114–15 (asserting that *Marbury* is consistent with *Chevron*).

¹²⁸ See *supra* notes 29–31.

¹²⁹ See *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990).

¹³⁰ See *Monaghan*, *supra* note 127, at 6 (When reviewing administrative action, "[t]he court's interpretational task is . . . to determine the boundaries of delegated authority."); see also *Starr*, *supra* note 5, at 308; *Scalia*, *supra* note 5, at 516:

"The extent to which courts should defer to agency interpretations of law is ultimately 'a function of Congress' intent on the subject as revealed in the particular statutory scheme at issue." An ambiguity in a statute committed to agency implementation can be attributed to either of two congressional desires: (1) Congress intended a particular result, but was not clear about it; or (2) Congress had no particular intent on the subject, but meant to leave its resolution to the agency. When the former is the case, what we have is genuinely a question of law, properly to be resolved by the courts. When the latter is the case, what we have is the conferral of discretion upon the agency, and the only question of law presented to the courts is whether the agency has acted within the scope of its discretion—*i.e.*, whether its resolution of the ambiguity is reasonable.

Id. (quoting *Process Gas Consumers Group v. United States Dep't of Agric.*, 694 F.2d 778, 791 (D.C. Cir. 1982) (en banc) (quoting *Constance v. Secretary of Health & Human Servs.*, 672 F.2d 990, 995 (1st Cir. 1982)), *cert. denied*, 461 U.S. 905 (1983)).

IV of this Article. For present purposes, however, I will make two comments: First, I agree with those members of the bar who believe that the PTO could be more efficient and technologically savvy.¹³¹ Indeed, this is a serious concern. Yet, it does not necessarily follow that the balance of interpretive power should lie with the court. There are other policy concerns which must be considered like judicial efficiency, security in property rights, and the economics of patentability,¹³² and it should be kept in mind that greater deference does not mean blind faith. In short, our inquiry should be framed in terms of what is the optimal balance of interpretive power. Second, if there is a competency problem with the PTO, the answer, in all due respect, does not lie with twelve judges in black robes.¹³³ Agency incompetence is a congressional and executive concern.

4. *Applying Chevron to a Patentability Determination*

In order to demonstrate the application of the *Chevron* doctrine to the issue of patentability, I will continue focusing on a nonobviousness determination.¹³⁴ As stated earlier, the Federal Circuit characterizes the nonobviousness requirement as ultimately a question of law with underlying factual considerations.¹³⁵ As such, the judicial review analysis is bifurcated, whereby the court reviews the factual issues under the clearly erroneous standard and the legal issues de novo. Instead of these standards, however, what I propose is that the Federal Circuit review the underlying factual considerations under the "arbitrary and capricious" standard,¹³⁶ and apply the *Chevron* doctrine to the ultimate question of nonobviousness (i.e., a question of law).¹³⁷ This approach

¹³¹ It should be pointed out, however, that these claims of incompetency are difficult to sustain in view of the PTO's 89% affirmance rate with respect to patent validity.

¹³² See part IV. *infra* for a detailed discussion of these policy considerations.

¹³³ See *Interview with Judge Plager, supra* note 1, at 6:

Some people say that the PTO is the most wonderful place in the world; other people say it's a nightmare. I don't know what it is. But, as an appellate judge, I really can't operate under either of those theories I have to assume that the executive branch of the federal government is doing its job. I can't act on the basis of what are essentially allegations, or gossip, or hearsay

¹³⁴ The analysis that follows is also applicable to an "enablement" determination under 35 U.S.C. § 112. The Federal Circuit characterizes nonobviousness and enablement as questions of law reviewed under the de novo standard of review. See *supra* note 76.

¹³⁵ See cases cited *supra* in note 76.

¹³⁶ See *infra* part II.B. for a discussion of the "arbitrary and capricious" test.

¹³⁷ See *infra* part II.A.4.a.-c.

can best be illustrated by constructing a hypothetical.

Mary invents a treatment for cancer. She files a patent application for her invention (ADRIO) with the PTO. Mary's invention is a composition of matter, which is comprised of 10% X, 50% Y, and 40% Z. Upon conducting a prior art search, the examiner, who has a master's degree in organic chemistry, discovers two scientific articles which were published before Mary invented ADRIO. One of the articles discloses a composition of matter comprising of 10% X and 50% Y, but says nothing of Z. Article two discloses chemical W and suggests that if mixed with chemicals X and Y the resulting composition of matter may have cancer fighting effects. Further research into the chemical literature reveals that Z and W are chemically interchangeable. As a result, the examiner, based on his interpretation of the legislative requirement put forth in 35 U.S.C. § 103,¹³⁸ rejects Mary's patent application, stating in his office action that Mary's invention "would have been obvious at the time the invention was made to a person of ordinary skill in the art."¹³⁹ After unsuccessfully amending her application, Mary appeals the examiner's rejection to the BPAI. The BPAI's interpretation of the nonobviousness requirement leads to an affirmation of the examiner's rejection. Dissatisfied with the BPAI's decision, Mary files an appeal with the Federal Circuit.

a. *Has Congress Delegated to the PTO the Authority to Administer the Statutory Provisions Pertaining to Patentability?*

In order for *Chevron* to apply, it must first be determined if the PTO has been granted the authority to administer the applicable statute.¹⁴⁰ The PTO's organic statute states:

The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law re-specting the granting and issuing of patents . . . shall have the authority to carry on studies, programs, or exchanges of items or services regarding domestic and international patent . . . law or the administration of the Patent and Trademark Office, including programs to recognize, identify, assess and forecast the technology of patented inventions and their utility to industry; and shall have charge of property belonging to the Patent and Trademark Office. He may, subject to the approval

¹³⁸ Recall, the *Graham* opinion, "for the most part, merely restates the language of section 103." CHISUM & JACOBS, *supra* note 12, at 2-58.

¹³⁹ This statement would be part of a much larger and more detailed analysis of the prior art and claimed invention and would also provide the patent applicant with a detailed analysis as to why her claimed invention is "obvious." See 37 C.F.R. §§ 1.104-1.107 (1994).

¹⁴⁰ See *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990).

of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.¹⁴¹

Furthermore, the Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.¹⁴²

With respect to the BPAI, the statute states: "The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents Each appeal . . . shall be heard by at least three members of the [BPAI], who shall be designated by the Commissioner."¹⁴³

Thus, the Commissioner has the explicit authority to (1) "superintend or perform all duties required by law respecting the granting and issuing of patents"; (2) examine a patent application and determine if an applicant is entitled to a patent "under the law"; (3) "establish regulations, not inconsistent with law, for the conduct of proceedings in the [PTO]"; and (4) appoint BPAI panels to review an examiner's rejection.¹⁴⁴ As a result, the PTO has both adjudicatory and rulemaking authority.¹⁴⁵

¹⁴¹ 35 U.S.C. § 6(a) (Supp. 1993). *See also* 48 Fed. Reg. 14735, § 3.01:

Pursuant to the authority vested in the Secretary of Commerce by 35 U.S.C. 3 . . . the functions of the Patent and Trademark Office and its officers specified in Title 35 of the U.S. Code, as amended, are hereby vested in the Secretary of Commerce and re delegated to the Assistant Secretary [Commissioner of the Patent and Trademark Office].

Id.; *see also* 48 Fed. Reg. 14,735, § 4.14 (1983) (The Commissioner of the PTO is to "[p]erform . . . functions required, or which the [Commissioner] deems necessary and proper, in exercising the authority delegated herein."); Alan L. Koller, *The Role of the Patent Commissioner in Designating Panels from the Board of Patent Appeals and Interferences*, 34 IDEA: J.L. & TECH. 185, 199 (1994) ("The Commissioner is charged with superintending or performing all duties required by law respecting the granting and issuing of patents. He or she has responsibility for steering the agency according to a multitude of legal, logistical and political concerns.").

¹⁴² 35 U.S.C. § 131 (1988).

¹⁴³ *Id.* § 7(b).

¹⁴⁴ It is important to note that the BPAI, as will be discussed below, is subservient to the Commissioner and the latter has authority to appoint the BPAI panel to any given case or to reconsider a case that was originally decided contrary to PTO policy. *See infra* notes 164-69.

¹⁴⁵ The rules to which I am referring are embodied in Title 37 of the Code of Federal Regulations and fit within the meaning of "rule" as defined by the APA: "[T]he whole or a

Although some commentators have asserted that the Commissioner's rulemaking authority is limited to issuing interpretive rules,¹⁴⁶ the exact nature of the Commissioner's rulemaking power is unclear, at best.¹⁴⁷ In fact, an argument can be made that the Commissioner is authorized to promulgate not only interpretive rules, but legislative rules, as well.¹⁴⁸ The Commissioner's

part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of an agency." 5 U.S.C. § 551(4) (1988).

¹⁴⁶ See, e.g., Rayan Tai, *Substantive Versus Interpretive Rulemaking in the United States Patent and Trademark Office: The Federal Circuit Animal League Defense Fund Decision*, 32 IDEA: J.L. & TECH. 235, 247 (1992); Moy, *supra* note 18, at 427.

¹⁴⁷ The distinction between interpretive and legislative rules is very important, in that the latter is entitled to the force and effect of the law and are accorded greater deference than interpretive rules. See *Batterton v. Francis*, 432 U.S. 416, 424-26 (1977); *DAVIS & PIERCE*, *supra* note 37, § 6.3; *SCHWARTZ*, *supra* note 75, § 4.8. One of the reasons that legislative rules are given greater deference is that an agency can only promulgate a legislative rule pursuant to a congressional delegation and after a notice and comment proceeding under § 553 of the APA. To issue an interpretive rule, neither delegated authority, nor notice and comment proceedings are required. See *DAVIS & PIERCE*, *supra*; *SCHWARTZ*, *supra*.

¹⁴⁸ For instance, as authority for the proposition that the Commissioner is limited to issuing interpretive rules, commentators point to *Animal League Defense Fund v. Quigg*, 18 U.S.P.Q.2d 1677 (Fed. Cir. 1991), and its interpretation of 35 U.S.C. § 6(a). In *Animal League*, the Federal Circuit held that the language in § 6(a) (i.e., "establish regulations . . . for the conduct of proceedings in the [PTO]") does not authorize the Commissioner to issue legislative rules. *Id.* at 1686. However, the court did not deny that the Commissioner possessed the authority to promulgate legislative rules:

[T]he authority granted in section 6 is directed to the "conduct of proceedings" before the [PTO]. A substantive declaration with regard to the Commissioner's interpretation of the patent statutes . . . does not fall within the usual interpretation of such statutory language *That is not to say that the Commissioner does not have authority to issue such a [rule] but, if not issued under the statutory grant, the [rule] cannot possibly have the force and effect of law.*

Id. (emphasis added) (citations omitted). The court, unfortunately, did not specify from where exactly the Commissioner derives his authority to issue legislative rules if indeed § 6(a) limits the Commissioner to interpretive rulemaking. See also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1425 (Fed. Cir. 1988) ("Consistent with its legislative function, Congress 'may leave it to administrative officials to establish rules within the prescribed limits of the statute.' . . . In the patent field, Congress has done precisely that by [enacting 35 U.S.C. § 6(a)]." The court, citing *Chevron*, proceeded to state that "the validity of a regulation promulgated thereunder will be sustained so long as it is "reasonably related to the purposes of the enabling legislation."") (citations omitted).

Second, § 19 of the Patent Act of 1870 is the first express statutory grant authorizing rulemaking by the Commissioner. The wording of § 19 and § 6(a) of the present Patent Act is virtually identical. However, the legislative history of § 19 and §6(a) offers little guidance as to the meaning of the phrase "for the conduct of proceedings in the [PTO]." See Herbert C. Wamsley, *supra* note 8, at 493-97 (1982). One reading of this provision is that given by the Federal Circuit in *Animal League* (i.e., Commissioner may only issue interpretive rules under § 6(a)). However, another reading is put forth by Herbert C. Wamsley, who at the time of writing the following was Director of the Trademark Examining Operation at the PTO:

[S]ince the Commissioner's main duty is "conduct of proceedings" concerning patent and trademark rights, he can establish regulations on both substantive [legislative] and procedural [interpretive] matters relating to that duty. This is the view that was taken by the CCPA [the Federal Circuit's predecessor]

This broader reading of section 6(a) would be upheld by most courts today. The Commissioner has the power to promulgate rules on matters of substantive patent and trademark law. According to the doctrine of *National Petroleum Refiners*, he could adopt a legislative rule on any matter that the Office has the power to adjudicate. Any such rule should be upheld if reasonably related to the purposes of the patent and trademark laws.

Herbert C. Wamsley, *The Rulemaking Power of the Commissioner of Patents and Trademarks (Part 2)*, 64 J. PAT. OFF. SOC'Y 539, 555-56 (1982). Wamsley asserts: "If the rulemaking power is limited merely to establishing procedures, why the debate in Congress in 1870 over whether to give the Commissioner the power, inasmuch as he had already established procedural regulations [prior to the 1870 Act] . . ." *Id.* at 555.

Finally, legislative rules are distinguishable from interpretive rules in that the former must be promulgated after notice and comment proceedings and pursuant to an agency's congressionally delegated authority. See *supra* note 147. Ever since the Supreme Court in *Chevron* held that Congress may implicitly delegate to an agency the authority to interpret a statutory provision, legislative and interpretive rules have merged to a certain extent and the distinction between the two is not as clear as it once was. That is, if an agency is given an implicit congressional delegation to interpret a statute, interpretive rules issued by an agency may have legislative effect. See Kevin W. Saunders, *Interpretive Rules With Legislative Effect: An Analysis and a Proposal for Public Participation*, 1986 DUKE L.J. 346, 352-58; see also *Arrow Air, Inc. v. Dole*, 784 F.2d 1118, 1122-26 (D.C. Cir. 1986) (applying *Chevron* deference and giving legislative effect to interpretive rules (rules issued without notice and comment)); *General Motors Corp. v. Ruckelshaus*, 742 F.2d 1561, 1564-67 (D.C. Cir. 1984) (en banc), cert. denied, 471 U.S. 1074 (1985) (applying *Chevron* deference and giving legislative effect to interpretive rules (rules issued without notice and comment)). Thus, an argument can be made that the statutorily ambiguous patentability requirements are an implicit delegation authorizing the PTO to promulgate legislative rules, or interpretive rules with legislative effect.

ability to issue legislative rules,¹⁴⁹ coupled with adjudicative authority, would strongly indicate that Congress has authorized the PTO to “administer” the patent statute as it relates to patentability determinations.

Regardless of the Commissioner’s rulemaking authority, the above mentioned provisions of the PTO’s organic statute indicate that the PTO has the authority to “administer” the applicable statutory provisions relating to patentability,¹⁵⁰ especially since the Federal Circuit has given *Chevron*

¹⁴⁹ Even if the Commissioner were not authorized to promulgate legislative rules, there are cogent policy reasons for deferring to the Commissioner’s interpretive rules. As Professors Davis and Pierce state:

An agency often has devoted considerable thought to an issue before it publishes an interpretive rule that addresses the issue. The agency often has considered carefully how potential alternative resolutions of the issue relate to the language and legislative history of the statute it is implementing. The agency’s position may reflect careful consideration of the relationship between alternative resolutions of the issue and the resources the agency has available to enforce its statute. In all these respects, the agency has unique advantages over a court because of its day-to-day efforts to implement its statutory mission. A court would be foolish not to give serious consideration to the views expressed by an agency in an interpretive rule, *even though the rule has no binding effect*.

DAVIS & PIERCE, *supra* note 37, at 243; *See also* SCHWARTZ, *supra* note 75, § 4.9. The Federal Circuit has deferred to the PTO when the latter promulgates rules pertaining to *patent practice*. *See, e.g.*, *Gerritsen v. Shirai*, 979 F.2d 1524, 1527–28 (Fed. Cir. 1992):

When a decision pursuant to a permissive statute concerns only PTO practice, we review the decision for abuse of discretion As the Commissioner established 37 C.F.R. §1.616 under the authority of 35 U.S.C. § 6(a), we see no reason in law or logic to apply a different standard of review to the Board’s decision merely because it acted directly under a permissive regulation, rather than a permissive statute. Congress granted the Commissioner broad powers over PTO practice. By imposing an unduly expansive standard of review, which in effect limits that discretion, we would be acting contrary to the statute and congressional intent.

Id. (citation omitted); *see also* *Morganroth v. Quigg*, 885 F.2d 843, 848 (Fed. Cir. 1989) (“The Commissioner of Patents and Trademarks is primarily responsible for the application and enforcement of these narrow technical and specialized statutory and regulatory provisions [35 U.S.C. §§ 133, 41(a)(7), and 37 C.F.R. § 1.137(b)] governing abandonment and revival of patent applications. His interpretation of those provisions is entitled to considerable deference.”).

¹⁵⁰ In an international trade case on appeal from the ITC, the Federal Circuit implied that the PTO administers the Patent Code. In *Corning Glass Works v. International Trade Comm’n*, 799 F.2d 1559 (Fed. Cir. 1986), although the main issue related to international

deference to the TTAB.¹⁵¹ The Commissioner's delegated authority pertaining to the granting and issuing of patents and trademarks stems from the same statutory provision;¹⁵² and the statutory provisions relating to the TTAB and BPAI parallel one another in significant ways.¹⁵³

trade, there was a secondary issue pertaining to patent validity. The Federal Circuit deferred to the ITC on the trade issue, but not on the patent issue. In footnote 5 of the opinion, the court explained why: "In contrast [to the Tariff Act], the Commission is not charged with administration of the patent statute, 35 U.S.C. § 1 *et. seq.* Thus we do not defer to its interpretation of patent law." *Id.* at 1565 n.5. Implicit in this footnote is that the Federal Circuit would defer to the PTO's interpretation of the patent statute. If the PTO does not administer the patent statute, then who does?

¹⁵¹ See *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569 (Fed. Cir. 1993).

¹⁵² See 35 U.S.C. § 6(a) (Supp. 1993) ("The Commissioner . . . shall superintend or perform all duties required by law respecting the granting and issuing of patents and trademarks . . ."); *supra* note 141 and accompanying text. Furthermore, the last sentence of § 6(a) has a parallel provision in the trademark statute: "The Commissioner shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office . . ." 15 U.S.C. § 1123 (1988); see also 48 Fed. Reg. 14,735 § 4 (1983). This section warrants that the Commissioner shall perform the following functions: "Examine applications for patents to determine if they meet the requirements of law for the issuance of patents and, upon such determination, grant patents." *Id.* § 4.01. "Examine applications for the registration of trademarks to determine their entitlement to registration under the law . . ." *Id.* § 4.06.

¹⁵³ Compare 35 U.S.C. § 7 (1988) with the TTAB's governing provision, 15 U.S.C. § 1067 (1988). Section 7 states: "The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the [BPAI]. . . Each appeal . . . shall be heard by at least three members of the [BPAI], who shall be designated by the Commissioner." Section 1067 states: "The [TTAB] shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner . . . Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner." *Id.*

b. *Has Congress Directly Spoken to the Precise Question at Issue?*

The Commissioner has the explicit authority to determine which claimed inventions are patentable “under the law.” The relevant law are those statutory sections pertaining to patentability, which include 35 U.S.C. §§ 101, 102, 103, and 112. We are concerned with § 103 (nonobviousness) for our hypothetical.¹⁵⁴

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been *obvious* at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.¹⁵⁵

Given the relevant statutory provision, the *Chevron* two-step can be applied: (1) Has Congress directly spoken to the precise question at issue? That is, has Congress defined “obvious”? If the statutory term “obvious,” as defined by Congress, is unambiguous that is the end of the matter. If, however, the Federal Circuit determines that 35 U.S.C. § 103 is silent or ambiguous with respect to the term “obvious,” then, (2) the Federal Circuit must ascertain whether the PTO’s patentability determination under § 103 is reasonable.

It is evident from a review of § 103 and Title 35 that Congress did not define “obvious,”¹⁵⁶ especially when one considers that § 103 embodies a

¹⁵⁴ An “enablement” determination under 35 U.S.C. § 112, characterized by the Federal Circuit as a question of law, would be equally appropriate because it too is an ambiguous and undefined term.

¹⁵⁵ 35 U.S.C. § 103 (1988) (emphasis added).

¹⁵⁶ In the context of administrative law, the term “obvious” is similar to the phrase “just and reasonable” embodied in the Natural Gas Act (NGA). *See* 15 U.S.C. § 717 (1988). The NGA of 1938 was an attempt to regulate natural gas. The Federal Power Commission (the predecessor of the Federal Energy Regulatory Commission) was empowered through the NGA to ensure that the rates charged by the natural gas companies for the sale and transportation of natural gas in interstate commerce were “just and reasonable.” Due to the gas shortage of the 1970s and resulting increase in gas prices, Congress enacted the Natural Gas Policy Act (NGPA) in 1978. In order to encourage an increase in natural gas production, the NGPA allowed the Federal Energy Regulatory Commission (FERC) to set higher price ceilings on the price companies can charge for natural gas. The only limitation on the FERC was that the new ceilings had to be “just and reasonable” within the meaning of the NGA. *See* 15 U.S.C. §§ 3314(b)(1), 3316(a) (1988). In *Mobil Oil Exploration and Producing Southeast, Inc. v. United Distribution Co.*, the price ceiling set by the FERC was challenged as not being “just and reasonable.” The Court, holding that the price ceiling was “just and reasonable,” stated: “The Court has

requirement, not a defined *standard*.¹⁵⁷ Implicit in this statutory ambiguity is a congressional delegation to the PTO to interpret the term “obvious,” or in

repeatedly held that the just and reasonable standard does not compel the Commission to use any single pricing formula By incorporating the “just and reasonable” standard into the NGPA, Congress clearly meant to preserve the pricing flexibility the Commission had historically exercised under the NGA.” 498 U.S. 211, 224–25 (1991) (citations omitted). In a footnote, the Court, citing *Chevron*, spoke to the issue of deference to the Commission: “Even had we concluded that §§ 104(b)(2) and 106(c) failed to speak unambiguously to the ceiling price question, we would nonetheless be compelled to defer to the Commission’s interpretation.” *Id.* at 225.

¹⁵⁷ See P.J. Federico, *Further Comments and Observations on the Origins of Section 103, in NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY*, *supra* note 85, at 1:304:

I look at Section 103 as a requirement or a condition for patentability, rather than a standard. A requirement and a standard could be the same thing, and often are, but in this particular case the section to me is not a standard There is no standard in this section. It sets up a requirement (in a negative manner); how one is going to determine whether the requirement has been met is not answered by the section.

Id.

Federico, as well as Judge Giles S. Rich, was one of the principal authors of the 1952 Patent Act, including § 103. See also P.J. Federico, *Origins of Section 103, in NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY*, *supra* note 85, at 1:109, quoting a speech given by Judge Giles S. Rich on § 103:

Section 103 is one of those matters of major importance: The statutory inclusion of a requirement for invention, which has never been dealt with in the statutes. Since it is firmly established as a prerequisite to patent-ability, it was felt that it was desirable to include it in the codification. And in doing so, certain troublesome matters were dealt with; *but without any attempt to define “invention,” the undefinable.*

Id. (emphasis added). Furthermore, in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the Supreme Court recognized that:

This is not to say, however, that there will not be difficulties in applying the non-obviousness test. What is obvious is not a question upon which there is likely to be uniformity of thought in every given factual context. The difficulties, however, are comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and should be amenable to a case-by-case development.

Id. at 18. See also *Reiner v. I. Leon Co.*, 285 F.2d 501, 503 (2d Cir. 1960) (Hand, J.) (referring to the nonobviousness requirement as “misty”), *cert. denied*, 366 U.S. 929 (1961).

other words, to define the standard by which claimed inventions will be judged for nonobviousness.¹⁵⁸ In fact, this implicit delegation makes a *patentability determination* or *patent validity* not so much a question of law, as it does a question of policy,¹⁵⁹ which must take into consideration the relevant statutory

¹⁵⁸ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 844 (1984):

Sometimes the legislative delegation to an agency on a particular question is implicit rather than explicit. In such a case, a court may not substitute its own construction of a statutory provision for a reasonable interpretation made by the administrator of an agency.

. . . We have long recognized that considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer, and the principle of deference to administrative interpretations has been consistently followed by this Court whenever decision as to the meaning or reach of a statute has involved reconciling conflicting policies, and a full understanding of the force of the statutory policy in the given situation has depended upon more than ordinary knowledge respecting the matters subjected to agency regulations.

Id.; see also *Starr*, *supra* note 5, at 310:

Many statutes . . . contain terms that are intentionally imprecise. Examples of this studied imprecision are the term "public interest," which figures prominently in such measures as the Communications Act of 1934 administered by the Federal Communications Commission, and the phrase "closely related to banking," which figures prominently in the Bank Holding Company Act administered by the Federal Reserve Board. . . . In my view, *Chevron* quite properly recognized that such terms constitute an implicit, but nonetheless valid, delegation of authority to the agency.

Id. (footnotes omitted); see also *Anthony*, *supra* note 5, at 33; *National Fuel Gas Supply Corp. v. Federal Energy Regulatory Comm'n*, 811 F.2d 1563, 1569 (D.C. Cir. 1987) (Bork, J.); *Drummond Coal Co. v. Hodel*, 796 F.2d 503, 507 (D.C. Cir. 1986) (Silberman, J.), *cert. denied*, 480 U.S. 941 (1987).

¹⁵⁹ See *Chevron*, 467 U.S. at 843-44; *Pauley v. Bethenergy Mines, Inc.*, 501 U.S. 680, 696 (1991) ("As *Chevron* itself illustrates, the resolution of ambiguity in a statutory text is often more a question of policy than of law."); *NLRB v. Bell Aerospace Co.*, 416 U.S. 267, 292-95 (1974) (agency adjudication is a mechanism for policy formulation); *Lasko Metal Prods., Inc. v. United States*, 43 F.3d 1442, 1446 (Fed. Cir. 1994):

In situations in which a statute does not compel a single understanding, the Supreme Court and this court have held that "our duty is not to weigh the wisdom of, or to resolve any struggle between, competing views of the public interest, but rather to respect legitimate policy choices made by the agency in interpreting and applying the statute."

Id. (citations omitted); see also *Suramerica de Aleaciones Laminadas, C.A. v. United States*, 966 F.2d 660, 665 (Fed. Cir. 1992); *Homemakers North Shore, Inc. v. Bowen*, 832 F.2d 408, 411 (7th Cir. 1987) (Easterbrook, J.) (“An ambiguous legal rule does not have a single ‘right’ meaning; there is a range of possible meanings; the selection from the range is an act of policymaking.”); *Pierce, Chevron and Its Aftermath*, *supra* note 5, at 305–06:

When a court “interprets” imprecise, ambiguous, or conflicting statutory language in a particular manner, the court is resolving a policy issue. Courts frequently resolve policy issues through a process that purports to be statutory interpretation but which, in fact, is not. For lack of a better term, this process will be referred to as “creative” interpretation.

Id. (footnote omitted); see also *DAVIS & PIERCE*, *supra* note 36, at 113 (interpreting step two of *Chevron* to mean that “policy disputes within the scope of authority Congress has delegated an agency are to be resolved by agencies rather than by courts.”); Lawrence H. Silberman, *Chevron: The Intersection of Law & Policy*, 58 *GEO. WASH. L. REV.* 821, 823 (1990) (Because agencies have a comparative institutional advantage to interpret ambiguous legislation, Judge Silberman stated that “[a]mbiguous legislation . . . typically suggests that Congress has not concretely resolved the policy issue that the case presents.”); Sunstein, *Law and Administration*, *supra* note 5, at 2086–88:

[T]he *Chevron* approach might well be defended on the ground that the resolution of ambiguities in statutes is sometimes a question of policy as much as it is one of law, narrowly understood, and that agencies are uniquely well situated to make the relevant policy decisions. . . . If regulatory decisions in the face of ambiguities amount in large part to choices of policy, and if Congress has delegated basic implementing authority to the agency, the *Chevron* approach might reflect a belief, attributable to Congress in the absence of a clear contrary legislative statement, in the comparative advantages of the agency in making those choices.

Id.

See *infra* part IV. for a detailed discussion of the “comparative advantages” of the PTO. See also Rich, *supra* note 102, at 1:413, n.36: “The presence or absence of ‘invention’ before 1953 was always, in my judgment, the determination of an issue of public policy—what inventions *should* be patented. As such it is a ‘question of law.’ This policy has now been legislatively expressed in section 103.” At the time Judge Rich wrote these comments (i.e., pre-*Chevron*), he was perhaps correct in stating that the question of “invention” was a “question of law.” This assertion, however, is questionable in the post-*Chevron* world. Furthermore, in his famous 1964 “Kettering” speech, Judge Rich stated:

[The standard of invention] . . . left every judge practically scott-free to decide this often controlling factor according to his personal philosophy of what inventions should be patented, whether or not he had any competence to do so or any knowledge of the patent system as an operative socioeconomic force. This was too great a freedom because it involves *national policy* which should be declared by Congress, not by

provisions, technology at issue, economic considerations as they pertain to research and development practices of a particular industry, and the potential benefit to society.¹⁶⁰ In short, the PTO must ascertain whether the claimed invention at issue “promote[s] the Progress of [the] useful Arts.”¹⁶¹

The assertion that patentability is a question of policy is reinforced in light of the Federal Circuit’s recent decisions in *In re Alappat*¹⁶² and *Eastman Kodak*.¹⁶³ In *Alappat*, a three-member panel of the BPAI reversed an examiner’s nonstatutory subject matter rejection under 35 U.S.C. § 101.¹⁶⁴ The examiner requested reconsideration, arguing that the board’s decision was contrary to PTO *policy* under § 101. The Commissioner, pursuant to 35 U.S.C. § 7(b), designated an eight member panel, which not only granted the examiner’s request for reconsideration, but reversed the original board’s decision. Section 7 states:

(a) . . . The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the [BPAI].

individual judges or even groups of judges on multiple-judge courts. . . . Those most intimately concerned with the writing and expounding of the new patent act in 1952 . . . knew they were not making a *definition* but rather a *statement of policy*, a *specific required approach* to a difficult problem

Giles S. Rich, *The Vague Concept of “Invention” as Replaced by § 103 of the 1952 Patent Act*, Kettering Award Address, The Patent, Trademark, and Copyright Research Institute 144–45 (1964) (emphasis in original). See Comment, *Appellate Review of Determinations of Patentable Inventions*, 29 U. CHI. L. REV. 185, 195–97 (asserting that patentability is largely a question of policy).

¹⁶⁰ The comparative advantages of the PTO suggest that the PTO is in a considerably better position to evaluate these factors. See *infra* part IV for a discussion of the comparative advantages of the PTO.

¹⁶¹ See, e.g., *Reiner*, 285 F.2d at 503 (“It is not for us [the judiciary] to decide what ‘discoveries’ shall ‘promote the progress of science and the useful arts’ sufficiently to grant any ‘exclusive right’ of [sic] inventors. Nor may we approach the interpretation of § 103 . . . with a predetermined bias.”) (citation omitted); see also Interview with Lehman, *supra* note 20 (According to the Commissioner: “Intellectual property law is a major area of intellectual property *policy*, and policy making is reserved for the executive and legislature, not the courts.”).

¹⁶² 33 F.3d 1526 (Fed. Cir. 1994).

¹⁶³ *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569 (Fed. Cir. 1993).

¹⁶⁴ 35 U.S.C. § 101 (1988) states: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

(b) The [BPAI] shall . . . review adverse decisions of examiners upon applications for patents Each appeal . . . shall be heard by *at least three members of the [BPAI], who shall be designated by the Commissioner. Only the [BPAI] has the authority to grant rehearings.*¹⁶⁵

The appellant in *Alappat* argued that, under § 7(b), only the BPAI has the authority to grant rehearings. The Federal Circuit disagreed: “We . . . interpret the Commissioner’s express statutory authority to designate the members of a panel hearing an appeal as extending to designation of a panel to consider a request for a rehearing. . . .”¹⁶⁶

Therefore, the court found “the Commissioner’s interpretation of section 7 to be a reasonable one entitled to deference.”¹⁶⁷ In so doing, the Federal Circuit spoke in terms of the BPAI’s institutional subservience. The court stated that “[e]ven though Board members serve an essential function, they are but examiner-employees of the PTO, and the ultimate authority regarding the granting of patents lies with the Commissioner.”¹⁶⁸ Furthermore, although “the Commissioner may not unilaterally overturn a decision of a Board panel or instruct other Board members how to vote[,] . . . Congress clearly did not intend the Board to be independent of any and all oversight by the Commissioner.”¹⁶⁹

This holding is significant with respect to the Federal Circuit’s conception and application of the deference doctrine. Recall, *In re Alappat* centered around the issue of patentable subject matter under § 101. The statutory terms pertaining to patentable subject matter in § 101, not unlike the term “obvious,” are undefined; and it is the responsibility of the PTO to initially interpret these terms and determine if the claimed invention fits into one or more of the enumerated subject matters. The Commissioner, in *Alappat*, designated a new BPAI panel and reversed the original panel’s interpretation of § 101 as contrary to PTO *policy*. Thus, the Federal Circuit’s holding that the BPAI is not independent of the Commissioner implies that the Commissioner is the ultimate authority regarding matters of policy, including patentability determinations. This implication further implies that the BPAI’s patentability determinations warrant *Chevron* deference.¹⁷⁰

¹⁶⁵ 35 U.S.C. § 7(b) (1988) (emphasis added).

¹⁶⁶ *Alappat*, 33 F.3d at 1533.

¹⁶⁷ *Id.* at 1532–33.

¹⁶⁸ *Id.* at 1535.

¹⁶⁹ *Id.* at 1535–36.

¹⁷⁰ Interestingly, the court recognized that the Commissioner’s interpretation of § 7(b) was a matter of policy:

Our responsibility . . . is to adjudge whether the Commissioner’s designation practices

What makes this conclusion more compelling is the Federal Circuit's decision in *Eastman Kodak*, which accorded *Chevron* deference to the TTAB.¹⁷¹ As mentioned earlier, the Commissioner derives his authority concerning the granting and issuing of patents and trademarks from the same statutory source (i.e., 35 U.S.C. § 6(a));¹⁷² and the statutory provisions pertaining to the BPAI and TTAB parallel one another in significant ways, specifically 35 U.S.C. § 7 and 15 U.S.C. § 1067. Section 7 reads: The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the [BPAI]. . . . Each appeal . . . shall be heard by at least three members of the [BPAI], *who shall be designated by the Commissioner*.¹⁷³

Section 1067 states: "The [TTAB] shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. . . . Each case shall be heard by at least three members of the [TTAB], *the members hearing such case to be designated by the Commissioner*."¹⁷⁴

If, as *In re Alappat* held, the BPAI is not independent of the Commissioner, it logically follows that the TTAB lacks independence as well. Therefore, the BPAI, like the TTAB, is a mere adjudicatory arm of the Commissioner and, like the TTAB, is entitled to *Chevron* deference. This conclusion prompted a dissent by Judge Mayer in *In re Alappat*:

as they were applied in this particular case resulted in a valid decision over which this court may exercise subject matter jurisdiction, not to assess whether they were sound from a public policy standpoint. We leave to the legislature to determine whether any restrictions should be placed on the Commissioner's authority in this regard. Absent any congressional intent to impose such restrictions, we decline to do so *sua sponte*.

Id. at 1536. However, the court did not appear to appreciate the significance of its holding because it proceeded to interpret 35 U.S.C. § 101 (a patentability provision) without according any deference to the decision of the eight-member BPAI panel, which reversed the original BPAI's decision on *policy* grounds. Although the Federal Circuit recognized that the Commissioner's interpretation of § 7(b) is a matter of policy, and implicitly recognized that the reason the Commissioner redesignated the original BPAI panel is that he believed the board's patentability determination was contrary to PTO policy, the court nevertheless reviewed the board's *patentability decision* de novo.

¹⁷¹ See *Eastman Kodak Co. v. Bell & Howell Document Management Prods. Co.*, 994 F.2d 1569 (Fed. Cir. 1993).

¹⁷² See *supra* note 152 (35 U.S.C. §6(a) states: "The Commissioner . . . shall superintend or perform all duties required by law respecting the granting and issuing of patents and trademarks . . .").

¹⁷³ 35 U.S.C. § 7 (1988) (emphasis added).

¹⁷⁴ 15 U.S.C. § 1067 (1988) (emphasis added).

If the Commissioner is correct, as the court apparently thinks, the [BPAI] must be seen as simply an extension of the Commissioner's policy-making authority and thus not independent. If this is so, the standard by which this court reviews decisions of the board is questionable. It is now the practice, dubious from the start, to review the board under the same standard as we review a district court. Questions of law are reviewed *de novo*, while findings of fact are examined to determine whether they are clearly erroneous. But if the board is simply implementing policy set out by the Commissioner, its decisions cannot be considered "legal" but must be subject to review as statements of agency policy. . . . [I]t at least may be said that the standard of review applied by this court to the board should include a good deal more deference than has been applied heretofore [citing *Eastman Kodak* and *Chevron*].

The court seems inclined to let this matter slide, but I believe that decision today upholding jurisdiction puts the issue squarely before us, and the ramifications of the decision should not go quietly unnoticed. We should not pretend we are reviewing judicial decisions if they are really nothing more than policy actions.¹⁷⁵

c. Is the PTO's Patentability Determination Reasonable?

Step two of the *Chevron* doctrine is a test of reasonableness; virtually the same test the PTO argued for in *In re McCarthy*,¹⁷⁶ but with, perhaps, a harder look. Some commentators and appellate decisions have asserted that step two is equivalent to the arbitrary and capricious standard put forth in § 706(2)(A) of the APA.¹⁷⁷ If step two of *Chevron* is reached, however, by no means is it a

¹⁷⁵ *In re Alappat*, 33 F.3d 1526, 1576-77 (Mayer, J., dissenting) (emphasis added) (citations omitted).

¹⁷⁶ See *supra* note 87 and accompanying text.

¹⁷⁷ See Silberman, *supra* note 159, at 827-28 (citing decisions of the D.C. Circuit which equate step two of *Chevron* with the arbitrary and capricious test); Sunstein, *Law and Administration*, *supra* note 5, at 2105.

As an alternative to the *Chevron* doctrine, an argument can be made that the "arbitrary and capricious" test of § 706(2)(A) should apply to the BPAI's informal adjudications. This alternative is alluring for two reasons: First, a nonobviousness determination is really a mixed question of law and fact or law application to fact, not unlike the issue of whether newsboys were "employees" under the NLRA. See *NLRB v. Hearst Publications Inc.*, 322 U.S. 111, 131 (1944) ("[W]here the question is one of specific application of a broad statutory term in a proceeding in which the agency administering the statute must determine it initially, the reviewing court's function is limited [T]he Board's determination . . . is to be accepted if it has 'warrant in the record' and a reasonable basis in law."); see also *Sure-Tan, Inc. v. NLRB*, 467 U.S. 883, 891 (1984) ("Since the task of defining the term 'employee' is one that 'has been assigned primarily to the agency created by Congress to administer the Act,' . . . the Board's construction of that term is entitled to considerable deference, and we will uphold any interpretation that is reasonably defensible.") (citation

given that the court will defer to the agency interpretation. In fact, as I will discuss below in Part II.B., the court will review (1) the decision making process of the agency and its explanation for its decision; (2) whether the agency's decision was based on consideration of the "relevant factors"; and (3) whether the agency made a "clear error."¹⁷⁸ This "hard look" at agency decisions, while deferential, is not as easily overcome as one would initially think.

5. Applying Chevron to ITC Determinations

The Federal Circuit's judicial review of ITC decisions is worthy of some discussion because it provides a sound approach, which should be applied to the BPAI's patentability determinations, to questions of law and fact.

In *Corning Glass Works v. United States International Trade Commission*,¹⁷⁹ the ITC, in interpreting § 337(A) of the Tariff Act of 1930, held that a particular activity constituted an "injury to a domestic industry" and therefore was illegal. This subsection of the Tariff Act of 1930, as amended in 1988,¹⁸⁰ prohibits:

Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), and (D)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

omitted); Sunstein, *Law and Administration*, *supra* note 5, at 2094–95.

Second, "obvious" is an ambiguous and undefined term, and thus it doesn't matter whether the "arbitrary and capricious" test or the *Chevron* doctrine is applied because nonobviousness will always be decided under step two of *Chevron* (i.e., reasonableness). However, there are at least two problems with discarding the *Chevron* doctrine and solely applying the "arbitrary and capricious" test to the BPAI's informal adjudications. First, Title 35 has statutory terms which are unambiguous and clearly defined by Congress. As such, cases pertaining to these unambiguous terms can be decided at step one of *Chevron* without concern for the PTO's action. Second, it is difficult at times to distinguish law and fact. The *Chevron* doctrine circumvents this line drawing analysis. See Sunstein, *Law and Administration*, *supra* note 5, at 2095 ("[T]he line between purely legal and mixed questions is extremely thin. In some cases it will be hard to tell on which side of the line a particular question falls. A broader approach to *Chevron*, applying the rule of deference in all cases, has the virtue of simplicity and ease of application."); see also *supra* notes 29–31.

¹⁷⁸ See *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983); *Citizens to Protect Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971).

¹⁷⁹ 799 F.2d 1559 (Fed. Cir. 1986).

¹⁸⁰ 19 U.S.C. § 1337 (1988).

(i) to destroy or substantially injure an industry in the United States¹⁸¹

In ruling on the ITC's statutory construction of subsection (A), the Federal Circuit stated:

Under [the APA] a reviewing court "shall decide all relevant questions of law." Thus, this court is not bound by the Commission's interpretation of statutory provisions. However, even though an issue may be denominated one of law, the court is not free simply to substitute its view for that of the Commission. Deference must be given to an interpretation of a statute by the agency charged with its administration, *United States v. Riverside Bayview Homes, Inc.*, . . . 106 S.Ct 455, 461 (1985) [citing *Chevron*]. With respect to the meaning of the statutory requirements that an unfair method of competition must have the "effect or tendency . . . to destroy or substantially injure a domestic industry . . . in the United States," it is particularly within the province and expertise of the Commission to define those phrases. Our function then becomes to decide whether the Commission's definitions or standards are *reasonable* in light of the language, policies and legislative history of the statute.¹⁸²

Having established that the ITC is entitled to deference in deciding whether an injury has occurred to a domestic industry, the court went on to bifurcate the factual and legal questions involved in the ITC determination:

Moreover, the determination of injury necessarily must be based upon the particular facts of each case. In view of these considerations, the appropriate function of this court is to review an injury determination to decide whether substantial evidence supports the facts relied on and whether the Commissioner's determination, on the record, is arbitrary, capricious, or an abuse of discretion. In other words, we must decide "whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgement."¹⁸³

Thus, the Federal Circuit reviewed the fact findings of the ITC under the substantial evidence test¹⁸⁴ and the legal question (i.e., statutory interpretation of "injury to a domestic industry") under the *Chevron* doctrine. Once the court

¹⁸¹ Prior to the 1988 amendment, subsections (B)–(D) also required the activity in question to have an "injurious effect." Presently, only subsection (A) requires an "injury." Although *Corning Glass* was decided before the 1988 amendment, it was based on subsection (A).

¹⁸² *Corning Glass*, 799 F.2d at 1565 (citations omitted).

¹⁸³ *Id.* at 1568 (citations omitted).

¹⁸⁴ The substantial evidence and arbitrary and capricious tests are roughly equivalent. See *infra* part II.B.

concluded that deference was due, it judged the ITC's determination under step two of *Chevron*, which, as stated above, is a reasonableness test.

The ITC's domestic injury determination is very similar to a nonobviousness determination. Both involve (1) agencies which administer their respective statutes; (2) ambiguous statutory provisions; (3) an ultimate question of law with underlying factual considerations; and (4) determinations which require a great deal of expertise as well as consideration of other policy factors.

B. Appeals from the BPAI: Questions of Fact and Clearly Erroneous Review

1. The Federal Circuit and the "Clearly Erroneous" Standard

Traditionally, administrative law prescribes that questions of fact are to be reviewed under either the "substantial evidence"¹⁸⁵ or "arbitrary and capricious"¹⁸⁶ tests. The former has been compared to the scope of review judges apply to jury verdicts,¹⁸⁷ while the latter, at one time thought to be more deferential than substantial evidence,¹⁸⁸ is now generally considered, at

¹⁸⁵ See, e.g., *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 487-88 (1951). The substantial evidence standard applies to formal proceedings. According to § 706(2)(E) of the APA, "Substantial evidence" applies to cases "subject to sections 556 and 557" of the APA "or otherwise reviewed on the record of an agency hearing provided by statute."

¹⁸⁶ See, e.g., *Camp v. Pitts*, 411 U.S. 138, 142 (1973); *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971). The "arbitrary and capricious" standard, unlike that of "substantial evidence," applies to *any* agency proceeding, including informal rulemaking and adjudication.

¹⁸⁷ See, e.g., *Consolo v. Federal Maritime Comm'n*, 383 U.S. 607, 619-20 (1966) ("We have defined substantial evidence as 'such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.' 'It must be enough to justify, if the trial were to a jury, a refusal to direct a verdict when the conclusion sought to be drawn from it is one of fact for the jury.'") (citations omitted); SCHWARTZ, *supra* note 75, § 10.11 ("The test of review of a jury verdict is also usually stated in terms of substantial evidence. This leads to the conclusion that the scope of review of jury verdicts and of agency findings is the same.")

¹⁸⁸ See, e.g., *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983); *Abbott Lab. v. Gardner*, 387 U.S. 136, 143 (1967) (Substantial evidence is "a considerably more generous judicial review than the 'arbitrary and capricious' test."). See generally *American Trucking Ass'n v. United States*, 344 U.S. 298, 314-16 (1953); *Pacific States Box & Basket Co. v. White*, 296 U.S. 176 (1935); CASS ET AL., *supra* note 9, at 216.

least by appellate courts, to be roughly equivalent.¹⁸⁹ In fact, any “distinction between the substantial evidence test and the arbitrary or capricious test is largely semantic.”¹⁹⁰ These standards of review subject the factual findings of an agency to a reasonableness or rational basis standard;¹⁹¹ however, it should

¹⁸⁹ This is still a matter of some debate. However, the District of Columbia Court of Appeals in an opinion written by then Judge Scalia essentially equated the two standards. *Association of Data Processing Serv. Orgs., Inc. v. Board of Governors of the Fed. Reserve Sys.*, 745 F.2d 677, 683–84 (D.C. Cir. 1984) (“When the arbitrary or capricious standard is performing that function of assuring factual support, there is no *substantive* difference between what it requires and what would be required by the substantial evidence test, since it is impossible to conceive of a ‘nonarbitrary’ factual judgment supported only by evidence that is not substantial in the APA sense—*i.e.*, not ‘enough to justify, if the trial were to a jury, a refusal to direct a verdict when the conclusion sought to be drawn . . . is one of fact for the jury.’”) (citations omitted). Furthermore, the Supreme Court, in *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29 (1983), has implicitly suggested that the substantial evidence and the arbitrary and capricious tests are the same. For instance, at one point in the opinion, the Court stated that: “For purposes of these cases, it is also relevant that Congress required a record of the rulemaking proceedings to be compiled and submitted to a reviewing court, 15 U.S.C. § 1394, and intended that agency findings under the Act would be supported by “substantial evidence on the record considered as a whole.” *Id.* at 43–44. Subsequently, the Court stated: “The ultimate question before us is whether NHTSA’s rescission of the passive restraint requirement of Standard 208 was *arbitrary and capricious.*” *Id.* at 46 (emphasis added); *see also* RICHARD J. PIERCE, JR. ET AL., *ADMINISTRATIVE LAW AND PROCESS* 341–42 (2d ed. 1992) (asserting the substantial evidence and arbitrary and capricious tests are virtually identical).

With respect to the Federal Circuit, although the court has suggested that the “arbitrary and capricious” test is “less stringent” than the “substantial evidence” standard, *see Hyundai Elec. Indus. Co. v. United States Int’l Trade Comm’n*, 899 F.2d 1204, 1208 (Fed. Cir. 1990), it has defined both tests in terms of reasonableness. *Id.* at 1209 (The “touchstone” of the arbitrary and capricious test is “rationality.”); *see Jacobs v. Department of Justice*, 35 F.3d 1543, 1545 (Fed. Cir. 1994) (holding that the “substantial evidence” test is one of reasonableness).

¹⁹⁰ *See Association of Data Processing*, 745 F.2d at 684 (citations omitted). The substantial evidence and arbitrary and capricious tests are identical with respect to the degree of factual support that is needed to maintain the agency decision. However, these tests diverge with respect to what is reviewed to measure factual support. That is, “substantial evidence [is] to be found *within the closed-record proceedings*” which is a much more defined and structured record than the “administrative record” to which the arbitrary and capricious test applies. *Id.* Furthermore, the substantial evidence and arbitrary and capricious test differ in that the latter is a “catch-all”; that is, “an agency action which is supported by the required substantial evidence may in another regard be ‘arbitrary [and] capricious . . .’—for example, because it is an abrupt and unexplained departure from agency precedent.” *Id.* at 683.

¹⁹¹ In *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 477 (1951), the Court

be noted that the Supreme Court has applied the “arbitrary and capricious” standard with increasing intensity.¹⁹² Nevertheless, the fact findings of agencies

defined “substantial evidence” as follows: “[S]ubstantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” See also *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938) (In a pre-APA decision, Chief Justice Hughes described substantial evidence as “such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.”); *Jacobs*, 35 F.3d at 1545; *Atlantic Sugar, Ltd. v. United States*, 774 F.2d 1556, 1562 (Fed. Cir. 1984). It is worth noting that later in the *Universal Camera* opinion, Justice Frankfurter stated:

[T]he Board's findings are entitled to respect; but they must nonetheless be set aside when the record before the Court of Appeals clearly precludes the Board's decision from being justified by a fair estimate of the worth of the testimony of witnesses or its informed judgment on matters within its special competence or both.

Universal Camera, 340 U.S. at 490. Thus, for a reviewing court to overturn an agency's factual finding, the record must clearly preclude the board's decision on a fair reading of the record.

By comparison, the Supreme Court has held that in determining whether an agency's decision is arbitrary and capricious:

[T]he court must consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment. Although this inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one. This court is not empowered to substitute its judgment for that of the agency.

Overton Park, 401 U.S. at 416 (citations omitted). While the “clear error of judgment” language has been criticized as destroying “the whole structure of established case law about scope of review of juries, judges, and agencies,” 5 KENNETH C. DAVIS, *ADMINISTRATIVE LAW TREATISE* § 29.5 (2d ed. 1984), it is generally considered that the “arbitrary and capricious” test is one of reasonableness. BREYER & STEWART, *supra* note 9, at 359 n.102 (stating that scholars regard arbitrary and capricious test as a reasonable test); SCHWARTZ, *supra* note 75, § 10.13 (interpreting arbitrary and capricious test as one of reasonableness); see also *Hyundai*, 899 F.2d at 1209; *Horizons Int'l, Inc. v. Baldrige*, 811 F.2d 154, 162 (3d Cir. 1987).

¹⁹² See *State Farm*, 463 U.S. at 42–43 (The Court seemed to heed the language in *Overton Park* that the “inquiry into the facts is to be searching and careful. . . .” Thus, according to Justice White, “an agency changing its course by rescinding a rule is obligated to supply a reasoned analysis for the change beyond that which may be required when an agency does not act in the first instance. But the majority went on to state that a change of course does not demand stronger judicial review and [w]e will . . . ‘uphold a decision of less than ideal clarity if the agency's path may reasonably be discerned.’” (quoting Bowman

are generally accorded considerable deference.¹⁹³

These standards of review, however, are not part of Federal Circuit parlance when the fact findings of the BPAI are at issue. Instead, the Federal Circuit reviews the BPAI's factual determinations under the "clearly erroneous" standard of Rule 52 of the Federal Rules of Civil Procedure.¹⁹⁴ This standard of review is applied by federal appellate courts to the factual findings of *district courts*;¹⁹⁵ and it is less deferential than either the "substantial evidence" or "arbitrary and capricious" tests.¹⁹⁶ In essence, the Federal Circuit is treating the PTO, namely the BPAI, as if it were an Article III Court.¹⁹⁷

The use of the "clearly erroneous" standard is even more puzzling

Transp. Inc. v. Arkansas-Best Freight Sys. Inc., 419 U.S. 281, 286 (1974)). This "hard look" approach has its origins in *SEC v. Chenery Corp.*, 318 U.S. 80 (1943), wherein the Court required the agency to furnish an adequate explanation of its action. *See Mullins v. United States Dep't of Energy*, 50 F.3d 990, 992 (Fed. Cir. 1995) ("It is well established that agencies have a duty to provide reviewing courts with a sufficient explanation for their decision so that those decisions may be judged against the relevant statutory standards, and that failure to provide such an explanation is grounds for striking down the action." (citing *Chenery*, 318 U.S. at 80)); *see also* Harold Leventhal, *Environmental Decisionmaking and the Role of the Courts*, 122 U. PA. L. REV. 509 (1974).

¹⁹³ The deference accorded to the fact findings of an agency is based in part on agency expertise. *See, e.g., Consolo v. Federal Maritime Comm'n*, 383 U.S. 607, 620 (1966) (asserting that the "substantial evidence" rule frees the courts from the burden of weighing the evidence, respects administrative expertise, and promotes the uniform application of statutes); *AMAN & MAYTON, supra* note 77, § 13.4.1 ("Deference to agencies, . . . is justified in part out of respect for agency expertise.") Another reason for agency deference is that agencies are politically accountable and have a congressional delegation to administer a statutory scheme. On the other hand, a court, unlike an agency, does not possess the expertise or degree of political accountability to warrant equal or greater deference.

¹⁹⁴ *See infra* notes 204-10.

¹⁹⁵ *See, e.g., Anderson v. City of Bessemer City*, 470 U.S. 564, 573 (1985).

¹⁹⁶ *See, e.g., United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948) ("Since judicial review of findings of trial courts does not have the statutory or constitutional limitations on judicial review of findings by administrative agencies or by a jury, this Court may reverse findings of fact by a trial court where 'clearly erroneous.'"); *SSIH Equip. S.A. v. United States*, 718 F.2d 365, 382 (Fed. Cir. 1983) (Nies, J., concurring) ("A 'substantial evidence' standard restricts an appellate court to a greater degree than 'clearly erroneous' review."); *Orvis v. Higgins*, 180 F.2d 537, 540 (2d Cir.) ("[E]vidence sufficient to support a jury verdict or an administrative finding may not suffice to support a trial judge's findings."), *cert. denied*, 340 U.S. 810 (1950); *DAVIS & PIERCE, supra* note 37, § 11.2.

¹⁹⁷ *See, e.g., In re King*, 801 F.2d 1324, 1326 (Fed. Cir. 1986) ("Our review of a finding of anticipation [which is a finding of fact] is the same whether it was made by the board [BPAI] or by a district court.")

considering that the Federal Circuit employs the deferential “substantial evidence” or “arbitrary and capricious” tests when reviewing the fact findings of other agencies, namely the (1) Boards of Contract Appeals (BCA);¹⁹⁸ (2) Merit Systems Protection Board (MSPB);¹⁹⁹ and (3) International Trade Commission (ITC).²⁰⁰ Although the standard of review, as applied to the fact findings of the MSPB, BCA, and ITC, is statutorily defined²⁰¹ and the Patent Code is silent in this regard, nothing prevents the Federal Circuit from abandoning the less deferential “clearly erroneous” standard it applies to the fact findings of the BPAI.²⁰² The PTO is the only agency to which the Federal Circuit does not apply either the substantial evidence or arbitrary and capricious standards. The Federal Circuit’s dual standards of review are inexplicable, especially since the degree of expertise associated with PTO determinations is relatively greater than that required by the above mentioned

¹⁹⁸ See, e.g., *West Coast Gen. Corp. v. Dalton*, 39 F.3d 312, 314 (Fed. Cir. 1994) (“This court will not set aside the Board’s factual determinations unless they are ‘fraudulent, or arbitrary or capricious, or so grossly erroneous as to necessarily imply bad faith, or . . . not supported by substantial evidence.’” (quoting 41 U.S.C. § 609(b) (1988))); *Triax-Pacific v. Stone*, 958 F.2d 351, 353 (Fed. Cir. 1992).

¹⁹⁹ See, e.g., *Chauvin v. Department of Navy*, 38 F.3d 563, 565 (Fed. Cir. 1994) (“Under our narrow standard of review, we affirm decisions of the board unless they are (1) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law; (2) obtained without procedures required by law, rule, or regulation having been followed; or (3) unsupported by substantial evidence.”); *Jacobs v. Department of Justice*, 35 F.3d 1543, 1545 (Fed. Cir. 1994).

²⁰⁰ See, e.g., *SSIH Equip.*, 718 F.2d at 379 (In a concurring opinion, involving an appeal from the International Trade Commission (“ITC”), Judge Nies stated, “[t]o be sure, on judicial review of agency action, administrative findings of fact must be sustained when supported by substantial evidence”); see also *Texas Instruments, Inc. v. United States Int’l Trade Comm’n*, 988 F.2d 1165, 1172 (Fed. Cir. 1993) (“We review the Commission’s factual findings under the substantial evidence standard.”), *dismissed*, 1994 WL 745517 (Fed. Cir. 1994).

²⁰¹ The Federal Circuit’s standard of review of BCA, MSPB, and ITC decisions is governed by 41 U.S.C. § 609(b), 5 U.S.C. § 7703(c), 19 U.S.C. § 1337(c), respectively.

²⁰² As Commissioner Lehman has stated:

The Federal Circuit has sent a clear signal that they don’t intend to grant greater deference to us; and you know, I don’t know why that is. I think there are a range of opinions on the part of judges but some genuinely feel that a change in the standard of review should not be made except by statute, except the Federal Circuit does not apply a statutory standard. They could change the standard without legislation, and in my opinion, would have every justification and right to do so.

agencies in their respective enterprises.²⁰³

It appears that the Federal Circuit first articulated the “clearly erroneous” standard in the 1984 case of *In re De Blauwe*,²⁰⁴ and has since applied it to a number of the BPAI’s factual determinations relating to patentability: (1) utility;²⁰⁵ (2) anticipation;²⁰⁶ (3) best mode;²⁰⁷ and (4) written description.²⁰⁸ Although these patentability requirements are undoubtedly factual in nature,²⁰⁹

²⁰³ With respect to the MSPB, the Civil Service Reform Act (CSRA) of 1978 was designed to provide a statutory framework governing the labor relations between federal agencies and their employees. As stated by the Federal Circuit, the central purpose of the CSRA “was to give agencies greater ability and flexibility to remove or to discipline employees who engage in misconduct . . . or whose work performance is unacceptable” *Lisiecki v. Merit Sys. Protection Bd.*, 769 F.2d 1558, 1563 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1108 (1986). Certainly an argument can be made that the degree of expertise required to deal with agency labor relations does not approach that which is necessary to make patentability determinations, which involves, not infrequently, an analysis of state of the art technology. Whether it was proper to reduce the pay of a government employee does not require the technical expertise needed to determine the utility of a DNA sequence or whether a semiconductor chip is anticipated by a prior art reference. As for the BCA, the Contracts Disputes Act (CDA) of 1978 pertains to contractual disputes between an aggrieved contractor and the United States government. The Federal Circuit has recognized the experience and expertise of the BCA in construing government contracts. *See, e.g.*, *West Coast Gen. Corp. v. Dalton*, 39 F.3d 312, 314–15 (Fed. Cir. 1994); *United States v. Lockheed Corp.*, 817 F.2d 1565, 1567 (Fed. Cir. 1987). This recognition of expertise reflects the deferential nature of the statutory standard of review for BCA fact findings. However, as with the MSPB, the expertise associated with construing contracts does not compare with the technological expertise involved in a patentability determination. One could further argue that the Federal Circuit is as qualified as the BCA to interpret a contract; whereas the same could not be said with respect to patentability determinations.

²⁰⁴ 736 F.2d 699, 703 (Fed. Cir. 1984).

²⁰⁵ *See, e.g.*, *In re Ziegler*, 992 F.2d 1197, 1200 (Fed. Cir. 1993) (“The first issue thus is whether the [BPAI’s] determination that Ziegler did not establish that the German application disclosed a practical utility for the polypropylene was clearly erroneous.”).

²⁰⁶ *See, e.g.*, *In re Paulsen*, 30 F.3d 1475, 1478 (Fed. Cir. 1994) (“Anticipation is a question of fact subject to review under the ‘clearly erroneous’ standard.”); *In re Baxter Travenol Labs*, 952 F.2d 388, 390 (Fed. Cir. 1991); *In re Bond*, 910 F.2d 831, 833 (Fed. Cir. 1990).

²⁰⁷ *See, e.g.*, *DeGeorge v. Bernier*, 768 F.2d 1318, 1324 (Fed. Cir. 1985) (“Best mode is a question of fact. Hence, our review of the board’s best mode determination is under a clearly erroneous standard.”) (citations omitted).

²⁰⁸ *See, e.g.*, *Fiers v. Revel*, 984 F.2d 1164, 1170 (Fed. Cir. 1993) (“Compliance with the written description requirement is a question of fact which we review for clear error.”); *In re Spina*, 975 F.2d 854, 857 (Fed. Cir. 1992).

²⁰⁹ For instance, to prove anticipation, a patent examiner usually reviews several prior

the “clearly erroneous” standard is not the proper standard of review in that it contravenes the APA²¹⁰ and established caselaw.²¹¹

2. *Overton Park, State Farm, and the “Relevant Factors”*

The patent examination process is a form of informal adjudication.²¹² In *Citizens to Preserve Overton Park, Inc. v. Volpe*,²¹³ the Supreme Court applied the deferential “arbitrary and capricious” standard embodied in § 706(2)(A) of the APA to an informal adjudication.²¹⁴

In *Overton Park*, the Secretary of Transportation approved the use of federal funds to construct an interstate highway. Justice Marshall held that the Secretary’s decision was not an exercise in rulemaking, and therefore, § 553 of the APA did not apply.²¹⁵ Thus, the decision was a form of adjudication. Because the secretary’s decision was not statutorily required to be on the record after an opportunity for a hearing, the adjudication was informal in nature.²¹⁶ With respect to the scope of review, once it was ascertained that informal adjudication was at issue, the “substantial evidence” and de novo tests were inapplicable.²¹⁷ By process of elimination, the Court held that the proper scope of review for informal adjudication is the “arbitrary and capricious” test set forth in § 706(2)(A) of the APA.²¹⁸ Yet, before addressing the “arbitrary and capricious” issue, the Court posed a preliminary question pertaining to “scope of authority.” In essence, the Court bifurcated the judicial review analysis, as follows:

art references to see if *one* of them discloses each and every element in the claimed invention. To illustrate, if Mary were to file a patent application with the PTO claiming a composition of matter comprising 50% aluminum and 50% zinc, an examiner, to show that Mary’s invention is anticipated, must find a single prior art reference (*e.g.*, a patent or printed publication) which discloses a composition of matter with 50% aluminum and 50% zinc. Analyzing the prior art reference and comparing each element in the reference to the claimed invention is factually intensive.

²¹⁰ See 5 U.S.C. § 706(2)(A) (1988).

²¹¹ See *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29 (1983); *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402 (1971).

²¹² See *supra* note 56.

²¹³ 401 U.S. 402 (1971).

²¹⁴ This holding was subsequently affirmed in *Camp v. Pitts*, 411 U.S. 138, 141–42 (1973).

²¹⁵ *Overton Park*, 401 U.S. at 414.

²¹⁶ *Id.* at 415.

²¹⁷ *Id.*; see also 5 U.S.C. § 706(2)(E), (F) (1988).

²¹⁸ *Overton Park*, 401 U.S. at 416.

[1] The court is first required to decide whether the Secretary acted within the scope of his authority. This determination naturally begins with a delineation of the scope of the Secretary's authority and discretion. . . .

[2] Scrutiny of the facts does not end, however, with the determination that the Secretary has acted within the scope of his statutory authority. Section 706(2)(A) requires a finding that the actual choice made was not "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." To make this finding the court must consider whether the decision was based on a consideration of the *relevant factors* and whether there has been a *clear error of judgment*. Although this inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one. The court is not empowered to substitute its judgment for that of the agency.²¹⁹

To summarize, after the "scope of authority" issue is settled, the agency decision is reviewed under the "arbitrary and capricious" test. In so doing, the court, engaging in a "searching and careful," yet "narrow" inquiry, asks whether the agency decision was based on "a consideration of relevant factors," and whether the agency has made "a clear error of judgment." Despite its rollercoaster language, the "arbitrary and capricious" test is one of reasonableness.²²⁰ However, ever since *Motor Vehicle Manufacturers Association v. State Farm Mutual Insurance Co.*,²²¹ the hurdle has been raised with respect to this reasonableness standard and the arbitrary and capricious test has been applied with increasing intensity. As the Court in *State Farm* held:

Normally, an agency rule would be arbitrary and capricious if the agency has relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counters to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.²²²

With the *Overton Park* and *State Farm* cases in mind, the arbitrary and capricious test can be thought of as comprising three components. This tripartite standard focuses on: (1) whether the agency decision was based on "a consideration of the relevant factors";²²³ (2) whether the agency made a "clear

²¹⁹ *Id.* at 415-16 (emphasis added) (citations omitted).

²²⁰ See *supra* note 191.

²²¹ 463 U.S. 29 (1984).

²²² *Id.* at 43.

²²³ The obvious question is what exactly is a "relevant factor" and who determines such? In some instances the governing statute sets forth which factors are relevant and an agency *may* discern what those factors are from the statute.

error of judgment";²²⁴ and (3) the rationale and decision making process of the agency. Under this last component, the agency decision may be reversed or remanded either because the agency's rationale was inadequate²²⁵ or the agency failed to reflect upon alternative considerations.²²⁶

3. *Applying the Arbitrary and Capricious Test to the Fact Findings of the BPAI*

The *Overton Park/State Farm* analysis provides the Federal Circuit with a befitting and doctrinally sound framework within which the fact findings of the BPAI can be reviewed.²²⁷ In applying this framework to the fact findings of a

²²⁴ As a test of reasonableness or rational basis, reviewing courts are very reluctant to overrule an agency decision as "arbitrary and capricious" based on "clear error of judgment." As then Judge Breyer and Professor Stewart stated:

Courts have been reluctant to overrule a particular agency decision on the ground that the agency has made a "clear error of judgment," and for that reason its policy choice is "arbitrary." This reluctance is reflected in *Overton Park's* admonition that the "ultimate standard of review" under the arbitrary and capricious standard is a "narrow one" and that a reviewing court "is not empowered to substitute its judgment for that of the agency."

. . . In the thousands of federal court decisions annually reviewing federal administrative action, only a few invalidate agency action on this ground. Litigants attempting to persuade a reviewing court that the balance struck by an agency among relevant factors is arbitrary and capricious' must be prepared to persuade the court that the agency's decision has no rational basis whatsoever. Given the artfulness of agency opinion writers, the skills of government lawyers, and the plausibility of agency claims of 'expertise,' this is a difficult burden to carry.

BREYER & STEWART, *supra* note 9, at 361-62. Given the improbable nature that an agency's decision will be overturned because of a "clear error of judgment," it seems that the battleground revolves around the "relevant factor" portion of the "arbitrary and capricious" test, as well as the decision making process of the agency.

²²⁵ See, e.g., *Center for Auto Safety v. Peck*, 751 F.2d 1336, 1373 (D.C. Cir. 1985); *New England Coalition on Nuclear Pollution v. NRC*, 727 F.2d 1127, 1130-31 (D.C. Cir. 1984); *Sierra Club v. Gorsuch*, 715 F.2d 653, 660-61 (D.C. Cir. 1983); see also Patricia M. Wald, *The Contributions of the D.C. Circuit to Administrative Law*, 40 ADMIN. L. REV. 507, 528 (1988) (stating that the D.C. Circuit has reversed 67 out of 222 agency decisions in 1987 because of the agency's inadequate rationale).

²²⁶ See, e.g., *City of Brookings Mun. Tel. Co. v. FCC*, 822 F.2d 1153, 1169-70 (D.C. Cir. 1987); *Public Citizen Health Research Group v. Tyson*, 796 F.2d 1479, 1507 (D.C. Cir. 1986).

²²⁷ The Federal Circuit has adopted the *Overton Park* version of the "arbitrary and

patentability determination, the first question is whether the Commissioner, who delegates the examination of patent applications to patent examiners and the BPAI, "acted within the scope of his authority." As stated earlier, the Commissioner has a congressional delegation to examine and issue patents.²²⁸ With such a clear delegation, the Commissioner's authority should not be a concern.

With step one of *Overton Park* satisfied, the issue becomes whether the factual determinations involved in a patentability decision are "arbitrary and capricious." The Federal Circuit should ascertain whether the BPAI considered "the relevant factors" and "whether there has been a clear error of judgment,"²²⁹ keeping in mind that "[a]lthough this inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one . . . [and t]he court is not empowered to substitute its judgment for that of the agency."²³⁰ In addition, the Federal Circuit must be mindful of *State Farm*, which dictates that the reasoning or decision making process of the BPAI should be reviewed to determine if the board failed to adequately explain its decision.²³¹

The one point I want to emphasize is that although the arbitrary and capricious test is more deferential than clearly erroneous review and should be applied to the factual determinations of the PTO, it is by no means an empty standard. The *Overton Park* and *State Farm* framework subject the agency's decision to a searching and thorough review and require the agency to adequately explain its decision.

capricious" test when reviewing the fact findings of the: (1) ITC, see *Hyundai Elec. Indus. Co. v. United States Int'l Trade Comm'n*, 899 F.2d 1204, 1209 (Fed. Cir. 1990); (2) MSPB, see *Ginnodo v. Office of Personnel Management*, 753 F.2d 1061, 1065 (Fed. Cir.), cert. denied, 474 U.S. 848 (1985); (3) Claims Court, see *Hines v. Department of Health and Human Servs.*, 940 F.2d 1518, 1527 (Fed. Cir. 1991) (citing both *Overton Park* and *State Farm*); and (4) Court of International Trade, see *Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1539-40 (Fed. Cir. 1994).

²²⁸ See *supra* notes 154-61.

²²⁹ See *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971).

²³⁰ *Id.*

²³¹ See *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983).

C. Missed Opportunities or Avoiding the Inevitable?

1. The PTO's Full Court Press

Recently, the PTO has argued for greater deference in *In re Brana*²³² and *In re Napier*.²³³ In both cases the court seemed amenable, with respect to factual determinations, to granting the PTO greater deference, but ultimately failed, or refused, to fully address the issue.

For example, in *In re Brana*, the court stated:

In our consideration of this issue, there is a reality check: would it matter to the outcome in a given case which formulation of the standard a court articulates in arriving at its decision? . . .

. . . A preliminary question, then, is whether this is one of those cases in which a difference in the standard of review would make a difference in the outcome.²³⁴

With respect to the factual issues, the court held that the BPAI must be reversed no matter what standard of review was applied. Therefore, the court did not feel compelled to discuss the standard of review issue. Furthermore, the court held that the question of enablement under § 112 was a question of law and therefore, “[u]nder [the court's] traditional standard or under the APA standard no deference is owed the Agency on a question of law”²³⁵ Thereafter, the court nevertheless left the door open for future assertions that the PTO was entitled to greater deference. The court stated:

If the question concerning the standard of review, raised by the Commissioner, is to be addressed meaningfully, it must arise in a case in which the decision will turn on that question, and, recognizing this, the parties fully brief the issue. This is not that case. We conclude that it is not necessary to the disposition of this case to address the question raised by the Commissioner; accordingly, we decline the invitation to do so.²³⁶

Shortly after *In re Brana* was decided, the Commissioner raised the issue of greater deference once again in *In re Napier*. However, the court “decline[d] the invitation,” stating that:

²³² 51 F.3d 1560 (Fed. Cir. 1995).

²³³ 55 F.3d 610 (Fed. Cir. 1995).

²³⁴ 51 F.3d at 1569.

²³⁵ *Id.*

²³⁶ *Id.*

Whatever merit may lie in that position, the Commissioner will no doubt be gratified to know that we were able to affirm the Board in this instance under the more stringent standard. We thus find it unnecessary to address the question of whether the APA standard is, in an appropriate case, the applicable one.²³⁷

Why has the Federal Circuit avoided facing the issue of deference head on? Were *In re Brana* and *In re Napier* really inappropriate cases? Clearly, the court in *In re Napier* could have articulated the appropriate standard of review with respect to the factual considerations. The court conspicuously evaded the deference issue by saying that the Board must be reversed no matter what standard of review applied or that the board will be affirmed even under “the more stringent standard” of review. Nevertheless, it seems that some judges on the court are more amenable to granting the PTO greater deference, at least with respect to questions of fact. Perhaps, these judges are in the minority and view the timing of the cases, and not so much their appropriateness, as the determining factor. In any event, the issue of deference is something that the court must inevitably address, and based on *In re Brana* and *In re Napier*, the PTO will give the court as many opportunities as it desires.

2. Should the “Arbitrary and Capricious” Test Apply to the Ultimate Question of Patentability?

I have argued that the *Chevron* doctrine should apply to patentability determinations. The PTO posits that the APA provides the proper standard of review (i.e., the “arbitrary and capricious” test). I agree with the PTO that the APA’s “arbitrary and capricious” test should apply to questions of fact, but I do not believe that such is the appropriate standard of review for patentability determinations (i.e., questions of law).

This is not to say that the arbitrary and capricious test is without appeal. An argument can be made that the “arbitrary and capricious” test of § 706(2)(A) should apply to the BPAI’s informal adjudications. This alternative is alluring for two reasons, especially in the context of a nonobviousness determination. First, a nonobviousness determination is really a mixed question of law and fact or the application of law to fact, not unlike the issue of whether newsboys were “employees” under the NLRA.²³⁸ Second, “obvious” is an

²³⁷ 55 F.3d at 614.

²³⁸ See *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111, 131 (1994) (“[W]here the question is one of specific application of a broad statutory term in a proceeding in which the agency administering the statute must determine it initially, the reviewing court’s function is limited. . . . [T]he Board’s determination . . . is to be accepted if it has ‘warrant in the

ambiguous and undefined term, and thus it doesn't matter whether the "arbitrary and capricious" test or the *Chevron* doctrine is applied because nonobviousness will always be decided under step two of *Chevron*, which is, in essence, an arbitrary and capricious standard.

However, there are at least two problems with discarding the *Chevron* doctrine and solely applying the "arbitrary and capricious" test to the BPAI's informal adjudications. First, Title 35 has statutory terms which are unambiguous and clearly defined by Congress. As such, cases pertaining to these unambiguous terms can be decided at step one of *Chevron* without concern for the PTO's action. Second, it is difficult at times to distinguish law and fact. The *Chevron* doctrine circumvents this line drawing analysis.²³⁹

III. THE STATUTORY INTERPRETATIONS OF THE COMMISSIONER: PAYING LIP SERVICE TO *CHEVRON*

A. *The Chevron-One Step?*

Although the Federal Circuit has failed to apply the *Chevron* doctrine to the decisions of the BPAI, the court has proven somewhat less reluctant to invoke the doctrine when reviewing the Commissioner's statutory interpretations not directly related to patentability. Despite the fact that the Federal Circuit has applied, or at least addressed, the *Chevron* doctrine in three such cases,²⁴⁰ the court has yet to apply step two of *Chevron* because its "traditional tools of statutory construction," namely intentionalism²⁴¹ and

record' and a reasonable basis in law."); see also *Sure-Tan, Inc. v. NLRB*, 467 U.S. 883, 891 (1984) ("Since the task of defining the term 'employee' is one that 'has been assigned primarily to the agency created by Congress to administer the Act,' the Board's construction of that term is entitled to considerable deference, and we will uphold any interpretation that is reasonably defensible."); see also Sunstein, *Law and Administration*, *supra* note 5, at 2094-95.

²³⁹ See Sunstein, *Law and Administration*, *supra* note 5, at 2095 ("[T]he line between purely legal and mixed questions is extremely thin. In some cases it will be hard to tell on which side of the line a particular question falls. A broader approach to *Chevron*, applying the rule of deference in all cases, has the virtue of simplicity and ease of application."); see also sources cited *supra* notes 29-31.

²⁴⁰ See *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522 (Fed. Cir. 1990); *Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392 (Fed. Cir. 1990); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988). I discuss these cases in detail below.

²⁴¹ Intentionalism has been defined as follows: "Intentionalism refers to the use of a variety of tools, including legislative purpose and legislative history, in an effort to determine the intent of the legislature when it included a particular word or phrase in a statute." Pierce, *New Hypertextualism*, *supra* note 5, at 750; see also Merrill, *Textualism*,

textualism,²⁴² or what I refer to as “pseudo-textualism,”²⁴³ invariably lead to a

supra note 5, at 351–58.

The use of legislative history has been criticized for several reasons. For example, (1) legislative history is result-oriented and may be manipulated to fit a judge’s desired result; (2) judges should not rely on unenacted texts; and (3) legislative history is indeterminate. *See, e.g.*, Frank H. Easterbrook, *The Role of Original Intent in Statutory Construction*, 11 HARV. J.L. & PUB. POL’Y 59 (1988); Kenneth W. Starr, *Observations About the Use of Legislative History*, 1987 DUKE L.J. 371; Jerry L. Mashaw, *Textualism, Constitutionalism & the Interpretation of Federal Statutes*, 32 WM. & MARY L. REV. 827, 837 (1991). The late Judge Harold Levanthal once stated that the use of legislative history is like “looking over a crowd and picking out your friends.” *See* Patricia M. Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 IOWA L. REV. 195, 214 (1983).

²⁴² Textualism has been defined as that which: “refers to the use of a different set of tools, including dictionary definitions, rules of grammar, and canons of construction, in an effort to derive the putatively objective meaning of the statutory word or phrase.” Pierce, *New Hypertextualism*, *supra* note 5, at 750; *see also* Merrill, *Textualism*, *supra* note 5, at 351–58. Textualism, unlike intentionalism, eschews the use of legislative history as an interpretive aid and embraces the plain meaning rule. It is generally thought that Justice Scalia is the leading advocate of textualism. *See* *Green v. Bock Laundry Mach. Co.*, 490 U.S. 504, 527–30 (1989) (Scalia, J., concurring) (same); *Blanchard v. Bergeron*, 489 U.S. 87, 97–100 (1989) (Scalia, J., concurring) (criticizing the use of legislative history); Daniel A. Farber & Phillip P. Frickley, *Legislative Intent and Public Choice*, 74 VA. L. REV. 423, 455 (1988). *But see* Bradley C. Karkkainen, “Plain Meaning”: Justice Scalia’s Jurisprudence of Strict Statutory Construction, 17 HARV. J.L. & PUB. POL’Y 401 (1994) (arguing that Scalia is not a pure textualist because he employs extratextual interpretive aids (e.g., a dictionary) to derive meaning from a statutory provision). For articles criticizing textualism, *see* William N. Eskridge, Jr., *The New Textualism*, 37 UCLA L. REV. 621 (1990); John Ferejohn & Barry Weingast, *Limitation of Statutes: Strategic Statutory Interpretation*, 80 GEO. L.J. 565 (1992); Sunstein, *Interpreting Statutes*, *supra* note 5, at 405; Patricia M. Wald, *The Sizzling Sleeper: The Use of Legislative History in Construing Statutes in the 1988–89 Term of the United States Supreme Court*, 39 AM. U. L. REV. 277 (1990); Nicholas S. Zeppos, *Legislative History and the Interpretation of Statutes: Toward a Fact-Finding Model of Statutory Interpretation*, 76 VA. L. REV. 1295 (1990).

²⁴³ This is a hybrid of intentionalism and textualism. For example, the Federal Circuit, in two of the three statutory construction cases where *Chevron* was addressed, applied the plain meaning rule and used a dictionary to discern the “ordinary, contemporary, common meaning” of the statutory term. However, after finding no ambiguity, the court proceeded to examine the legislative history to see “if Congress meant something other than what it said statutorily.” *See* *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988); *Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392, 395–96 (Fed. Cir. 1990). In the third statutory construction case, the court began its analysis with the plain meaning rule, but after finding statutory ambiguity, engaged in a searching review of the legislative history. Towards the end of the opinion, however, the court returned to the plain meaning rule and attempted to

finding that the statutory language in question is *unambiguous*.²⁴⁴

It is beyond the scope of this Article, and it is not my intention to propose a theory of statutory interpretation; rather, I only wish to manifest the extent to which the Federal Circuit will go to avoid deferring to the PTO and the unconvincing decisions which result from this lack of deference.²⁴⁵ The court, contrary to a consistent and unitary theory of statutory construction, seems to simply cast a broad net of interpretive theories with the intent of catching any semblance of statutory clarity and unambiguity.²⁴⁶ As Professor Davis and Pierce have stated, because there are several interpretive theories, “judges can support widely differing constructions by applying different sets of tools or even by applying the same set of tools in different ways.”²⁴⁷ The Federal

bootstrap the “congressional intent” found in the legislative history into the plain meaning rule by referring to the “plain meaning of the statute” and the “explicit” provisions of the statute. *See* *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522, 528–29 (Fed. Cir. 1990).

²⁴⁴ Some commentators have convincingly argued that the use of textualism on the Supreme Court will diminish, if not entirely eviscerate, the *Chevron* doctrine. *See* Merrill, *Textualism*, *supra* note 5, at 354 (“textualism poses a threat to the deference doctrine. For those who believe that judicial deference to agency interpretation of law is a good thing, this should be cause for concern, . . .”); Pierce, *New Hypertextualism*, *supra* note 5, at 752 (“The Court rarely defers to an agency’s construction of ambiguous statutory language in an agency-administered statute because a majority of Justices have now begun to use textualist methods of construction that routinely allow them to attribute ‘plain meaning’ to statutory language that most outside observers would characterize as ambiguous or internally inconsistent.”); Scalia, *supra* note 5, at 521 (“One who finds *more* often (as I do) that the meaning of a statute is apparent from its text and from its relationship with other laws, thereby finds *less* often that the triggering requirement for *Chevron* deference exists.”).

²⁴⁵ I refer to the decisions as “unconvincing” in that the Federal Circuit’s interpretation of the statutory provision in question is no more convincing than that put forth by the PTO (i.e., Commissioner).

²⁴⁶ In fact, the Supreme Court has inconsistently applied the *Chevron* doctrine, and part of the problem is that the Court cannot agree on which “traditional tools of statutory construction” to apply under step one of *Chevron*. *See* DAVIS & PIERCE, *supra* note 37, § 3.6 (“The root of the problem is the absence of agreement among Justices as to which of the many available ‘traditional tools of statutory construction’ they should use when one or more of those tools suggests a particular construction of an arguably ambiguous agency-administered statute.”); Pierce, *New Hypertextualism*, *supra* note 5, at 750 “The Court’s inconsistency in applying the test is largely attributable to post-*Chevron* changes in the Court’s choice of ‘traditional tools of statutory construction,’ As the Court has changed the mix of ‘tools’ it uses and the manner in which it uses those tools, it has gradually ceased to apply step two of the *Chevron* test to uphold an agency construction of ambiguous statutory language, because it rarely acknowledges the existence of ambiguity.” *Id.*

²⁴⁷ DAVIS & PIERCE, *supra* note 37 § 3.6.

Circuit has done just that with little or no deference to the Commissioner.²⁴⁸

1. Ethicon, Inc. v. Quigg

The case of *Ethicon, Inc. v. Quigg*²⁴⁹ is a prime example of the extent to which the Federal Circuit will go to avoid deferring to the PTO. The issue before the court in *Ethicon* was the meaning of the phrase "special dispatch" in 35 U.S.C. § 305.²⁵⁰

In *Ethicon*, a patent ('591 patent) pertaining to a medical device was assigned to United States Surgical Corporation (USSC). In 1981, USSC filed a patent infringement suit against three parties in the District Court for the District of Connecticut.²⁵¹ The '591 patent was one of four patents alleged by USSC to be infringed. The Connecticut trial ended in September of 1987 and the parties were awaiting a decision.²⁵² USSC, in April of 1986, filed a second patent infringement suit in Ohio against Ethicon alleging that Ethicon was infringing the '591 patent.²⁵³ Ethicon counterclaimed asserting noninfringement and that the '591 patent was invalid. On March 12, 1987, Ethicon, pursuant to 35 U.S.C. §§ 301-307, sought to re-examine the validity of the '591 patent;²⁵⁴ and, the following day, moved the Ohio court to stay the litigation pending resolution of the reexamination.²⁵⁵ The court denied Ethicon's motion to stay, stating that "[i]f and when the [PTO] moves relating to the validity of any of

²⁴⁸ See, e.g., Michel, *supra* note 3, at 9 ("[W]here the issue is one of pure law, as statutory construction usually is, our [i.e., Federal Circuit] review is truly independent. Then there is little or no deference to the court or Board being reviewed.").

²⁴⁹ 849 F.2d 1422 (Fed. Cir. 1988).

²⁵⁰ Specifically, this case involved statutory interpretation through rulemaking. Pursuant to 35 U.S.C. § 6(a), the Commissioner promulgated 37 C.F.R. § 1.565(b), which states, in relevant part: "If a patent in the process of reexamination is or becomes involved in litigation . . . the Commissioner shall determine whether or not to stay the reexamination"

According to the court, "[t]he ultimate question here is whether the Commissioner's exercise of authority to stay a reexamination purportedly pursuant to section 6(a) conflicts with" 35 U.S.C. § 305, which states in relevant part: "All reexamination proceedings under this section . . . will be conducted with *special dispatch* with the Office." *Ethicon*, 849 F.2d at 1423-24 (emphasis added).

²⁵¹ *Ethicon*, 849 F.2d at 1423-24.

²⁵² *Id.*

²⁵³ *Id.* The defendants in the Connecticut litigation had no relation to Ethicon, Inc., the defendant in the Ohio litigation.

²⁵⁴ See *supra* note 109 for a discussion on reexamination.

²⁵⁵ *Ethicon*, 849 F.2d at 1424.

the patents in dispute, at that time this matter can be re-examined.”²⁵⁶ The reexamination request was granted by the PTO on May 21, 1987, and again, Ethicon moved the Ohio court to stay the litigation. In September of 1987, however, USSC, pursuant to 37 C.F.R. § 1.565²⁵⁷ and MPEP § 2286,²⁵⁸ asked the PTO to stay the reexamination of the '591 patent “in deference to an ongoing trial being conducted in Connecticut,” and advised the PTO that the Connecticut trial had ended.²⁵⁹ The PTO stayed the reexamination pending the decision of the Connecticut court. The PTO cited § 2286 of the MPEP, which is based on 37 C.F.R. § 1.565(b), as support for its decision to stay the reexamination.²⁶⁰ Thereafter, Ethicon sought to enjoin the Commissioner from staying the reexamination, asserting that the stay was “unlawful and contrary to the reexamination statute, particularly 35 U.S.C. § 305.”²⁶¹ The District Court for the Eastern District of Virginia denied Ethicon’s request and granted summary judgment for the Commissioner. Ethicon appealed to the Federal Circuit.

Recognizing this case as one involving an issue of statutory interpretation, the Federal Circuit cited *Chevron* for the proposition that “an agency’s interpretation of a statute it administers is entitled to deference.”²⁶² However, the court’s “traditional tools of statutory construction” and eventual decision discounted the *Chevron* doctrine. The Federal Circuit expressly acknowledged that “special dispatch” was not defined in the statute.²⁶³ Employing a textualist interpretive aid, the court consulted a dictionary to determine the “ordinary, contemporary, and common” meaning of “special dispatch.”²⁶⁴ Although this

²⁵⁶ *Id.*

²⁵⁷ See *supra* note 250.

²⁵⁸ The MPEP is the Manual of Examination Procedure. § 2286 states:

If the reexamination is ordered the reexamination will continue until the . . . [PTO] becomes aware that a trial on the merits has begun at which time the reexamination proceeding normally will be stayed, *sua sponte*, by the examining group director unless a proper petition to stay has been filed which is not rendered moot by the *sua sponte* stay.

PATENT & TRADEMARK OFFICE, MANUAL OF EXAMINATION PROCEDURE § 2286 (5th ed. 1983 & Supp. 1979).

²⁵⁹ *Ethicon*, 849 F.2d at 1424.

²⁶⁰ *Id.*

²⁶¹ *Id.*

²⁶² *Id.* at 1425.

²⁶³ *Id.* at 1426.

²⁶⁴ *Id.* at 1426. The court stated: “According to *Webster’s New World Dictionary*, special means distinctive, unique, exceptional, or extraordinary, and dispatch means to

textualist approach led to a finding of “no ambiguity,” the court proceeded to explore the legislative history “to see if Congress meant something other than what it said statutorily.”²⁶⁵ Not unlike the statute in question, the legislative history was silent as to the definition of “special dispatch.”²⁶⁶

The Federal Circuit employed a dictionary as a means to establish “an ordinary, contemporary, and common” definition and inferred an endorsement of this definition from the silence of the statute and legislative history. But how could an *unambiguous* definition of the phrase “special dispatch,” as used in § 305 of the Patent Act, be found in a dictionary where the statute and legislative history are silent?²⁶⁷ As Professor Merrill has stated, “[t]extualism . . . seems to transform statutory interpretation into a kind of exercise in judicial ingenuity.”²⁶⁸ According to the Federal Circuit, if the statute did not suggest a meaning of “special dispatch” opposite to that of the definition set forth in the dictionary, the dictionary definition prevailed:

Whatever else special dispatch means, it does not admit of an indefinite suspension of reexamination proceedings pending conclusion of litigation. If it did, one would expect to find some intimation to that effect in the statute, for it would suggest the opposite of the ordinary meaning. But there is none.²⁶⁹

Needless to say, this method of statutory construction will rarely lead to a

finish quickly or promptly. Consequently, the ordinary, contemporary, and common meaning of special dispatch envisions some type of unique, extraordinary, or accelerated movement.” *Id.*

²⁶⁵ *Id.*

²⁶⁶ *Id.*

²⁶⁷ Professor Pierce has referred to this aggressive use of textualism as “hypertextualism.” See Pierce, *New Hypertextualism*, *supra* note 5, at 752:

The [Supreme] Court has carried the transition into a new phase that I characterize as . . . hypertextualism. The Court now rarely defers to an agency’s construction of ambiguous statutory language because a majority of Justices have now begun to use textualist methods of construction that routinely allow them to attribute “plain meaning” to statutory language that most outside observers would characterize as ambiguous or internally inconsistent.

²⁶⁸ See Merrill, *Textualism*, *supra* note 5, at 372. Furthermore, Professor Merrill stated that “the textualist interpreter does not *find* the meaning of the statute so much as *construct* the meaning.” *Id.*; see also Pierce, *Chevron and Its Aftermath*, *supra* note 5, at 305–06 (“Courts frequently resolve policy issues through a process that purports to be statutory interpretation but which, in fact, is not. For lack of a better term, this process will be referred to as ‘creative’ interpretation.”).

²⁶⁹ *Ethicon*, 849 F.2d at 1426.

finding of ambiguity, thus eviscerating the *Chevron* doctrine.²⁷⁰

The Federal Circuit, like the D.C. Circuit in *Chevron*, supplanted its own construction for the agency's. However, in the face of congressional silence, deference to the PTO was clearly warranted under the *Chevron* doctrine.²⁷¹ In fact, the district court, citing *Chevron*, recognized an implicit congressional delegation to the PTO to interpret "special dispatch":

There is no question that the reexamination procedure, adopted in 1980, was designed to settle validity disputes more quickly and less expensively than could be accomplished through protracted litigation. Use of the term "special dispatch" exemplifies this design. But the term is not one of art; and its meaning is nowhere discussed in the legislative history. The statute itself provides little guidance

. . . It is only reasonable to assume that some administrative interpretation of the term "special dispatch" was contemplated by Congress. Courts have long recognized an agency's authority reasonably to interpret enabling legislation and to establish rules and regulations which carry out the act's purpose.²⁷²

In addition, the Commissioner's decision to stay the reexamination proceeding was consistent and reasonably related to the policy underlying the reexamination statute; that is, to provide for a more efficient and cost-effective procedural mechanism to settle validity disputes.²⁷³ The Connecticut litigation was completed just days after USSC petitioned the PTO to stay the reexamination of the '591 patent.²⁷⁴ If the Connecticut court invalidated the '591 patent, the reexamination proceeding would become moot. The Federal Circuit, in *Ethicon*, admitted as much, stating that "if a court finds a patent invalid, and that decision is either upheld on appeal or not appealed, the PTO may discontinue its re-examination. This is consistent with *Blonder-Tongue*

²⁷⁰ Merrill, *Textualism*, *supra* note 5, at 366-73; Pierce, *New Hypertextualism*, *supra* note 5, at 750-52.

²⁷¹ See *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 (1984) ("[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.").

²⁷² 5 U.S.P.Q.2d 1138, 1140-41 (E.D.Va. 1987) (citations omitted), *rev'd*, 849 F.2d 1422 (Fed. Cir. 1988).

²⁷³ See H.R. 1307(I), 96th Cong., 2d Sess. 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463.

²⁷⁴ The Connecticut trial was over on September 14, 1987, "and the parties there have submitted their post trial briefs and proposed findings of fact to the court." *Ethicon*, 5 U.S.P.Q.2d at 1140.

*Laboratories, Inc. v. University of Illinois Foundation.*²⁷⁵

Thus, there was a distinct possibility that a reexamination proceeding of the '591 patent would be conducted with very "special dispatch." That is, no reexamination proceeding at all. The district court recognized this possibility:

The court concludes that [37 C.F.R. § 1.565(b) and MPEP § 2286] are well within the statutory mandate of the reexamination statute because they are "reasonably related to the purposes of the enabling legislation," namely expeditious and non-duplicating resolution of validity issues. . . .

Here the case in Connecticut is not just in trial; the trial has been completed and post trial briefs and proposed findings and conclusions of law have been submitted. *If ever there was a situation where the PTO's stay is reasonable, this is it . . .*²⁷⁶

The Federal Circuit dismissed the "expeditious" and "duplication" policy arguments based on the fact that the "PTO and the courts employ different standards of proof when considering validity, and the courts, unlike the PTO during reexamination of patent claims, are not limited to review of prior art patents or printed publications."²⁷⁷ The fact that a patent is presumed valid and the reexamination proceeding is limited to certain prior art is all the more reason to stay the reexamination. If the Connecticut court were to hold the '591 patent invalid, almost certainly the same result would be reached by the PTO in a reexamination proceeding inasmuch as the court's ability to review prior art is *not* limited.

Furthermore, the court, and apparently Ethicon, Inc., failed to appreciate the adversarial nature of a trial court setting.²⁷⁸ In response to the Commissioner's argument that the Connecticut trial will yield a more complete record on the validity issue, the court extolled the neutrality of a reexamination proceeding: "Reexamination is . . . neutral, the patentee and the public having an equal interest in the issuance and maintenance of valid patents."²⁷⁹ Yet, neutrality in this instance is not as virtuous as the Federal Circuit suggests. Recall, Ethicon, Inc. is attempting to invalidate the '591 patent. The defendants in the Connecticut trial, faced with potential infringement, are just as likely as Ethicon, Inc. to vigorously challenge the validity of the '591 patent; and USSC

²⁷⁵ *Ethicon*, 849 F.2d at 1429.

²⁷⁶ 5 U.S.P.Q.2d at 1141 (emphasis added).

²⁷⁷ *Ethicon*, 849 F.2d at 1427.

²⁷⁸ The Federal Circuit stated that "[t]he inequity of a stay is illustrated by the fact that here Ethicon is not involved in the litigation in Connecticut . . ." *Ethicon*, 849 F.2d at 1427.

²⁷⁹ *Id.* at 1428 (quoting *In re Etter*, 756 F.2d 852, 856 (Fed.Cir. 1985)).

will certainly be able to defend against these claims of invalidity.²⁸⁰ Besides, a holding by the Connecticut court that the '591 patent is not invalid does not preclude Ethicon, Inc. from asserting that patent's invalidity in a reexamination proceeding or subsequent litigation.

The Federal Circuit's failure to attribute significance to the potentially dispositive nature of the Connecticut trial and its claims relating to the neutrality of reexamination proceedings manifest either an insensitivity and lack of appreciation of the finer policy concerns at play or a reluctance to defer to the PTO. The latter is more likely given the considerable sophistication of the judges on the Federal Circuit.

2. Glaxo Operations UK Ltd. v. Quigg

In *Glaxo Operations UK Ltd. v. Quigg*,²⁸¹ the Federal Circuit reviewed the Commissioner's statutory interpretation of the term "product" in 35 U.S.C. § 156(f)(2). In 1984, Congress enacted the Drug Price Competition and Patent Term Restoration Act (Act).²⁸² Under the Act, a patent owner may have the term of her patent extended if a number of conditions are satisfied. Specifically, a patent term may be extended if "the *product* has been subject to a regulatory review period before its commercial marketing or use";²⁸³ and "the permission for the commercial marketing or use of the *product* after such regulatory review period is the first permitted commercial marketing or use of the *product* under the provision of law under which such regulatory review period occurred."²⁸⁴

In the definitional section of 35 U.S.C. § 156, "product" is defined as "the *active ingredient* of a new drug, . . . including any salt or ester of the active ingredient."²⁸⁵

Pursuant to the Act, the assignee, Glaxo, sought to extend the term of its patent ('320 patent) "because of the lost marketing time due to the lengthy

²⁸⁰ Entities accused of patent infringement are likely to scour the earth in search of prior art. This evidence is obtained through months, sometimes years, of discovery. On the other hand, persons requesting reexamination are very limited in their rights. The requester may only (1) receive notice of the Patent Office's decision regarding reexamination, (2) receive a copy of the patentee's response to the request, and (3) file a rejoinder to that response. See 35 U.S.C. § 304; 37 C.F.R. §§ 1.530, 1.535. Also, as mentioned earlier, the Commissioner relies *solely* upon printed publications and patents in a reexamination.

²⁸¹ 894 F.2d 392 (Fed. Cir. 1990).

²⁸² 98 Stat. 1598.

²⁸³ 35 U.S.C. § 156(a)(4) (Supp. V 1987) (emphasis added).

²⁸⁴ *Id.* § 156(a)(5) (Supp. V 1987) (emphasis added).

²⁸⁵ *Id.* § 156(f)(2) (Supp. V 1987) (emphasis added).

FDA approval process.”²⁸⁶ The active ingredient in the ’320 patent was cefuroxime axetil, an ester of cefuroxime, which is an organic acid.²⁸⁷ Glaxo marketed the ’320 patent under the tradename CEFTIN. To be effective, CEFTIN had to be administered orally. The FDA approved CEFTIN on December 28, 1987. Glaxo also had another patent (’153 patent), which claimed cefuroxime and its salts.²⁸⁸ Glaxo marketed the ’153 patent under the tradenames ZINACEF and KEFUROX, which had to be administered intramuscularly or intravenously. The FDA approved ZINACEF in 1983 and KEFUROX in 1987.²⁸⁹

It was undisputed that cefuroxime axetil was the active ingredient in CEFTIN; and that ZINACEF and KEFUROX were neither esters, nor salts of cefuroxime axetil. Nevertheless, the Commissioner denied the term extension based on his assertion that “Glaxo has already had a prior approval of the ‘product’ before it sought a term extension for its ’320 patent.”²⁹⁰ According to the Commissioner, § 156(f)(2) defines “product” broader than the three categories of compounds enumerated in the statute,²⁹¹ and encompasses “any ‘new chemical entity.’”²⁹²

The Commissioner asserted that its interpretation is entitled to *Chevron* deference,²⁹³ but the Federal Circuit rejected this assertion, stating that “[t]he rule of deference enunciated in [*Chevron*] is limited to when the statutory language has ‘left a gap’ or is ambiguous.”²⁹⁴ The court, employing a textualist approach, invoked the plain meaning rule and held that § 156 is unambiguous:

²⁸⁶ *Glaxo*, 894 F.2d at 394.

²⁸⁷ *Id.* at 393.

²⁸⁸ *Id.*

²⁸⁹ *Id.* at 394.

²⁹⁰ *Id.*

²⁹¹ The three categories are: (1) an active ingredient; (2) a salt of an active ingredient; or (3) an ester of an active ingredient.

²⁹² *Glaxo*, 894 F.2d at 394. The Commissioner asserted that the term “product” in 35 U.S.C. § 156(f)(2) includes “new active moiety, which would encompass *all* acid, salt, or ester forms of a single therapeutically active substance even if the drug before being administered contained only other substances.” Therefore, the Commissioner argued that:

because after being orally administered CEFTIN tablets combine with digestive substances in the human body to produce the same therapeutically active substance contained in both ZINACEF and KEFUROX, then . . . Glaxo has already had a prior approval of the “product” before it sought a term extension for its ’320 patent.

Id.

²⁹³ *Id.* at 398.

²⁹⁴ *Id.*

We conclude that section 156(f)(2)'s terms, "active ingredient of a new drug . . . including any salt or ester of the active ingredient," all have a plain meaning. We reach this conclusion because we must interpret statutory words as "taking their ordinary, contemporary, common meaning. . . . In particular, the terms "active ingredient," "salt," and "ester" had well-defined, ordinary meanings when Congress enacted the Act.²⁹⁵

As in *Ethicon*, however, the Federal Circuit broadened its statutory analysis by exploring the legislative history "to determine whether there is a clearly expressed legislative intention contrary to the statutory language."²⁹⁶ The court did not find a contrary intention in the legislative history.

One could argue that the Federal Circuit's finding of no ambiguity in *Glaxo* is more easily justified than its decision in *Ethicon* in that § 156 had a definitional provision setting forth what the term "product" means;²⁹⁷ and that section did not say anything about "new chemical entity" or "new active moiety." One could conclude that Congress has spoken directly to this issue, and therefore, step one of *Chevron* was the appropriate place to decide this case. Even if this approach would lead to "absurd results," the fault and potential remedy lie with Congress, not the courts.

On the other hand, the Federal Circuit found that the Commissioner's interpretation is consistent with the "general purposes" of § 156, which leads one to believe that the statutory term at issue is ambiguous, and the Commissioner's interpretation was a reasonable alternative.²⁹⁸ Given these competing interpretations, a strong argument could be made that the Federal Circuit should have deferred to the Commissioner.²⁹⁹

²⁹⁵ *Id.* at 395 (citations omitted).

²⁹⁶ *Id.* (quoting *Madison Galleries Ltd. v. United States*, 870 F.2d 627, 629 (Fed. Cir. 1989)) (emphasis added).

²⁹⁷ Recall, the court in *Ethicon* acknowledged that the statute and legislative history were silent with respect to the term "special dispatch."

²⁹⁸ *Glaxo*, 894 F.2d at 396 ("Although we agree that the Commissioner's interpretation of the meaning of section 156 is consistent with [the] general purposes [of the Act], the plain meaning of section 156 is also consistent . . .").

²⁹⁹ See *Abbott Laboratories v. Young*, 920 F.2d 984 (D.C. Cir. 1990), *cert. denied*, 502 U.S. 819 (1991). The court, like *Glaxo*, had before it the term "active ingredient" as put forth in the Drug Price Competition and Patent Term Restoration Act. Although the statutory section in *Abbott* was different, the statutory definition of "active ingredient" was essentially the same. In fact, the applicant in *Abbott* cited *Glaxo* in support of its contention that the phrase "active ingredient" is unambiguous under the plain meaning rule. The court disagreed:

Pursuant to the Supreme Court's guidance in *Chevron*, we must first determine whether Congress manifested an "unambiguously expressed intent" that resolves this dispute

Deference may also have been warranted in light of the Commissioner's assertion that "applying the plain meaning of section 156 . . . will create absurd results contrary to [the general purposes of § 156]."³⁰⁰ The absurd results that would occur, according to the Commissioner, may be due to unforeseen circumstances at the time the Act was enacted. This is especially true when the following statement by the court is considered: "We simply cannot say that the plain meaning of section 156 would provide unwanted results because Congress may very well have contemplated all the ramifications of its chosen definition in light of the political realities as seen played out in the

over the statute's meaning. Of course, the language of the statute itself is always the best indication of Congressional intent. Abbott [applicant] argues, with the support of the Federal Circuit, that the "plain meaning" of the language supports its interpretation. Both Abbott [applicant] and the Federal Circuit [citing *Glaxo*] . . . focus only on the phrase "active ingredient," claiming it has a well understood meaning [T]he government . . . reads the . . . phrase ("including any ester or salt of the active ingredient") to permit an interpretation of "active ingredient" that includes even more than salt or ester derivatives. According to the government, that phrase can be interpreted to mean that Congress was using the term active ingredient loosely, possibly as a virtual synonym for active moiety.

Id. at 987. This is what the Commissioner of the PTO essentially argued in *Glaxo*. See *Glaxo*, 894 F.2d at 394. The *Abbott* court held: "Putting aside for a moment the relative merits of the various constructions offered, we first conclude the language is ambiguous" *Abbott*, 920 F.2d at 987. Although the court did not accept the government's construction, it stated that:

Once we reject the agency's interpretation of the statute as unreasonable it does not follow that appellant's competing construction must be adopted. Even if we thought appellant's interpretation were reasonable we could not accept it if we perceived still other possible reasonable constructions. *It is, after all, for the agency to make the choice between such alternatives.*

Id. at 988 (emphasis added). The court, in remanding the case to the district court instructing the latter to remand to the agency, stated: "We hold only that the statute is ambiguous [and given that both constructions were unreasonable] . . . we may not proceed since we have no authority to place a construction on the statute that the agency has not offered." *Id.* at 989.

³⁰⁰ *Glaxo*, 894 F.2d at 396. Traditionally, the Plain Meaning Rule was usually inapplicable if it would lead to absurd results. See *United States v. Missouri Pacific R.R. Co.*, 278 U.S. 269, 278 (1929) ("[W]here language of an enactment is clear and construction according to its terms does not lead to *absurd and impracticable consequences*, the words employed are to be taken as the final expression of the meaning intended.") (emphasis added).

legislative process, and we must assume it did.”³⁰¹

However, it is just as likely, if not more likely, that Congress did not foresee “all of the ramifications of its chosen definition.” This lack of congressional foresight is one of the major benefits of deferring to an agency’s interpretation.³⁰²

Furthermore, Congress explicitly delegated to the Commissioner the authority to determine if a patent is eligible for a term extension, and the court in *Glaxo* conceded as much.³⁰³ As such, an argument can be made that the Commissioner should have the authority to define the statutory terms related to a patent extension determination. However, the court, based on the “plain meaning of ‘product,’” stated that all Congress delegated to the Commissioner was the authority to determine “*whether* any patented chemical compound named in a patent term extension application fell within the statutory definition of ‘product,’ but *not what* ‘product’ was to mean.”³⁰⁴

This conclusion not only ignores *Chevron*, but the realities of a patent term extension determination as well. Although the court said that the determination in question was not based on policy, but “a narrow dissection of statutory language,” it seems that policy *is* a factor and in order to make an informed patent term extension determination, the Commissioner should be given greater deference in defining what a “product” is.³⁰⁵ A determination of whether a

³⁰¹ *Glaxo*, 894 F.2d at 397.

³⁰² See Sunstein, *Law and Administration*, *supra* note 5, at 2088:

Sometimes regulation is made more difficult because of the pervasive problem of changed circumstances. New developments involving technological capacity, economics, the international situation, or even law may affect regulatory performance. Congress is unable to amend every statute to account for these changes, a situation that creates a genuine problem for those who must apply the statute. . . . In these circumstances, a grant of interpretive authority to administrators, allowing them to take changed circumstances into consideration, seems to be a valuable if partial corrective.

Id.; see also Scalia, *supra* note 5, at 517–18.

³⁰³ See 35 U.S.C. § 156(e)(1) (1988), stating that:

A determination that a patent is eligible for extension may be made by the Commissioner solely on the basis of the representations contained in the application for the extension. If the Commissioner determines that a patent is eligible for extension . . . the Commissioner shall issue to the applicant for the extension of the term of the patent a certificate of extension

Id.

³⁰⁴ *Glaxo*, 894 F.2d at 399.

³⁰⁵ See Sunstein, *Law and Administration*, *supra* note 5, at 2084 n.64 (“Because the

claimed invention named in a patent term extension application is a "product," and a determination of what "product" means are inextricably linked, especially given the reasonable alternative interpretations of "product," the requisite technical expertise involved, and potential lack of congressional foresight with respect to new technologies and other unforeseen circumstances.

3. Hoechst Aktiengesellschaft v. Quigg

The Federal Circuit's approach to statutory construction in *Hoechst Aktiengesellschaft v. Quigg*,³⁰⁶ like that in *Ethicon* and *Glaxo*, stops at step one of *Chevron*. The issue in *Hoechst* centered around the meaning of the phrase "regulatory review period."

In *Hoechst*, the patent owner filed an application with the PTO to have the term of its patent ('433 patent) extended under 35 U.S.C. § 156. The Commissioner denied the application because the patent owner's product was not subject to a "regulatory review period" set forth in 35 U.S.C. § 156(a)(4).³⁰⁷ The phrase "regulatory review period" is defined in 35 U.S.C. § 156(g): "For purposes of this section, the term 'regulatory review period' has the following meanings: (1)(A) In the case of a product which is a new drug, antibiotic drug, or human biological product, the term means the period described in subparagraph (B) *to which the limitations described in paragraph (6) applies*."³⁰⁸

In rejecting the term extension application, the Commissioner argued that "the language [in § 156(g)(1)(A)] 'to which the limitation described in paragraph (6) applies' . . . incorporates the paragraph (6) limitations into the definition of a regulatory review period."³⁰⁹ Because none of the limitations (or categories) set forth in paragraph (6) applied to the '433 patent,³¹⁰ the patent,

delegation to the agency to implement the statute is . . . permissible, the delegation of power to give meaning to statutory terms should be seen as a legitimate part of the authority of implementation.").

³⁰⁶ 917 F.2d 522 (Fed. Cir. 1990).

³⁰⁷ *Id.* at 523.

³⁰⁸ 35 U.S.C. § 156(g) (1988) (emphasis added).

³⁰⁹ *Hoechst*, 917 F.2d at 525.

³¹⁰ *Id.* at 525. Section 156(g)(6) sets forth three limitations. Subparagraph (A) pertains to patents issued after the enactment of the Patent Term Extension Act. The '433 patent was issued before the enactment of the Act. Subparagraph (B) pertains to patents that issued prior to the Act but only if no FDA exemption had been applied for as of the date of enactment of the Act. The owner of the '433 patent applied for an exemption at the time of enactment of the Act. Lastly, subparagraph (C) applies to patents which issued prior to the enactment of the Act if the regulatory review period had begun but commercial marketing and use had not yet been approved. The '433 patent had already been approved before the

according to the Commissioner, did not undergo a "regulatory review period." Needless to say, the patent owner asserted that the limitations of paragraph (6) are not part of the definition of regulatory review period "and are thus not part of the statute's eligibility requirements."³¹¹

The district court, stating that there was "sufficient ambiguity in that [statutory] language to accommodate and bear the weight of both positions," held for the Commissioner.³¹² The district court based its holding on an extensive review of the legislative history.³¹³

On appeal, the Federal Circuit analyzed the statutory language within the confines of the *Chevron* doctrine, and, after reciting the plain meaning rule, agreed with the district court that the statutory language of 35 U.S.C. § 156(g)(1)(A) was ambiguous.³¹⁴ However, the court proceeded to examine the legislative history in great detail and eventually reached a conclusion opposite to that of the district court and Commissioner.³¹⁵ The Federal Circuit initially stated that "the legislative history is silent" as to whether Congress intended the '433 patent "and those similarly situated patents for drugs approved shortly before enactment of the Act, to be eligible for a term extension."³¹⁶ However, the court proceeded to say that the "legislative history is not silent" with respect to whether § 156(g)(6) is part of the definition of "regulatory review period,"³¹⁷ and cited the following language to support its holding that "[i]t is clear from the . . . House Report that Congress intended . . . Section 156(g)(6) to be a limitation on the extension term" and not part of its definition:³¹⁸

*The definition of the various regulatory review periods is in sections 156(g)(1)-(3) The additional limitation on the period of extension is found in section . . . [156(g)(6)]. That section provides different maximum periods of extension depending on whether the approved product was developed before or after the date of enactment.*³¹⁹

enactment of the Act. See 35 U.S.C. § 156(g) (1988).

³¹¹ *Hoechst*, 917 F.2d at 525.

³¹² *Hoechst Aktiengesellschaft v. Quigg*, 724 F. Supp. 398, 401-03 (E.D. Va. 1989), *rev'd*, 917 F.2d 522 (Fed. Cir. 1990). The district court judge in *Hoechst*, Thomas Selby Ellis, III, also wrote the *Glaxo* opinion.

³¹³ *Hoechst*, 724 F. Supp. at 401-03.

³¹⁴ *Hoechst*, 917 F.2d at 526.

³¹⁵ *Id.* at 527.

³¹⁶ *Id.*

³¹⁷ *Id.*

³¹⁸ *Id.*

³¹⁹ *Id.* The court also stated: "Whether a drug has undergone a regulatory review

After reaching its conclusion, based on a reading of the legislative history, that § 156(g)(6) is only a limitation and not part of the definition of “regulatory review period,” the court began to speak in terms of the plain meaning rule as if the statute were unambiguous on its face.³²⁰

However, the statute is not clear and unambiguous. The Commissioner’s as well as the district court’s interpretation of § 156(g) is as reasonable as the Federal Circuit’s interpretation. The legislative history suggested that Congress wished to provide different periods of extension depending on: (1) when the patent was issued; (2) whether the patent owner applied for an exemption before enactment of the Act; and (3) whether the FDA approved the patent for commercial marketing and use before enactment of the Act. If, after considering these three limitations, a patent falls outside the limitations, one could reasonably conclude, as did the Commissioner and district court, that Congress did not contemplate a term extension for these types of patents.

The point that I want to make with respect to the *Hoechst* case is not so much that the Federal Circuit’s conclusion was wrong; rather, both the Commissioner’s and the Federal Circuit’s interpretations were reasonable, and given these alternative reasonable interpretations and ambiguous statutory language, the court should have deferred to the PTO.³²¹ After citing the *Chevron* doctrine and stating that the statutory language was ambiguous, the

period and the related patent is eligible for a term extension and how that extension should be limited are two completely different issues.” *Id.*

³²⁰ For example, the court, towards the end of the opinion, stated: “[W]e conclude that the district court’s assignment of a zero term extension to the ’433 patent is erroneous because it is speculative and disregards *express provisions* of the statute which render the ’433 patent eligible for a term extension.” *Id.* at 528 (emphasis added). According to the Federal Circuit: “[W]e are convinced that the *plain language of the statute* and the relevant legislative history mandate that a term extension be given the ’433 patent” *Id.* at 529 (emphasis added). This language appears to contradict the court’s assertion, earlier in the opinion, that “there is sufficient ambiguity in [the statutory language]” *Id.* at 526 (quoting *Hoechst*, 724 F. Supp. at 401).

³²¹ See *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 (1984). “[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency’s answer is based on a permissible construction of the statute.” *Id.* at 843. “The court need not conclude that the agency construction was the only one it permissibly could have adopted to uphold the construction, or even the reading the court would have reached if the question initially had arisen in a judicial proceeding.” *Id.* at 843 n.11; see also *Abbott Laboratories v. Young*, 920 F.2d 984, 988 (D.C. Cir. 1990), *cert. denied*, 502 U.S. 819 (1991) (“Even if we thought appellant’s interpretation were reasonable we could not accept it if we perceived still other possible reasonable constructions. It is, after all, for the agency to make the choice between such alternatives.”).

court could have easily deferred to the Commissioner's interpretation. Instead, the Federal Circuit mined the legislative history to find statutory meaning and reached a conclusion which, although reasonable, is no more convincing than the conclusion reached by the Commissioner and district court. Again, the court's "traditional tools of statutory construction" avoided step two of *Chevron*.

B. Missed Opportunities

In two statutory construction cases where the Federal Circuit did not apply the *Chevron* doctrine, a strong argument can be made that the same result would have been reached if the doctrine had been applied. The first case could have been decided at step one of *Chevron*, whereas the second decision strongly lent itself to a step two resolution.

1. In re Donaldson

Some background discussion of *In re Donaldson*³²² would be helpful before the case itself is discussed. The PTO has traditionally interpreted claims of a patent as broadly as reasonably possible, while affording the patent applicant the opportunity to file amendments to avoid prior art references. As part of this practice, the PTO has asserted that it is entitled to read a means-plus-function claim³²³ independent of any structure put forth in the specification. This practice was at odds with 35 U.S.C. § 112, paragraph 6, which reads:

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, *and such claim shall be construed to cover the corresponding structure, material, of acts described in the specification and equivalents thereof.*³²⁴

The PTO's apparent disregard for § 112, paragraph 6 was criticized by the

³²² 16 F.3d 1189 (Fed. Cir. 1994).

³²³ A means-plus-function claim allows the patent applicant to recite, in her claim, a "means" for performing some specified function as put forth in the specification of the patent application. For example, instead of claiming "a wooden leg nailed to a chair," the applicant, using means-plus-function language, could claim "a means for attaching a wooden leg to a chair." The means (e.g., nails, screws, glue, etc.) would be specified in the specification.

³²⁴ 35 U.S.C. § 112 (1988) (emphasis added).

Federal Circuit,³²⁵ but the PTO rebuffed the court's criticism as non-binding dicta. Thereafter, the Federal Circuit restated its contention that the PTO is bound by 35 U.S.C. § 112, paragraph 6.³²⁶ Again, the PTO ignored the court's ruling and issued a directive to its examiners stating that the PTO is not bound by the statute.³²⁷

This dispute culminated in *In re Donaldson*. In *Donaldson*, the Federal Circuit invoked the plain meaning rule:

The plain and unambiguous meaning of [Section 112] paragraph six is that one construing means-plus-function language in a claim must look to the specification and interpret that language in light of the corresponding structure, material or acts described therein, and equivalents thereof, to the extent that the specification provides such disclosure [The statute] does not state nor even suggest that the PTO is exempt from this mandate, and there is no legislative history to indicate that Congress meant that the PTO should be.

The Commissioner argues that his interpretation is entitled to deference in view of what the Commissioner alleges is the PTO's sweeping and long-standing practice of not applying paragraph six during examination. We disagree. The fact that the PTO may have failed to adhere to a statutory mandate over an extended period of time does not justify its continuing to do so.³²⁸

This case was decided correctly. What is missing from the court's analysis, however, is the application of the *Chevron* doctrine. Clearly, this case would not have proceeded beyond step one of *Chevron* in that Congress had "directly spoken to the precise question at issue" (i.e., A means-plus-function claim "shall be construed to cover the corresponding structure . . . described in the specification and equivalents thereof.").³²⁹ Why the court did not apply the *Chevron* framework is somewhat puzzling, given the fact that it was applied or at least addressed in *Ethicon*, *Glaxo*, and *Hoechst*. In these cases, *Chevron* deference to the PTO was circumvented by the court's textualist approach to statutory construction or aggressive analysis of the legislative history. In *Donaldson*, more than in any of three previously discussed cases, the statutory language was clear and lent itself to only one interpretation.

³²⁵ See *In re Iwahashi*, 888 F.2d 1370 (Fed. Cir. 1989).

³²⁶ See *In re Bond*, 910 F.2d 831 (Fed. Cir. 1990).

³²⁷ See *PTO Issues Directive to Examiners on Means-Plus-Function Equivalency*, *supra* note 19, at 411-12.

³²⁸ *Donaldson*, 16 F.3d at 1193-94.

³²⁹ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842 (1984).

2. In re Alappat

*In re Alappat*³³⁰ provided the Federal Circuit with another opportunity to apply the *Chevron* doctrine. *Alappat* involved the statutory interpretation of 35 U.S.C. § 7(b).³³¹ Although I recited the pertinent facts in Part II.A.1. above, it would be helpful if I restate them here.

In *Alappat*, a three-member BPAI reversed an examiner's non-statutory subject-matter rejection under 35 U.S.C. § 101. The examiner requested reconsideration of this decision, arguing that the BPAI's ruling was contrary to PTO policy. Pursuant to 35 U.S.C. § 7(b), the Commissioner designated an eight panel board, including the three original panel members, which not only granted the examiner's request for reconsideration, but reversed the original panel's decision. Section 7(b) states, in relevant part: "Each appeal and interference shall be heard by at least three members of the [BPAI], who shall be designated by the Commissioner. *Only the [BPAI] has the authority to grant rehearings.*"³³²

Alappat argued that only the BPAI has authority to grant rehearings, not the Commissioner. The Federal Circuit disagreed. After citing the plain meaning rule, the court held:

We . . . interpret the Commissioner's express statutory authority to designate the members of a panel hearing an appeal as extending to designation of a panel to consider a request for a rehearing pursuant to section 7(b). There is no indication to the contrary in the statute, and we have found no legislative history indicating a clear Congressional intent that the Commissioner's authority to designate the members of a Board panel be limited to exercising its rehearing authority only through the panel which rendered an original decision.³³³

³³⁰ 33 F.3d 1526 (Fed. Cir. 1994).

³³¹ The case also involved the interpretation of 35 U.S.C. § 101, but that is not directly relevant to the present discussion.

³³² 35 U.S.C. § 7(b) (1988) (emphasis added).

³³³ *Alappat*, 33 F.3d at 1533. To make this determination, the court had to rule that the BPAI is, for the most part, subservient to the Commissioner. For example, the court stated:

Even though [BPAI] members serve an essential function, they are but examiner-employees of the PTO, and the ultimate authority regarding the granting of patents lies with the Commissioner. For example, if the Board rejects an application, the Commissioner can control the PTO's position in any appeal through the Solicitor of the PTO; the Board cannot demand that the Solicitor attempt to sustain the Board's position. Conversely, if the Board approves an application, the Commissioner has the option of

Therefore, according to the Federal Circuit, “we find the Commissioner’s interpretation of section 7 to be a reasonable one entitled to deference, given that neither the statute itself nor the legislative history thereof indicates congressional intent to the contrary.”³³⁴

The statutory language was ambiguous, although the Federal Circuit did not expressly admit such. On one hand, the Commissioner is given the authority to designate BPAI panels of at least three members. On the other hand, the statute states that only the BPAI can grant rehearings. The statute neither explicitly states, nor denies, that the Commissioner has the authority to designate an expanded panel to consider a request for a rehearing. This ambiguity is manifested by the fact that the Federal Circuit interpreted the Commissioner’s authority, as did the Commissioner, to designate BPAI members “as *extending* to designation of a panel to consider a request for rehearing . . . ,”³³⁵ and held the Commissioner’s interpretation is “reasonable” and “entitled to deference.”³³⁶ In light of this ambiguity, the Federal Circuit recognized this case as one involving a policy determination,³³⁷ could have decided this issue at step two of the *Chevron* doctrine.

refusing to sign the patentThe Commissioner has an obligation to refuse to grant a patent if he believes that doing so would be contrary to law. The foregoing evidences that the Board is merely the highest level of the Examining Corps, and like all other members of the Examining Corps, the Board operates subject to the Commissioner’s overall ultimate authority and responsibility

. . . Congress clearly did not intend the [BPAI] to be independent of any and all oversight by the Commissioner.

Id. at 1535–36.

³³⁴ *Id.* at 1532–33.

³³⁵ *Id.* at 1533 (emphasis added).

³³⁶ *Id.* at 1532–33.

³³⁷ In this vein, the Federal Circuit stated:

[W]e acknowledge the considerable debate and concern among the patent bar and certain Board members regarding the Commissioner’s limited ability to control decisions through his authority to designate Board panels. Our responsibility, however, is merely to adjudge whether the Commissioner’s designation practices as they were applied in this particular case resulted in a valid decision over which this court may exercise subject matter jurisdiction, not to assess whether they were sound from a public policy standpoint. We leave to the legislature to determine whether any restrictions should be placed on the Commissioner’s authority in this regard. Absent any Congressional intent to impose such restrictions, we decline to do *so sua sponte*.

Id. at 1536.

IV. POLICY AND THE PTO

A primary concern in administrative law focuses on whether the agency or the court should have the authority to interpret a particular statutory provision. In Part II, I explored this question in the context of the PTO's congressional delegation to examine and issue patents. In this section, I step outside the confines of delegated authority and focus on the comparative advantages of the PTO in determining patentability.

A commentator, five years before *Graham* was decided, put forth a policy argument which purportedly supports the *Graham* decision. This argument emphasized the comparative advantages of an appellate court over a trial court in making a patentability determination:

The real question thus is whether a trial court is better able than an appellate court to determine the presence or absence of invention. . . . A trial judge is likely to be neither more able nor more expert than an appellate judge in this respect. He is, therefore, in no better position to decide whether a given set of facts falls within the legislative standard.

An ambiguous standard like the 'ordinary artisan' cannot be clarified by general principles since the factual situation upon which those principles would depend is not likely to recur. If appellate courts are to perform their function of clarifying legislative terms at all, they must do so in such cases through application of the standard. The cardinal point therefore is that invention is largely a question of policy, and if it is to be decided by the court at all, as it must under the general standard of the Patent Act, the opinion of the trial judge should not be final.³³⁸

Based on its current judicial review standards, the Federal Circuit could adopt this same policy argument with respect to the PTO in that the court applies the same standards of review to the PTO as it does to a trial court. Implicit in the Federal Circuit's de novo and clearly erroneous standards of review is that the court is "better able," or at least in as good a position, to make patentability determinations than the PTO. This implication, however, ignores the trenchant policy arguments in support of deference, including the inherent institutional attributes that the PTO contributes to its patentability determinations and statutory interpretations. There are four predominate policy rationales which manifest this comparative advantage and suggest that the balance of interpretive power should lie with the PTO.

³³⁸ Comment, *Appellate Review of Determinations of Patentable Inventions*, 29 U. CHI. L. REV. 185, 195-97 (1961).

A. *The Economics of Patentability Determinations*

Technology is transient and is persistently changing in unforeseeable ways. Yesterday there was the light bulb; today there are the human genome and DNA sequences. Patentability determinations must take into consideration the ephemeral nature of technology and its effect on society. Furthermore, a patentability determination should go beyond the technology and become familiar with industry practices which beget technological innovation, that is, the research and development decision making processes as they relate to patentability. The economic literature on patents suggests that the research and development decisions of certain industries are influenced by the prospect of patentability and patentability standards.³³⁹ As Professor Merges has stated: "Indeed, because the [patentability] standard will influence [R & D] decisions, courts charged with interpreting the nonobviousness standard ought to be cognizant of its impact on the behavior of firms, and ought to modify it where necessary to carry out the underlying goals of the patent system."³⁴⁰

Although the courts should have an understanding of the impact of patentability standards, instead of speaking in terms of the "courts charged with interpreting" these standards, it makes more sense, from an administrative law perspective, to refer to the PTO as "charged with interpreting" patentability requirements. The fact that the Federal Circuit, not unlike all Article III courts, is institutionally removed from the day to day operations of the private industrial sector and deal with legal problems episodically, highlights one of the major advantages of the PTO as an agency.

For example, the PTO has the institutional capability to conduct public

³³⁹ See *supra* note 13.

³⁴⁰ See Merges, *supra* note 14, at 12. Professor Merges further stated:

The standard of patentability is assumed to have behavioral effects and thus merits careful review. Firms will say, "Look, Firm A got a patent for doing that risky research; let's do some risky research ourselves." There are several reasons to believe the patent standard has such effects. Detailed case studies show that almost every firm at least tries to evaluate the cost effectiveness of proposed research and development projects. R&D managers also consider "patentability" or "patent strength" prior to investing in R&D projects. Thus the prospect of getting a patent may enter into the *initial* project investment or selection choice. If so, the standard of patentability enters at this stage. Even for firms whose research proceeds further before making a detailed cost/benefit analysis, patentability might enter in the very rough (and sometimes implicit) economic feasibility decisions made by the R&D department at the outset of the research project.

Id. at 10-12.

hearings specifically targeted to particular industries.³⁴¹ This mechanism allows the PTO to familiarize itself with the nature of the technology as well as how the industry perceives the patentability requirements and the effect of those standards on the industry's R&D decision making process and overall competitiveness in the international market.³⁴² This point cannot be

³⁴¹ For example, the PTO held public hearings on October 17, 1994 and January 26–27, 1994 with the biotechnology and computer software industries, respectively. See *Patent and Trademark Office: Biotech Industry Blasts PTO at San Diego Hearing*, 48 Pat. Trademark & Copyright J. (BNA) 677 (Oct. 20, 1994); *Patent and Trademark Office: PTO Hears from Silicon Valley on Patent Protection for Software*, 47 Pat. Trademark & Copyright J. (BNA) 307 (Feb. 3, 1994). On July 20, 1994, the PTO held hearings on the nonobviousness standard as applied by PTO examiners. See *Patent and Trademark Office: Biotech Industry Blasts PTO at San Diego Hearing, supra*, at 677. At the public hearings relating to the biotechnology industry, the PTO sought to get feedback from the industry concerning a number of unsettled issues. Specifically, (1) the legal standards relating to § 101 utility; (2) the enablement and operability requirements under § 112; and (3) the level of ordinary skill in the art under § 103. Over fifty witnesses testified and most offered constructive criticism of the PTO's application of the patentability requirements and offered several suggestions for improving the examination of biotech patent applications. See *Patent and Trademark Office: Biotech Industry Blasts PTO at San Diego Hearing, supra*, at 677. The computer software hearings were held to elicit public comment on several issues, "including the possible need for new standards of patentability and/or a new form of protection for software-related inventions, and the adequacy of the current examination process for software applications." In short, the hearings were designed to ascertain "just how much patent protection is enough, and whether the current system stifles rather than encourages development for the nation's software producers." See *Patent and Trademark Office: PTO Hears from Silicon Valley on Patent Protection for Software, supra*, at 307. With respect to the nonobviousness hearings, the PTO invited public comment on whether the United States patent policy is being effectively served by the current standard of nonobviousness. A vast array of suggestions were made both supporting and criticizing the current nonobviousness standard and the application of such. Indeed, these hearings are extremely informative and enable the PTO to better understand how each patentability requirement affects the behavior of various industries.

³⁴² See Interview with Lehman, *supra* note 20. According to the Commissioner:

Under my regime, we have instituted this policy of public hearings and, on a policy basis, we can reach out to the world in a way that is entirely impossible for the Federal Circuit. All the Federal Circuit can do is all that it is ethically permitted to do. That is to read the briefs and listen to the oral arguments of the parties. This is not remotely close to the fact, information, and policy gathering apparatus that we have here, where not only can we rely on our internal staff of literally thousands of technical people, examiners and lawyers, but also our capacity to reach out and have public hearings; to meet and talk with people in the bar, all of these various groups that deal with this office. So by failing to give deference to us, the Federal Circuit is just shutting

overemphasized. The pharmaceutical, biotechnology, computer software, and chemical industries, to name but a few, annually spend billions of dollars on R&D. Each of these industries is unique, and each has a different perception of how the patentability requirements affect their R&D decisions. As such, the PTO is uniquely positioned to engage these industries and has the institutional flexibility to "modify [the patentability requirements] where necessary to carry out the underlying goals of the patent system."³⁴³

1. *The Problem of "Capture"*

Capture has been defined as when an agency "favors the concerns of the industry it regulates, which is well-represented by its trade groups and lawyers, over the interests of the general public, which is often unrepresented."³⁴⁴ There is a potential problem with agency capture with respect to patentability determinations. During these public hearings held by the PTO, the testimonials are usually, if not always, from large corporations from various industries, including the pharmaceutical, biotechnology, and computer software industries. It is a rare occasion when societal concerns are heard. The public is simply left out of the decision making process and becomes detached, thus perhaps endangering the credibility of the patent examination process. Yet just how this one sided approach has affected PTO rulemaking or adjudication is unclear.

themselves off from the benefit of this internal mechanism. I think they are being very reckless, frankly, with one of the most critical areas of United States law.

Id.

³⁴³ See *Merges*, *supra* note 14, at 12; see also *Scalia*, *supra* note 5, at 517 ("[O]ne of the major advantages [of *Chevron*] . . . is to permit needed flexibility, and appropriate political participation in the political process. One of the major disadvantages of having the courts resolve ambiguities is that they resolve them forever and ever; only statutory amendment can produce a change."); *Sunstein*, *Law and Administration*, *supra* note 5, at 2088 asserts:

Sometimes regulation is made more difficult because of the pervasive problem of changed circumstances. New developments involving technological capacity, economics, the international situation, or even law may affect regulatory performance. Congress is unable to amend every statute to account for these changes, a situation that creates a genuine problem for those who must apply the statute. Here as well, administrators are in a far better position than courts to interpret ambiguous statutes in a way that takes account of new conditions.

³⁴⁴ RICHARD J. PIERCE, JR. ET. AL., *ADMINISTRATIVE LAW AND PROCESS* § 1.7.2 (2d ed. 1992).

Furthermore, some have argued that the Federal Circuit, and not just the PTO, may be susceptible to capture.³⁴⁵ With both the court and the PTO potentially subject to capture, one can argue that the overall policy considerations tip the scale in favor of deference to the PTO with respect to patentability determinations.

B. *Security in Property Rights*

We as a society, protective of our public domain, are concerned that patents not issue to applicants who fail to satisfy the requisite patentability requirements. Patents that never should have issued because of unknown prior art at the time of examination should be invalidated and removed from the protectorate of our patent laws. On the other hand, with an eye towards encouraging innovation,³⁴⁶ we should be sensitive to the notion of security in property rights. A patentee should have a certain degree of security in the validity of her patent and a reasonable expectation that she will be able to recoup her research and development expenditures without living in fear of constant invalidity challenges.³⁴⁷ As Judge Plager has stated:

³⁴⁵ See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 68 (1989) ("Of course, specialization poses the risk of bias, and without public confidence in the court's neutrality, its ability to exploit the benefits of specialization will be compromised."); Thomas K. Landry, *Certainty and Discretion in Patent Law: The On Sale Bar, The Doctrine of Equivalents, and Judicial Power in the Federal Circuit*, 67 S. CAL. L. REV. 1151, 1206 (1994) ("[S]pecialization widens the gap between the public and the decisionmaker. Authoritatively as well as geographically, the public loses sight as bureaucratization removes to expert control. The interested public is redefined to include only those who are part of the same specialized subculture as the decisionmaker."); cf. Owen M. Fiss, *The Bureaucratization of the Judiciary*, 92 YALE L.J. 1442, 1466 (1983) ("Establishing specialized courts also raises questions about the value of a general, non-specialized perspective on legal issues. . . . [The judgments of a non-specialist have] less chance of capture by a special interest group. I would [therefore] . . . confine this strategy [of creating specialized courts] to areas where there is less value to the generalist's insight and less danger of capture.")

³⁴⁶ See *supra* note 13 for economic justifications for a patent system; see also *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985) ("The encouragement of investment-based risk is the fundamental purpose of the patent grant . . .").

³⁴⁷ The Federal Circuit has recognized this expectation aspect of a patentee's property interest. See *Patlex*, 758 F.2d at 599.

[W]e would not belabor the point that patent property rights, necessarily including the right 'to license and exploit patents,' fall squarely within both classical and judicial definitions of protectible property. Suffice to cite the scholarship of Jeremy Bentham, who defined property as "the collection of rules which are presently accepted as

I can't imagine an administrative law arrangement where you get a license, a permit, a grant, which people can challenge time and time again It not only surprises me, it amazes me. Why would you possibly have a system that gives you a government grant which is little more than a right to litigate? That's what it really is—a federal right to litigate. Well, when I make a great invention I don't want a federal right to litigate—I want a protected property interest in that invention.³⁴⁸

By second guessing the PTO's patentability determinations in the form of de novo and the clearly erroneous review, the Federal Circuit infuses a degree of insecurity in a patentee's property interest which may adversely affect innovation and frustrate the patentee's proprietary expectations. As discussed above, this does not mean that the Federal Circuit should give *Chevron* deference to the PTO if unexamined prior art is discovered. But if the PTO did consider the prior art reference which is reasserted by an alleged infringer, the court should apply the *Chevron* doctrine when reviewing the validity of the challenged patent. Furthermore, the court's standards of review encourage unnecessary litigation in that potential patent infringers, knowing they will be able to subject a patent to de novo review, are more likely to challenge a patent's validity than if the review were more deferential to the PTO.

Lastly, although the PTO's affirmance rate is approximately 89%,³⁴⁹ an argument can be made that this affirmance rate does not foster the requisite degree of security in property rights that is necessary for sustained and innovative research and development. What if one out of every ten real property deeds resulted in a conveyance of false title? Indeed, the Federal Circuit has held that patents are property just as much as land:

It is beyond reasonable debate that patents are property. In *Consolidated Fruit Jar Co. v. Wright*, . . . the Supreme Court stated: "A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions. . . . [P]atents are property and therefore subject to the principles of eminent domain."³⁵⁰

governing the exploitation and enjoyment of resources. So regarded, property becomes a *basis of expectations* founded on existing rules It is supposed that men will not labor diligently or invest freely unless they know they can depend on rules which assure them that they will indeed be permitted to enjoy a substantial share of the product as the price of their labor or their risk of savings."

Id. (emphasis added).

³⁴⁸ See Interview with Judge Plager, *supra* note 1, at 6.

³⁴⁹ See *supra* note 106.

³⁵⁰ See *Patlex*, 758 F.2d at 599.

C. PTO Expertise and Scientific Complexity

Agency expertise has long been a justification for according deference.³⁵¹ It is axiomatic that patentability determinations are highly technical and complex and require a great deal of technical expertise. The subject matter of a claimed invention can range from biotechnology and pharmaceuticals to computer software and semiconductor chips. A firm grasp of the technology and how it relates to the patentability requirements are essential in making a

³⁵¹ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 865 (1984). (“In these cases, the Administrator’s interpretation represents a reasonable accommodation of manifestly competing interests and is entitled to deference: the regulatory scheme is technical and complex.”); *Pension Benefit Guar. Corp. v. LTV Corp.*, 496 U.S. 633, 651–52 (1990) (“[A]gency expertise is one of the principal justifications behind *Chevron* deference.”); see also *Aluminum Co. of America v. Central Lincoln Peoples’ Util. Dist.*, 467 U.S. 380, 389–90 (1984), stating that:

We have often noted that the interpretation of an agency charged with the administration of a statute is entitled to substantial deference. . . . To uphold [the agency’s interpretation] we need not find that its construction is the only reasonable one, or even that it is the result we would have reached had the question arisen in the first instance in judicial proceedings We need only conclude that it is a reasonable interpretation of the relevant provision *These principles of deference have particular force in the context of this case. The subject under regulation is technical and complex.*

Id. (emphasis added); *Consolo v. Federal Maritime Comm’n*, 383 U.S. 607, 620 (1966). In *Federal Power Comm’n v. Florida Power & Light Co.*, 404 U.S. 453, 463 (1972), the Court stated:

A court must be reluctant to reverse results supported by such a weight of considered and carefully articulated expert opinion. Particularly when we consider a purely factual question within the area of competence of an administrative agency created by Congress, and when resolution of that question depends on ‘engineering and scientific’ considerations, we recognize the relevant agency’s technical expertise and experience and defer to its analysis unless it is without substantial basis in fact.

Id. (emphasis added). The Federal Circuit has also recognized that expertise is a factor in the area of international trade. See *Consumer Products Div., SCM Corp. v. Silver Reed American, Inc.*, 753 F.2d 1033, 1039 (Fed. Cir. 1985) (“In determining whether a regulation is reasonable, we must give considerable deference to the expertise of the agency [ITA], i.e., the ‘master of the subject.’”); *Avesta AB v. United States*, 914 F.2d 233, 237 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 920 (1991) (referring to expertise of ITC).

patentability determination.

The Federal Circuit's current standards of judicial review discount, if not completely ignore, the considerable scientific expertise of the PTO and its unique institutional capability to engage in patentability determinations.³⁵² Every patent examiner possesses a technical undergraduate degree and many have doctorates in their respective disciplines. The examiners must also graduate from the Patent Academy;³⁵³ and the judges sitting on the BPAI are, as required by statute, not only technically proficient, but have law degrees as well.³⁵⁴

In one sense, the Federal Circuit's high affirmance rate of issued patents and BPAI non-section 103 determinations reflects the expertise of the PTO.³⁵⁵ Of course, the high affirmance rate is a double-edged sword. That is, if the Federal Circuit affirms the PTO in a vast majority of cases, what difference would it make if greater deference were accorded to the PTO? There are three answers to this question. First, the affirmance rate of § 103 appeals arising from the BPAI is relatively low. Second, an 89% affirmance rate of issued patents means that roughly one out of every 10 patents is invalidated. As I

³⁵² See Interview with Lehman, *supra* note 20.

I think that a nonobvious determination is so clearly a technical determination I mean we have 2000 patent examiners and in the area of biotechnology, we have over 150 Ph.Ds. How a judge for the CAFC, even if they are a patent lawyer, can presume to know more about whether something meets that nonobviousness test than a highly trained, skilled patent examiner, often times with a Ph.D, is beyond me.

Id.

Furthermore, one of the strongest motivating factors behind the enactment of the reexamination statute is that it permitted an issued patent to be "tested in the Patent Office where the most expert opinions exist" See H.R. 1307(I), 96th Cong., 2d Sess. 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6463; see also *Reiner v. I. Leon Co.*, 285 F.2d 501, 504 (2d Cir. 1960)(Hand, J.) ("To judge on our own that this or that new assemblage of old factors was or was not 'obvious' is to substitute our ignorance for the acquaintance with the subject of those who were familiar with it.").

³⁵³ The Patent Academy is a school within the PTO designed to train examiners in the laws and regulations associated with the patent examination process. The examiner/student must satisfy 114 hours of course work on 36 topics, including 12 hours on the doctrine of nonobviousness; 5 hours on categories of invention and claim construction; 5.5 hours on novelty/anticipation; and 4.5 hours on appeals to the BPAI.

³⁵⁴ See 35 U.S.C. § 7(a) (1988) ("The examiners-in-chief shall be persons of competent legal knowledge and scientific ability The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the Board of Patent Appeals and Interferences.")

³⁵⁵ See *supra* note 106.

discussed above, the invalidation of one out of every 10 patents does not necessarily lend itself to an optimal level of security in one's property interest. Lastly, and most importantly, even if the current affirmance rate has a positive effect on research and development and fosters a sense of security in property rights, such does not necessarily mean that the Federal Circuit, with its *de novo* and clearly erroneous standards of review, is promoting an efficient judicial review mechanism.

1. *The Problem of "Reverse Capture"*

My appraisal of PTO expertise is not to say that I don't share many of the concerns of the private bar with respect to the technological competency of the PTO. Indeed, this is a serious concern, one that can be viewed as a kind of "reverse capture." That is, the problem is not so much the danger of the PTO being beholden to private industry, as it is the PTO's inability to competently understand and apply the ever transient technologies which examiners encounter daily. Nevertheless, the question remains: Is the Federal Circuit the most optimal forum to decide patentability? I think the answer is clearly no. First, there are other cogent policy considerations which outweigh any technological deficiencies within the PTO. Second, the internal operations of agencies are executive and congressional concerns. It is not incumbent upon the judiciary to remedy what it perceives to be agency incompetence. Lastly, every patent, of course, is not litigated and it is difficult to ascertain the percentage of patents which should have never been issued. My feeling is that the percentage is not very high. Then again, many firms decide not to challenge the validity of a patent, not so much because they believe that the patent is valid, but because of the costly nature of patent litigation. This leads me once again to a proposal I made earlier. That is, one of the best ways to remedy any shortcomings the PTO may have with respect to technological competency is to introduce a European-style opposition proceeding into the examination process. But again, that is a topic for a later time.

D. *Judicial Efficiency*

A patent application on appeal before the Federal Circuit, before reaching the court, has been reviewed by not only a patent examiner adept in the relevant technology, but the BPAI, whose members are technically and legally proficient.³⁵⁶ Given the technical and legal expertise of the PTO, the Federal Circuit's *de novo* and clearly erroneous standards of review foster judicial

³⁵⁶ See 35 U.S.C. § 7(a) (1988).

inefficiency and call into question the very existence of the PTO.

In *In re Vaeck*,³⁵⁷ a case in which the panel majority reversed the BPAI's § 103 nonobviousness rejection, Judge Mayer, in his dissent, commented on this inefficiency:

An appeal is not a second opportunity to try a case or prosecute a patent application, and we should not allow parties to "undertake to retry the entire case on appeal." But that is precisely what the court has permitted here. The PTO conducted a thorough examination of the prior art surrounding this patent application and concluded the claims would have been obvious. The board's decision based on the examiner's answer which comprehensively explains the rejection is persuasive and shows how the evidence supports the legal conclusion that the claims would have been obvious. *Yet the court ignores all of this and conducts its own examination, if you will, as though the examiner and board did not exist. Even if I thought this opinion were more persuasive than the board's, I could not join it because it misperceives the role of the court.* There may be more than one way to look at the prior art, but on this record we are bound by the PTO's interpretation of the evidence because it is not clearly erroneous and its conclusion is unassailable. I would affirm on that basis.³⁵⁸

Judge Mayer's dissent, despite its "clearly erroneous" language, nicely highlights the inefficient nature of de novo review and implicitly calls attention to the above mentioned policy considerations.

V. CONCLUSION

Throughout this Article, I have asserted that the Federal Circuit's standards of review and its "traditional tools of statutory construction" result in a less than optimal balance of interpretive power between itself and the PTO. The *Chevron* decision dictates that the Federal Circuit dispense with its de novo review and apply the *Chevron* two-step to questions of patent validity, especially those involving a nonobviousness determination. Furthermore, *Overton Park*, *State Farm*, and § 706(2)(A) of the APA strongly suggest that the court stop treating the PTO as if it were an Article III court, and apply the "arbitrary and capricious" test when reviewing the fact findings of the PTO. As for the Federal Circuit's review of the Commissioner's statutory interpretations, the court seems to engage in a searching analysis at step one of *Chevron* in an attempt to uncover any semblance of statutory clarity. This approach to statutory interpretation is troublesome and leads to unconvincing

³⁵⁷ 947 F.2d 488 (Fed. Cir. 1991).

³⁵⁸ *Vaeck*, 947 F.2d at 496-97 (Mayer, J., dissenting) (emphasis added).

and, at times, irrational holdings. Lastly, I have argued that there are four policy considerations which suggest that the Federal Circuit should be more deferential to the PTO. These policy concerns highlight the PTO's institutional comparative advantages and lend convincing support to my doctrinal assertion that greater deference is warranted.

