

Faculty Scholarship

1992

Judicial Deference to the PTO's Interpretations of the Patent Law

R. Carl Moy

Mitchell Hamline School of Law, carl.moy@mitchellhamline.edu

Publication Information

74 *Journal of the Patent and Trademark Office Society* 406 (1992)

Repository Citation

Moy, R. Carl, "Judicial Deference to the PTO's Interpretations of the Patent Law" (1992). *Faculty Scholarship*. Paper 154.
<http://open.mitchellhamline.edu/facsch/154>

This Article is brought to you for free and open access by Mitchell Hamline Open Access. It has been accepted for inclusion in Faculty Scholarship by an authorized administrator of Mitchell Hamline Open Access. For more information, please contact sean.felhofer@mitchellhamline.edu.

Judicial Deference to the PTO's Interpretations of the Patent Law

Abstract

This article attempts to provide a basis upon which to preserve the Federal Circuit's current lawmaking primacy. Given the large body of preexisting literature on *Chevron, USA, Inc v. Natural Resources Defense Council*, it does not address whether *Chevron* allocates power between agencies and the courts optimally. Rather, the article examines how the PTO's statutory interpretations should be reviewed under *Chevron*. In Section I, the article places the examination in context by describing the *Chevron* decision and its general implications. Section II of the article examines how *Chevron* should be applied specifically in the context of reviewing statutory interpretations of the PTO. The article observes that the Federal Circuit has so far avoided deferring to the PTO by emphasizing Congress' intent as a limitation on the PTO's lawmaking power. Under *Chevron*, however, Congress' intent governs only where Congress has expressed itself clearly on the precise question at issue. The article argues that the PTO is outside the class of Federal agencies to whose statutory interpretations the judiciary owes deference. The PTO performs few of the traditional functions of Federal agencies. It is, in fact, structurally isolated from so much of the patent system that the assumptions of agency expertise responsible for *Chevron* are inapplicable. There is also evidence that Congress has affirmatively decided to give lawmaking power in the patent field to the courts and not the PTO. As a result, the article concludes, the courts need not defer to the PTO's statutory interpretations even in those situations where the statutory language is ambiguous.

Keywords

Chevron, USA, Inc v. Natural Resources Defense Council, deference, PTO, statutory interpretations, Federal Circuit

Disciplines

Courts | Intellectual Property Law

Judicial Deference to the PTO's Interpretations of the Patent Law

*R. Carl Moy**

TABLE OF CONTENTS

INTRODUCTION	407
I. <i>CHEVRON, U.S.A., INC. V. NATURAL RESOURCES DEFENSE COUNCIL</i>	
A. <i>The Chevron Decision and Its Rationale</i>	410
B. <i>The General Significance of Chevron</i>	412
C. <i>The Potential Impact of Chevron Deference on Judicial Review of the PTO's Statutory Interpretations</i>	414
D. <i>Chevron's Impact to Date on the Federal Circuit's Review of the PTO</i>	416
II. IS THE PTO ENTITLED TO <i>CHEVRON</i> DEFERENCE?	418
A. <i>The Entitlement to Chevron Deference Generally</i>	
1. <i>Chevron as evolution</i>	419
2. <i>Entitlement in light of the traditional functions of agencies</i>	421
B. <i>The PTO's Entitlement to Chevron Deference</i>	
1. <i>The PTO's role in the statutory scheme</i>	426
2. <i>The PTO's historical familiarity with the patent statute</i>	433
C. <i>Analysis and Prior Precedents</i>	435
III. CONCLUSION	438

* Assistant Professor, William Mitchell College of Law; Of counsel, Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A. The author would like to thank Karen Canon and Mark Seidenfeld, Professor of Law, Florida State University, for their willingness to review numerous drafts of this work, and Amy Itoku for her research assistance.

INTRODUCTION

Historically, the relative powers of the Patent and Trademark Office ("PTO") and the courts to determine the law of patents have been unclear. It has been generally assumed that the PTO is subservient to the courts, and that the PTO must adhere to the law as the courts determine it to be.¹ The PTO's behavior in this regard is not uniform, however, and the PTO has occasionally refused to acquiesce to the decisions of its supervising courts.²

Recently the PTO has begun to assert that it, and not the United States Court of Appeals for the Federal Circuit ("Federal Circuit"), has the primary power to interpret the provisions of Title 35, U.S.C. The PTO has taken litigation positions in a number of recent cases which suggest that the Federal Circuit must defer to the PTO's statutory interpretations, provided those interpretations are reasonable

1 *E.g.*, *In re Gibbs*, 437 F.2d 486, 491 (CCPA 1971) ("[C]learly this court is not bound by a ruling of the Commissioner of Patents . . . , regardless of how ingrained his ruling may have become in Patent Office practice. . . . There is respectable and higher authority contrary to [the] Commissioner . . . to be found in [a decision of the United States Court of Appeals for the Seventh Circuit.]; Geniesse, *The Examination System in the U.S. Patent Office*, at 35, Patent Study No. 29 of the Subcomm. on Patents, Trademarks and Copyright of the Committee on the Judiciary of the United States Sen., 86th Cong., 2d Sess. (1958) (reports in this set are hereinafter referred to individually as "Patent Study No. ____") ("[D]ecisions of the Court of Customs and Patent Appeals . . . generally are controlling with respect to the Office.").

2 For example, the Court of Customs and Patent Appeals held, in *In re Bowers*, 359 F.2d 866 (1966), that common assignees could use terminal disclaimers to address double-patenting rejections between applications filed by different inventive entities. The PTO subsequently issued a Notice stating that it would not adopt that practice. *Notice: Double Patenting* (Comm'r. Pat. Jan. 9, 1967), reprinted at 834 O.G. 1615 (Jan. 31, 1967). It later abandoned that practice and conformed to court precedents. See *Notice: Initial Guidelines Implementing Changes in 35 U.S.C. §§ 103, 116, and 120*, (Comm'r. Pat. Dec. 11, 1984), reprinted at 1050 O.G. 316 (Jan. 8, 1985); *Notice of Final Rulemaking: Final Rules for Miscellaneous Patent Provisions*, 50 Fed. Reg. 9368 (1985).

More recently, the PTO has promulgated a new set of rules defining the applicant's duty to disclose information to the PTO during prosecution. *PTO Notice of Final Rulemaking — Duty of Disclosure*, 57 Fed. Reg. 2021 (Jan. 17, 1992) (hereinafter "*PTO Notice Regarding Duty of Disclosure*"). See *infra*, note 146. Certain provisions of the rules are specifically designed to overturn common-law precedents of the United States Court of Appeals for the Federal Circuit. See generally, Moy, *The Effect of New Rule 56 on Inequitable Conduct Determinations in the Courts*, 74 JPTOS 257 (April 1992) (hereinafter "*The Effect of New Rule 56*").

The PTO has recently refused to acquiesce to the Federal Circuit's interpretation of the sixth paragraph of 35 U.S.C. § 112 in patentability determinations. *Directive to the Examining Corps* (Comm'r. Pat. Dec. 3, 1990), reprinted at 41 PTCJ 411-12 (Mar. 14, 1991) (stating decision not to follow *In re Bond*, 910 F.2d 831 (Fed. Cir. 1990)) (hereinafter "*PTO Notice Regarding Section 112*"). See *infra*, at notes 61, 147-57.

and not contrary to the intent of Congress.³ The PTO has also justified on the same grounds its refusal to adopt a statutory interpretation of the Federal Circuit.⁴

The PTO is thus asserting that its statutory interpretations are entitled to judicial deference similar to that given the interpretory rulings of other Federal agencies.⁵ In so doing, it has relied on a controversial recent decision of the United States Supreme Court, *Chevron, U.S.A., Inc. v. Natural Resources Defense Council*.⁶ The *Chevron* decision has been the subject of numerous articles in the field of Administrative Law.⁷ Prominent authors on both sides of the debate suggest that *Chevron* is capable of fundamentally reallocating lawmaking power away from the courts and to Federal agencies.⁸

The PTO's assertion thus touches upon the basic arrangement of the patent system. If the PTO's statutory interpretations are entitled to *Chevron* deference the primary source for much of patent law will be the PTO and not the Federal Circuit. Preserving the current primacy of the Federal Circuit, however, requires fitting the relative powers of the PTO and the Federal Circuit within the Supreme Court's analysis in *Chevron*.

This article attempts to provide a basis upon which to preserve the Federal Circuit's current lawmaking primacy. Given the large body of preexisting literature on *Chevron*, it does not address whether *Chevron* allocates power between agencies and the courts optimally.

3 *Ethicon v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988) (construction of 35 U.S.C. §§ 301-07 in relation to stays of reexamination proceedings); *Glaxo Operations U.K. Ltd. v. Quigg*, 894 F.2d 392, 398 (Fed. Cir. 1990) (interpretation of "product" in 35 U.S.C. § 156(a)); *Hoechst v. Aktiengesellschaft v. Quigg*, 917 F.2d 522 (Fed. Cir. 1990) (35 U.S.C. § 156).

4 PTO Notice Regarding Section 112, 41 PTCJ 411. See *infra*, at notes 61, 147-57.

5 E.g., Notice: Applicability of the last paragraph of 35 U.S.C. § 112 to patentability determinations before the Patent and Trademark Office (Comm'r. Pat. Dec. 13, 1991), reprinted at 43 PTCJ 161, 164 (Dec. 19, 1991) (hereinafter "PTO Explanatory Notice").

6 467 U.S. 837 (1984). See e.g., *Glaxo v. Quigg*, 894 F.2d at 398; PTO Explanatory Notice, 43 PTCJ at 164.

7 E.g., Breyer, *Judicial Review of Questions of Law and Policy*, 38 Admin. L. Rev. 363 (1986) (hereinafter "Breyer"); Byse, *Judicial Review of Administrative Interpretations of Statutes; An Analysis of Chevron's Step Two*, 2 Admin. L.J. 255 (1988); Farina, *Statutory Interpretation and the Balance of Power in the Administrative State*, 89 Colum. L. Rev. 452 (1989) (hereinafter "Farina"); Mikva, *How Should Courts Treat Administrative Agencies?*, printed in 36 Am. U.L. Rev. (1986) (hereinafter "Mikva"); Pierce, *Chevron and Its Aftermath: Judicial Review of Agency Interpretations of Statutory Provisions*, 41 Vand. L. Rev. 301 (1988) (hereinafter "Pierce"); Starr, *Judicial Review in the Post-Chevron Era*, 3 Yale J. on Reg. 283 (1986) (hereinafter "Starr"); Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 Duke L.J. 511 (hereinafter "Scalia"); Sunstein, *Law and Administration After Chevron*, 90 Colum. L. Rev. 2071 (1990) (hereinafter "Sunstein").

8 See e.g., Farina, 89 Colum. L. Rev. at 464-67, and Scalia, 1989 Duke L.J. at 512-13.

Rather, the article examines how the PTO's statutory interpretations should be reviewed under *Chevron*.⁹ In Section I, the article places the examination in context by describing the *Chevron* decision and its general implications. Section II of the article examines how *Chevron* should be applied specifically in the context of reviewing statutory interpretations of the PTO.

The article observes that the Federal Circuit has so far avoided deferring to the PTO by emphasizing Congress' intent as a limitation on the PTO's lawmaking power. Under *Chevron*, however, Congress' intent governs only where Congress has expressed itself clearly on the precise question at issue. In reality Congress acts with such clarity only rarely. The Federal Circuit's current manner of dealing with *Chevron* therefore does not really justify the lack of deference that the court is according the PTO.

The article argues instead that the PTO is outside the class of Federal agencies to whose statutory interpretations the judiciary owes deference. The PTO performs few of the traditional functions of Federal agencies. It is, in fact, structurally isolated from so much of the patent system that the assumptions of agency expertise responsible for *Chevron* are inapplicable. There is also evidence that Congress has affirmatively decided to give lawmaking power in the patent field to the courts and not the PTO. As a result, the article concludes, the courts need not defer to the PTO's statutory interpretations even in those situations where the statutory language is ambiguous.

⁹ This, of course, is more limited than addressing judicial review of the PTO's legal determinations generally. Unlike many areas of Federal law, large portions of the law of patents are controlled by case law rather than statutory provisions. Federico, *Commentary on the New Patent Act*, at 2, reprinted in 35 U.S.C.A. (1954 ed.). *Chevron* deals with agency interpretations of statutes, and therefore does not apply directly to agency interpretations of case law.

Nor does *Chevron* provide a ready analogy to the proper review of case law interpretations. The more startling implications of *Chevron* result from assumptions concerning Congress' intent with regard to the statutory provision at issue, which binds the courts under the theory of separation-of-powers. See *infra*, at notes 30-32. When a court reviews an agency interpretation of case law, however, the court itself has the basic lawmaking authority. The court's power to disagree with the agency without deference in such a situation is therefore clear.

Practically, this means *Chevron* should provide little or no reason to defer to the PTO's lawmaking efforts in areas controlled by common law, such as inequitable conduct and the duty to disclose. See generally *The Effect of New Rule 56*, 74 JPTOS 257. The present article, however, does not address this latter point in detail.

I. CHEVRON, U.S.A., INC. v. NATURAL RESOURCES DEFENSE COUNCIL

A. *The Chevron Decision and Its Rationale.*

Chevron addressed an interpretation of the Clean Air Act¹⁰ by the Environmental Protection Agency. Under that Act, certain states were required to establish permit programs for “new or modified stationary sources” of air pollution.¹¹ The Act did not permit any such sources in the particular states unless certain stringent requirements were met.

The plaintiff in *Chevron* was an environmental-interest group that sought to have the EPA apply the Clean Air Act aggressively. It argued that “source” meant any individual pollution-generating piece of equipment. Thus under its statutory interpretation persons were required to obtain permits before changing any aspect of an operation that generated air pollution.

The Environmental Protection Agency, in contrast, had issued regulations interpreting “source” as any a single industrial plant. Under the agency’s interpretation the owner of a plant that contained several individual pollution-generating pieces of equipment could add a new piece of equipment, or increase the pollution generated by an old piece of equipment, and yet still escape regulation if another piece of equipment in the same plant was modified to reduce its pollution by at least a corresponding amount.¹² The EPA’s interpretation therefore would have led to many fewer instances of regulation.

The interest group sought review of the EPA’s interpretory regulation before the United States Court of Appeals for the District of Columbia.¹³ That court held that the Act “does not explicitly define what Congress envisioned as a ‘stationary source’ ”¹⁴ It further found the legislative history “at best contradictory.”¹⁵ Faced with this lack of Congressional direction, the court looked to its own precedents and its sense of the Act’s purpose to hold that the environmental group’s interpretation was correct.¹⁶

10 As amended in 1977. Pub. L. No. 95-95, 91 Stat. 685.

11 Section 172(b) (6), 42 U.S.C. § 7502(b) (6).

12 *Chevron*, 467 U.S. at 840.

13 *National Resources Defense Council, Inc. v. Gorsuch*, 685 F.2d 178 (D.C. Cir. 1982).

14 467 U.S. at 723.

15 *Id.* at 726 n.39.

16 *Id.* at 725-28.

The Supreme Court disagreed with the appeals court and held that the EPA's interpretation should control. When determining the meaning of statutory language, it held, the courts are subservient to Congress. As a first step, therefore, "[i]f 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."¹⁷ If, however, "the statute is silent or ambiguous with respect to the specific issue," the court in a second step must "determine . . . whether the agency's answer is based on a permissible construction of the statute."¹⁸ As a result, the reviewing court cannot "simply impose its own construction of the statute."¹⁹

In the precise case before it, the Court found the statutory language unclear and the legislative history "unilluminating."²⁰ On that basis it agreed that "Congress did not have a specific intention" on the meaning of "stationary source."²¹ The question, therefore, was how to fill a "gap" in the statutory provision "left open by Congress."²²

According to the Supreme Court this task of gap-filling is primarily a function for the agency and not the reviewing court. "The court may not substitute its own construction for a reasonable interpretation made by the administrator of an agency."²³ To uphold the agency's construction, therefore, "the court need not conclude that the agency construction was the only one it permissibly could have adopted . . . , or even the reading that the court would have reached if the question initially had arisen in a judicial proceeding."²⁴

The Supreme Court thus accused the court of appeals of "mis-perceiv[ing] the nature of its role."²⁵ An ambiguous statutory provision may permit a number of different, but still reasonable interpretations. If the agency's interpretation is one of these reasonable alternatives its judgment is controlling and should be affirmed.²⁶

17 *Id.* at 842-43.

18 *Id.* at 843.

19 *Id.* at 843. See generally Note, *A Framework for Judicial Review of an Agency's Statutory Interpretation: Chevron, U.S.A., Inc. v. Natural Resources Defense Council*, 1985 Duke L.J. 469.

20 467 U.S. 859-62.

21 *Id.* at 845.

22 *Id.* at 866.

23 *Id.* at 844.

24 *Id.* at 843 n.11.

25 *Id.* at 845.

26 *Id.* at 845.

The Court found the EPA's interpretation of "stationary source" to be one such reasonable alternative. It therefore reversed the court of appeals and upheld the Agency.²⁷

Despite the apparent directness of the language in *Chevron*, the exact rationale behind the holding in that case has been the subject of speculation.²⁸ Prior to *Chevron* the judiciary deferred to agency interpretations on the view that an agency is simply more likely than a reviewing court to correctly interpret the agency's regulatory statute. Under this analysis the courts had the power to substitute their own interpretory views for those of the agency freely. In the individual cases where they did not use this power they were thought to be acting out of voluntary deference to the greater expertise of the agency.²⁹

The most widely accepted analysis³⁰ asserts that *Chevron*, in contrast, is the result of the doctrine of separation-of-powers.³¹ The controlling factor in this analysis is Congress' choice of which institution should have law-interpreting power over a given statute. *Chevron*, it is said, holds that Congress should ordinarily be presumed to have assigned the task of interpreting the law to the agency and not the courts. The deference shown by the courts under *Chevron* is therefore involuntary, in that the courts are constrained to follow the will of Congress.³²

B. *The General Significance of Chevron.*

Chevron is part of an ongoing, fundamental debate in administrative law.³³ Federal agencies are part of the executive branch. Under

²⁷ *Id.* at 865-67.

²⁸ *E.g.*, Scalia, 1989 Duke L.J. 511; Sunstein, 1990 Duke L.J. at 2075-76.

²⁹ *See, e.g.*, Farina, 89 Colum. L. Rev. at 453-54; Scalia, 1989 Duke L.J. at 514. The leading case during this period was *Skidmore v. Swift*, 323 U.S. 134 (1944). According to that decision, [t]he weight of [the Agency's] judgment in a particular case will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control.

³⁰ Commentators have also brought forward an analysis under which the result in *Chevron* is constitutionally compelled. Farina, 89 Colum. L. Rev. at 499; Scalia, 1989 Duke L.J. at 514-515. That analysis, however, has generally been deemed insubstantial. *E.g.*, Scalia, 1989 Duke L.J. at 515-16. It is not discussed further in this article.

³¹ *E.g.*, Farina, 89 Colum. L. Rev. at 166-67; Scalia, 1989 Duke L.J. at 516-17.

³² Some commentators have used the terms "deferential model" and "independent judgment model," respectively, to refer to the approach of *Chevron* and that of the cases which preceded it. *E.g.*, Farina, 89 Colum. L. Rev. at 454 n.10 (citing examples).

³³ Professor Farina outlines the history of this debate. 89 Colum. L. Rev. at 452-54. *See, e.g.*, *Pittstone Stevedoring Corp. v. Dellaventura*, 544 F.2d 35, 49 (2d Cir. 1976).

traditional separation-of-powers doctrine, that branch only has the power to enforce the law; it cannot make or interpret the law. Congress, nevertheless, commonly delegates to agencies the power to promulgate binding legal rules.³⁴ Simultaneously, agencies routinely interpret both statutory and regulatory provisions. As a result, agencies combine aspects of all three constitutional powers in a single entity—a situation that has been described as “radically reconfigur[ing] the pattern of government authority.”³⁵ For these reasons, agencies have been described as having an “awkward” constitutional basis.³⁶

At the same time, choosing between possible statutory interpretations inevitably entails making and implementing policy judgments.³⁷ Agencies, proponents of *Chevron* say, are inherently better-suited to perform this task than are the courts. Agencies are both democratically accountable to the electorate³⁸ and more likely to be expert with regard to the workings of the statutory provisions.

The debate surrounding *Chevron* thus concerns how lawmaking power should be allocated between agencies and the courts.³⁹ Giving interpretive power to the judiciary provides some measure of independent control over the agency. Arguably, over time this will check the agency from engaging in actions that are too sweeping.⁴⁰ If read broadly, however, *Chevron* describes a rule of deference that shifts nearly all the interpretive power surrounding regulatory statutes to

34 The courts at first had difficulty accepting this seemingly anomalous transfer of constitutional power from one branch of government to another, initially rejecting it entirely under what became known as the “Nondelegation Doctrine.” See generally 1 Davis, *Administrative Law Treatise*, §§ 3.01 et seq. (2d ed. 1978); Farina, 89 Colum. L. Rev. at 478-488.

35 Farina, 89 Colum. L. Rev. at 497. Farina discusses the relationship of administrative lawmaking to the constitutional system of separation-of-powers in detail, *id.* at 488-99. See also Sunstein, 1990 Duke L.J. at 2075.

36 Sunstein, *After the Rights Revolution: Reconceiving the Regulatory State*, 143 (1990) (hereinafter “*Rights Revolution*”). See also Farina, 89 Colum. L. Rev. at 456 (describing “constitutional unease in allocating power in the administrative state”).

37 See, e.g., Farina, 89 Colum. L. Rev. at 466 (“The process of statutory interpretation inevitably involves some lawmaking, as well as law finding, component.”); Scalia, 1989 Duke L.J. at 517-19, Sunstein, 1990 Duke L.J. at 2086 (describing the choice of possible statutory interpretations as “call[ing] for [] frankly value-laden judgments”).

38 See, e.g., Farina, 89 Colum. L. Rev. at 466; Scalia, 1989 Duke L.J. at 517-19; Seidenfeld, *A Civic Republican Justification for the Bureaucratic State*, 105 Harv. L. Rev. 1511, 1550-54 (forthcoming 1992) (hereinafter “*Seidenfeld*”); Starr, 3 Yale J. on Reg. at 308, 312.

39 See, e.g., Farina, 89 Colum. L. Rev. at 464.

40 See, e.g., Sunstein, *On the Costs and Benefits of Aggressive Judicial Review of Agency Action*, 1989 Duke L.J. 522, 527-29 (1989).

the agency itself.⁴¹ This, it is argued, is the conceptual equivalent of having “foxes . . . guard henhouses.”⁴²

The wide-ranging importance of these topics has created spirited debate over the proper reading of *Chevron*. The debate has generated a large body of literature, to which the leading scholars in the field of Administrative Law have contributed.⁴³ Generally speaking, an expansive reading is favored by those who have substantial faith in the political accountability of agencies.⁴⁴ Those who consider political control over agencies to be ineffective, or who value the traditional law-interpreting function of the courts more highly, tend to favor a narrow reading.⁴⁵ The debate is currently unsettled.⁴⁶

C. *The Potential Impact of Chevron Deference on Judicial Review of the PTO's Statutory Interpretations.*

To give the PTO's statutory interpretations *Chevron* deference would work a fundamental and wide-ranging change in the relationship of that agency to the Federal Circuit. Neither the Federal Circuit nor its predecessor, the Court of Customs and Patent Appeals, have been particularly deferential to the PTO on matters of law.⁴⁷ *Chevron*

41 Farina, 89 Colum. L. Rev. at 462 (asserting that the deference principle of *Chevron* is capable of “extremism”; “In the world according to *Chevron*, the judiciary's role in interpreting regulatory statutes amounts to little more than serving as a mouthpiece for legislative directives that are unequivocal and directly on point. Whenever such a communication cannot be conveyed, the court must step aside to free the agency (within the modest constraints of making a rational choice) to resolve what its statute shall mean” (omitting footnotes)).

42 *Rights Revolution* at 224.

43 See, e.g., the sources collected *supra*, at note 7.

44 See, e.g., Pierce, 41 Vand. L. Rev. 301; Scalia, 1989 Duke L.J. 511; Starr, 3 Yale J. on Reg. 283. Professor Farina describes Justice Scalia as a “determined proponent of *Chevron* and the deferential model.” 89 Colum. L. Rev. at 455. See Note, *Deference to Discretion: Scalia's Impact on Judicial Review of Agency Action in an Era of Deregulation*, 38 Hastings L.J. 1223 (1987).

45 See Aman, *Administrative Law in a Global Era: Progress, Deregulatory Change and the Rise of the Administrative Presidency*, 73 Cornell L. Rev. 1101 (1988); Breyer, 38 Admin L. Rev. at 372-82; Farina, 89 Colum. L. Rev. 452; Sunstein, *Factions, Self-Interest, and the APA: Four Lessons Since 1946*, 72 Va. L. Rev. 271, 287-92 (1986).

46 Farina, 89 Colum. L. Rev. at 457 n.21. Some scholars have asserted that even Justice Stevens, who wrote *Chevron*, appears to favor a narrow reading of the decision. These assertions are based on Justice Stevens' statements in *INS v. Cardoza-Fonseca*, 480 U.S. 421, 446-48 (1987) (appearing to limit *Chevron* deference to agency determinations of mixed questions of law and fact). E.g., Sunstein, 90 Colum. L. Rev. at 2076; Edley, *Administrative Law: Rethinking Judicial Control of Bureaucracy* (1990). See generally Farina, 89 Colum. L. Rev. at 460 n.42.

47 E.g., *In re McCarthy*, 763 F.2d 411, 412 (Fed. Cir. 1985) (refusing to limit review of decisions of the PTO Board of Appeals to search for rational basis; “Board determinations . . . may be in error even if there is a rational basis therefore.”); *In re DeBlauwe*, 736 F.2d 699, 703 (obviousness, as legal question, reviewed for “correctness or error as a matter of law”); *In re Gibbs*, 437 F.2d at 491.

deference, however, would make the PTO the entity primarily responsible for announcing the patent law in many areas. The Federal Circuit's role in those areas would be limited to constraining the PTO only on those comparatively rare occasions when the PTO interpretation under review could be said to be unreasonable or contrary to the clear meaning of the statute.

The Federal Circuit's decision of *Paulik v. Rizkalla*⁴⁸ illustrates this potential impact of *Chevron* on the law relating to patents. *Paulik* dealt with whether a patent applicant could establish priority in an interference by relying on renewed activity after abandonment, suppression, or concealment. It was an in banc decision in which the court split 7-5, the majority holding the priority could be based on such renewed activity.

If the PTO is entitled to *Chevron* deference, the outcome and rationale in *Paulik* should have been vastly different. The precise issue in *Paulik* was the proper interpretation of Section 102(g),⁴⁹ which sets out the rule of priority in interferences. The statute was unclear, however, in that it failed to define the terms "abandoned, suppressed, or concealed." In *Paulik* the PTO, through its Board of Patent Appeals and Interferences, had interpreted that statutory provision in the decision under review to preclude relying on renewed activity.⁵⁰

Under *Chevron*, therefore, the Federal Circuit should not have been concerned with which interpretation it felt to be best. Instead, the issue should have been whether the PTO's interpretation was reasonable in light of the statutory language. The PTO's interpretation almost certainly was reasonable, given that five judges of the Federal Circuit felt it was correct.

Deciding *Paulik* under *Chevron* thus would have resulted in the Federal Circuit affirming, rather than reversing, the PTO. Had that

48 760 F.2d 1270 (Fed. Cir. 1985).

49 35 U.S.C. § 102(g). The provision reads as follows:

A person shall be entitled to a patent unless—

...

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

50 760 F.2d at 1271-72. *Chevron* deference applies to statutory interpretations made by adjudication as well as by rule. *E.g.*, *Union of Concerned Scientists v. Nuclear Regulatory Commission*, 824 F.2d 108 (D.C. Cir. 1987); Anthony, *Which Agency Interpretations Should Bind Citizens and the Courts?*, 7 Yale J. of Reg. 1, 47-49 (1990) (hereinafter "Anthony").

occurred the present legal rule in this area would not reflect the considered judgment of the Federal Circuit. The rule would instead be that determined in the PTO.

This type of analysis will become commonplace if *Chevron* is held to apply to the PTO's statutory interpretations.⁵¹ At its broadest, *Chevron* would vest the primary power to announce the statutory law of patents in the PTO and not the Federal Circuit. The PTO has never had that power before to any significant degree.⁵² The precise impacts of such a change on the substantive law of patents are therefore very hard to predict. They may not be to the liking of either the patent bar or the courts.

D. *Chevron's Impact to Date on the Federal Circuit's Review of the PTO.*

Chevron's analysis places heavy emphasis on whether Congress has exhibited a "clear" intent with regard to the substantive legal question at issue. Congress' clear intent binds the agency. Where such an intent exists the issue of judicial deference to the agency's interpretation does not arise.⁵³

In fact, however, the stakes associated with this first step of *Chevron's* analysis are much higher. Requiring an agency's statutory interpretations to be reasonable is at best a "modest constraint."⁵⁴ A court faced with applying *Chevron* deference thus usually will only be able to overturn the agency's interpretation upon finding Congress' instructions on the matter to be clear. A court that wishes to overturn an agency's interpretation may therefore stretch to find clarity where the provision is actually unclear.⁵⁵

The Federal Circuit's post-*Chevron* reviews of the PTO seem to illustrate this phenomenon. The Federal Circuit has confronted *Chevron's* impact on its review of the PTO's patent-law decisions in three

⁵¹ The Federal Circuit has already deferred under *Chevron* to agencies other than the PTO. E.g., *Pine Products v. U.S.*, 945 F.2d 1555 (1991) (U.S. Forrest Service); *Davis v. OPM*, 938 F.2d 1283 (1991); *PPG Industries v. U.S.*, 928 F.2d 1568 (1991) (ITC); *Generra Sportswear Co. v. United States*, 905 F.2d 377 (1990) (U.S. Customs Service).

⁵² See, e.g., the authorities collected *supra*, at note 47. See also *Andrews v. Hovey*, 124 U.S. 694, 717-18 (1888) and *Bate Refrigerating Co. v. Sulzberger*, 157 U.S. 1, 33-34 (1895), discussed *infra*, at notes 175-89.

⁵³ See *supra*, note 17.

⁵⁴ Farina, 89 Colum. L. Rev. at 463.

⁵⁵ Seidenfeld, 105 Harv. L. Rev. at 1548 (citing examples). Professor Sunstein has observed this trend in post-*Chevron* decisions of the Supreme Court. Sunstein, 90 Colum. L. Rev. at 2084-85 n.68.

published opinions to date.⁵⁶ In each case it has relied upon supposedly clear congressional intent to overturn the PTO. Several of these cases, however, have presented substantial reasons to characterize Congress' instructions as unclear.⁵⁷ It is possible, then, to describe the Federal Circuit as resistant to giving the PTO *Chevron* deference, yet searching for a proper doctrinal basis upon which to reach that result.⁵⁸

The PTO is evidently aware that its attempts to make use of *Chevron* are meeting this resistance. In a recent Notice defending its interpretation of the last paragraph of Section 112,⁵⁹ the PTO has argued extensively about both the language of that statutory provision and the underlying congressional intent.⁶⁰ The PTO thus appears to

⁵⁶ *Ethicon v. Quigg*, 849 F.2d at 1426 (statutory provision contained "no ambiguity," Congressional intent apparent from legislative history); *Glaxo v. Quigg*, 894 F.2d at 395 ("plain meaning" of statutory language clear); *Hoechst v. Quigg*, 917 F.2d at 529 (interpretation controlled by "plain meaning of the statute and the relevant legislative history").

⁵⁷ *Hoechst v. Quigg*, for example, concerned the proper construction of 35 U.S.C. § 156. That section extends the term of patents covering products that have been "subject to a regulatory review period before [their] commercial marketing or use." The section further defines "regulatory review period" to be a defined period "to which the limitation described in paragraph (6) applies." *Id.* at § 156(g) (6). At issue was the precise meaning of this latter phrase. The PTO interpreted the phrase literally, so that if the limitation of paragraph (6) did not apply, no regulatory review period existed. The Federal Circuit admitted that its own interpretation created a "wind-fall" for the patent applicant "that was probably not contemplated by Congress." 917 F.2d at 529. *See also Glaxo v. Quigg*, 894 F.2d at 397-98 (discussing PTO's reliance on legislative history of 35 U.S.C. § 156(a)).

⁵⁸ *But cf. In re Dr. Pepper Co.*, 836 F.2d 508 (Fed. Cir. 1987), in which the Federal Circuit reviewed the PTO's interpretation of the term "service" in Sections 3 and 45 of the Lanham Act, 15 U.S.C. §§ 1053, 1127 (1982). In *Dr. Pepper*, the court in one passage seemed to adopt a *Chevron*-style deference to the PTO with regard to interpretations of trademark-registration provisions.

While the interpretations of the statute by the board [TTAB] are not binding on this court, under general principles of administrative law, deference should be given by a court to the agency charged with its administration. . . . We conclude that the board reasonably [interpreted the statute.]

Id. at 510. The Federal Circuit cited *United States v. Riverside Bayview Homes, Inc.*, 474 F.2d 121, 131 (1985) in support of this passage. *Riverside* is a post-*Chevron* decision of the Supreme Court that reiterates the deferential rule announced in *Chevron*.

Obviously, *Dr. Pepper* involved the PTO's relationship to the Lanham Act. It does not address the effect of the PTO's different relationship to the patent statutes. In addition, however, there are reasons to believe the court in *Dr. Pepper* did not mean to lay down a strict rule of deference to the PTO in matters concerning trademark registrability. In the same opinion the court emphasized that its own prior precedents had addressed the issue and required a particular interpretation. *Id.* at 510-11. The Federal Circuit has also declined to restate the deferential aspects of *Dr. Pepper* broadly. *See In re Budge Manufacturing Co.*, 857 F.2d 773 (Fed. Cir. 1988).

⁵⁹ U.S.C. § 112, ¶ 6. The provision is quoted in full, *infra*, in the text accompanying note 147.

⁶⁰ *PTO Explanatory Notice*, 43 PTCJ at 162-65 (addressing plain meaning of statutory language and effect of Congressional reenactments). *See* the discussion *infra*, at notes 147-157.

be focusing greater energy on contesting the “clear” meaning of the statutory provision under interpretation.⁶¹

II. IS THE PTO ENTITLED TO *CHEVRON* DEFERENCE?

The Federal Circuit’s reliance on clear congressional intent appears to be based on a perception that, in cases of ambiguity, *Chevron* inexorably favors an agency’s interpretation over that of the courts. This perception is not correct, however. Not every statutory interpretation that a federal agency makes is entitled to *Chevron* deference.⁶² *Chevron* speaks of deferring to “an agency’s construction of the statute *which it administers*.”⁶³ Later decisions repeat this limitation routinely.⁶⁴ Thus, “legal position taken . . . with respect to

61 The PTO’s arguments, in fact, evince a straining for congressional clarity roughly similar to what Professors Sunstein and Seidenfeld have observed in the behavior of the courts, *supra*, note 55. For example, the PTO attempts make much in its Explanatory Notice about Congress’ use of the words “cover” and “construe” in Section 112. It asserts that the Supreme Court has used these words only in the context of validity and infringement issues, not patentability determinations. 43 PTCJ at 164-65. This, the PTO continues, indicates that Congress intended for the provision not to apply to matters of patentability. *Id.*

In fact, however, other court decisions indicate that the words “construe” and “cover” were used commonly to refer to patentability matters when the statutory provision under consideration was written in 1952. *E.g.*, *In re Kinney*, 168 F.2d 756, 757 (CCPA 1948); *In re Davis*, 164 F.2d 626, 628 (CCPA 1947); *In re Flint*, 150 F.2d 126, 131-32 (CCPA 1945). The PTO was using these terms itself in administrative adjudications. *E.g.*, *In re Frey*, 182 F.2d 184, 186 (CCPA 1950) (quoting decision of the Patent Office). The PTO’s use of the statutory terms in fact may be more probative than that of the Supreme Court, since the principal author of the statutory language, Pasquale J. Federico, was himself an Examiner-in-Chief of the PTO at the time. *PTO Explanatory Notice*, 43 PTCJ at 161; *See generally*, Rich, *Congressional Intent—Or, Who Wrote the Patent Act of 1952?*, reprinted in Witherspoon, *Nonobviousness: the Ultimate Condition of Patentability*, 1:1 (1978) (hereinafter “*Congressional Intent*”).

62 *E.g.*, *Adams Fruit Co. v. Barrett*, ___ U.S. ___, 110 S.Ct. 1384, 1390-91 (1990), discussed *infra* at notes 86-95.

63 467 U.S. at 842 (emphasis added).

64 *E.g.*, *Lechmere, Inc. v. NLRB*, ___ U.S. ___, 60 U.S.L.W. 4145, 4147 (1992); *Shell Oil Co. v. EPA*, 950 F.2d 741 (D.C. Cir. 1991); *Wagner Seed Co. v. Bush*, 946 F.2d 918, 920 (D.C. Cir. 1991); *Texas Rural Legal Aid, Inc. v. Legal Services Corp.*, 940 F.2d 685, 689 (D.C. Cir. 1991); *Laforte v. Horner*, 833 F.2d 977 (Fed. Cir. 1987); *Pine Products Corp. v. United States*, 945 U.S. 1555 (Fed. Cir. 1991) (deferring interpretation of the U.S. Forrest Service). Some decisions express the same concept through the verb “to implement” or other equivalent language. *E.g.*, *Consolidated Rail Corp. v. United States*, 896 F.2d 574, 578 (D.C. Cir. 1990); *Brotherhood of Railway Carmen v. ICC*, 880 F.2d 562, 567 (D.C. Cir. 1989); *Ayuda, Inc. v. Thornburgh*, 880 F.2d 1325, 1344 (D.C. Cir. 1989).

matters that are not committed to the agency's administration do not qualify for *Chevron* treatment."⁶⁵

When, then, can an agency be said to administer the statute it is construing and as a result qualify for the judicial deference described in *Chevron*? More specifically, does the PTO qualify for *Chevron* deference when it is construing the patent statute?

The resolution of this question is a matter of some importance. If the PTO is not entitled to *Chevron* deference, the Federal Circuit will have available a different, alternate ground upon which to reject the PTO's statutory interpretations. Concluding that the PTO is not entitled to deference, however, will also have a much wider significance: the PTO's opinions on statutory interpretation will never be controlling. Released from *Chevron*, the Federal Circuit will be free to defer to the PTO with regard to ambiguous provisions only as the court sees fit.⁶⁶ Where clear statutory provisions are at issue, Congress' instructions will bind both the Federal Circuit *and* the PTO.⁶⁷ As a further benefit, if the Federal Circuit is in fact reluctant to defer to the PTO as a general matter, expressly refusing the PTO *Chevron* deference will cause the Federal Circuit's opinions to more accurately reflect the rationale that the court is actually using.

A. *The Entitlement to Chevron Deference Generally*

1. *Chevron as evolution*

Chevron's relationship to the law that preceded it suggests the proper inquiry for determining whether an agency can be said to administer a particular statute. The Supreme Court has elaborated on *Chevron* by stating the "historical familiarity and policymaking expertise account in the first instance for the presumption that Congress delegates interpretive lawmaking power to the agency rather than the reviewing court . . ." ⁶⁸ These same two considerations have always

65 Scalia, 1989 Duke L.J. at 519. See *Crandon v. United States*, ___ U.S. ___, 110 S.Ct. 997, 1011 (1990) (Scalia, J., concurring in judgment) (rejecting *Chevron* deference where the statute "is not administered by any agency but by the courts"); Sunstein, 90 Colum. L. Rev at 2091, 2094 (*Chevron* inapplicable where agency has no "implementing" authority; "If agencies are simply interpreting a statute, but have not been granted the power to 'administer' it, the principle of deference should not apply."). See also *Adams Fruit v. Barrett*, 110 S.Ct. at 1390 ("A precondition to deference under *Chevron* is a congressional delegation of administrative authority."); *Tucson Medical Center v. Sullivan*, 947 F.2d 971, 981 (D.C. Cir. 1991).

66 See the text *supra* accompanying notes 28-29.

67 *Chevron*, 467 U.S. at 842-43. See *supra*, note 17.

68 *Martin v. Occ. Safety & Health Reg. Comm'n.*, ___ U.S. ___, 111 S.Ct. 1171 (1991).

been important to courts in deciding whether to defer to an agency's statutory interpretations.⁶⁹ What is different from prior precedents is that *Chevron* does *not* involve significantly evaluating the wisdom of the particular interpretation at issue. This is a marked change from the past, when extensive evaluation of the particular interpretation was the norm.⁷⁰

Chevron can thus be viewed as requiring courts to adjust how they review the statutory interpretations of agencies. Factors specific to the wisdom of the particular interpretation at issue are to be de-emphasized. They are now relevant only to the extent that the agency's interpretation can be called unreasonable. In contrast, systematic factors—those factors that go to whether the agency is expert in the field generally—are to be given greater importance. These systematic factors can actually be so persuasive as to create a presumption that Congress has delegated interpretive lawmaking power to the agency. *Chevron*, in fact, implies that they are sufficient to create such a presumption in the usual case.

Whether an agency administers a statute for purposes of *Chevron* therefore depends on whether these systematic factors show the agency to be expert. Where the systematic factors strongly favor the agency, the courts should give the agency's statutory interpretations *Chevron* deference. Conversely, where the systematic factors are weak *Chev-*

69 Professor Farina, for example, has synthesized the factors that affected judicial deference in the pre-*Chevron* era. 89 Colum. L. Rev. at 454 n.8. She discerns groupings that include the following:

(1) factors affecting the likelihood that the agency knows what Congress intended the statute to mean (e.g., whether the agency participated in the drafting of the statute; whether its position was adopted at, or shortly after, the time the statute was enacted; whether the agency's position was clearly articulated at a time when Congress reentered the area without expressing disapproval); [and]

(2) factors affecting the likelihood that the agency knows which interpretation will best further the statutory purpose (e.g., whether the question is within the agency's area of expertise; whether the question is a fairly technical one; whether the agency has amassed experience in the area) [.]

Id. Cf. Saunders, Interpretive Rules with Legislative Effect: An Analysis and a Proposal for Public Participation, 1986 Duke L.J. 346, 350 (asserting that pre-*Chevron* factors responsible for judicial deference have been spelled out, but how the degree of deference relates to the presence, or salience of factors remains unclear); Anthony, 7 Yale J. on Reg. at 6-7, 15.

These two groupings of factors are strikingly similar to the Supreme Court's recent explanation of *Chevron*.

70 *E.g., Skidmore v. Swift*, 323 U.S. at 140, discussed *supra* at notes 28–29. Farina describes this grouping as

(3) factors going to the agency's inherent "credibility" as an expert (e.g., the thoroughness and attention with which the agency's position was formulated; whether the agency has changed its views over time; whether the agency position seems consistent and plausible, both internally and when viewed in light of its position on other issues).

89 Colum. L. Rev. at 454 n.8.

ron deference should not apply. Thus where the agency is at a "comparative disadvantage" relative to the courts in determining the correct statutory interpretation, *Chevron* deference should not exist.⁷¹

2. *Entitlement in light of the traditional functions of agencies.*

The strength of these systematic factors in an individual case is closely tied to the degree to which the agency performs traditional agency functions. Administrative Law describes the major traditional functions of agencies as rulemaking, enforcement, and adjudication.⁷² Agencies with all three powers are described as "unitary."⁷³ Unitary agencies include the EPA,⁷⁴ the Federal Trade Commission,⁷⁵ the Securities Exchange Commission,⁷⁶ and the Federal Communications Commission.⁷⁷

Thus, for example, the EPA has been entrusted with the task of promulgating standards via rulemaking under various statutes.⁷⁸ In addition, the EPA maintains an extensive network of enforcement personnel throughout its home office and ten regional offices,⁷⁹ whose functions include monitoring whether regulated persons are acting in compliance with the agency's promulgated standards.⁸⁰ Although a number of statutes for which the EPA is responsible call for the EPA

71 Sunstein, 90 Colum. L. Rev. at 2091.

72 *E.g.*, *Donovan v. Amorello*, 761 F.2d 61, 63 (1st Cir. 1985) (Breyer, J.) (describing the "three traditional administrative powers" as "legislative (rulemaking), prosecutorial, and adjudicative"); *See generally*, *e.g.*, Asimow, *The Curtain Falls: Separation of Function in the Federal Administrative Agencies*, 81 Colum. L. Rev. 759 (1981) (hereinafter "Asimow").

73 *Martin v. Occ. Safety & Health Rev. Comm'n.*, ___ U.S. ___, 111 S.Ct. 1171, 1176 (1991).

74 Reorg. Plan No. 3 of 1970, 35 Fed. Reg. 15623 (1970), *reprinted in* 5 U.S.C. app. at 1343 (1988).

75 15 U.S.C. § 41 et seq.

76 15 U.S.C. §§ 77s-77u.

77 47 U.S.C. § 151 et seq.

78 These include the Clean Air Amendments of 1970, §§ 107, 202, Pub. L. No. 91-604, 84 Stat. 1676, the Toxic Substances Control Act of 1976, §§ 4, 6, Pub. L. No. 94-469, 90 Stat. 2003, and the Safe Drinking Water Act of 1974, § 1412(a), Pub. L. No. 93-523, 88 Stat. 1660. As to the structure and operation of the EPA, *see generally*, *e.g.*, National Research Council, *Decision Making in the Environmental Protection Agency*, 2 *Analytical Studies for the Environmental Protection Agency* (1977) (hereinafter "National Research Council Study"); Quarles, *Cleaning Up America; An Insider's View of the Environmental Protection Agency* (1976); Landy, *The Environmental Protection Agency: Asking the Wrong Questions* (1990) (hereinafter "The EPA").

79 The National Research Council estimated the EPA as employing 2,000 enforcement personnel in 1977. *National Research Council Study* at 186.

80 The EPA has, for example, the power to force any person who has handled hazardous wastes to submit to inspection. 42 U.S.C. § 6927(a) (1988).

to enforce its regulations via court actions,⁸¹ other statutes give the EPA power to sanction violators through purely administrative actions.⁸² The administrative sanctions include both revocation of operating licenses previously issued by the EPA and the assessment of civil, monetary penalties.⁸³

Not all agencies, however, have been empowered to perform all three traditional functions. Congress has given some agencies the power to promulgate and enforce substantive standards, but not the power to adjudicate those enforcement efforts.⁸⁴ Agencies may also have enforcement authority, but not the power to set substantive standards.⁸⁵ Many different arrangements exist.

Several recent decisions of the Supreme Court illustrate how an agency's entitlement to *Chevron* deference depends on these principles. In *Adams Fruit Co. v. Barrett*⁸⁶ the Court reviewed the Department of Labor's interpretation of the Agricultural Worker Protection Act ("AWPA").⁸⁷ The AWPA required the Secretary of Labor to prescribe, via regulation, minimum standards for employers who transport agricultural workers in motor vehicles.⁸⁸ In addition, Section 1854 of the AWPA gave aggrieved workers a right to sue privately for actual and statutory damages.⁸⁹ The respondents in *Adams Fruit* were "migrant farmworkers employed by petitioner Adams Fruit [Co.]" who "suffered severe injuries in an automobile accident

⁸¹ See *The EPA* at 36.

⁸² E.g., Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.* (1988); Toxic Substances Control Act, § 16(a) (2) (A); Federal Pesticide Control Act, 7 U.S.C. §§ 136 *et seq.* (1988). See *National Research Council Study* at 137-40.

⁸³ The enforcement and adjudication functions of the EPA under the Federal Pesticide Control Act ("FEPCA"), were described in 1977 as follows:

FEPCA provides for a product registration process to control the sale, labeling, and shipment of pesticides, and it allows the EPA to restrict certain uses of hazardous pesticides. For violations of these provisions, the Administrator may assess civil penalties. The enforcement process requires that the alleged violator be given an opportunity to have a hearing, although, in practice, a conference between the alleged violator and EPA has usually resulted in a settlement. In those cases in which a hearing is requested by the alleged violator, a full adjudicatory process is begun, and the results are ultimately reviewable by federal appellate courts.

National Research Council Study at 138.

⁸⁴ See generally Gifford, *Adjudication in Independent Tribunals: The Role of an Alternative Agency Structure*, 66 *Notre Dame L. Rev.* 965 (1991).

⁸⁵ See Sunstein, 90 *Colum. L. Rev.* at 2093. The EEOC, for example, has enforcement powers with regard to Title VII of the Civil Rights Act of 1964, 78 Stat. 243, but no power to promulgate substantive rules or regulations in that area. *General Electric Co. v. Gilbert*, 429 U.S. 125, 140-46 (1976).

⁸⁶ _____ U.S. _____, 110 S.Ct. 1384 (1990).

⁸⁷ 96 Stat. 2583 (codified as amended at 29 U.S.C. § 1801 *et seq.* (1982 & Supp. V)).

⁸⁸ 29 U.S.C. § 1841 (1982). The Secretary's regulations appear at 29 C.F.R. § 500 (1989).

⁸⁹ 29 U.S.C. § 1854 (1982).

while they traveled to work in Adams Fruit's van."⁹⁰ They had sued under Section 1854 for damages.

The employer defended on the basis of a regulation that the Secretary of Labor had promulgated. That regulation, Section 500.122(b),⁹¹ stated that "[w]here a State worker's compensation law is applicable and coverage is provided for a migrant or seasonal agricultural worker by the employer, the worker's compensation benefits are the exclusive remedy for loss under this Act . . ." The employer indeed had provided coverage under a state worker's compensation law. Under the terms of the regulation, then, the workers had no remedy under the AWWA.

The Court expressly rejected the employer's assertion that the Secretary's regulation was entitled to *Chevron* deference.⁹² In so doing, it emphasized that both the enforcement of the AWWA's motor vehicle standards and the adjudication of those enforcement efforts were outside the scope of the Secretary's duties.

[W]e need not defer to the Secretary's view of the scope of § 1854 because Congress has expressly established the Judiciary, and not the Department of Labor as the adjudicator of private rights of action arising under the statute.⁹³

Congress established an enforcement scheme independent of the Executive and provided . . . direct recourse to federal court . . . Under such circumstances, it would be inappropriate to consult executive interpretations of § 1854 to resolve ambiguities surrounding the scope of AWWA's judicially enforceable remedy.⁹⁴

In light of these limitations on the agency's role the Secretary's expressed preference for a particular interpretation of § 1854 made no difference.⁹⁵ On this basis, the Court ruled in favor of the injured farmworkers.

In *Martin v. Occupational Safety and Health Review Commission*⁹⁶ the Court provided a fuller discussion of how agency functions affect agency expertise, but in a somewhat different context. In *Martin* the Court reviewed an agency interpretation of the Occupational Safety and Health Act ("OSH Act").⁹⁷ Congress had given the Secretary of Labor authority to promulgate standards and police violations un-

90 110 S.Ct. at 1386.

91 29 C.F.R. § 500.122(b) (1989).

92 110 S.Ct. at 1390-91.

93 110 S.Ct. at 1390.

94 *Id.* at 1391.

95 *Id.*

96 ____ U.S. ____, 111 S.Ct. 1171 (1991).

97 84 Stat. 1590 (codified as amended at 29 U.S.C. § 651 *et seq.*).

der the OSH Act. It had given adjudicatory authority, however, to an independent agency, the Occupational Safety and Health Review Commission (“Commission”).⁹⁸ In the case under review the two were unable to agree on the proper interpretation of a regulation the Secretary had promulgated.

The various circuit courts of appeal had split evenly over whether the Commission or the Secretary was entitled to deference in such situations.⁹⁹ Some courts had concluded that the Secretary, as promulgator of the regulations, should be given the power interpret them. Other courts, however, considered the power to interpret provisions to be part of the normal powers of adjudication. Courts adhering to this latter view deferred to the Commission.¹⁰⁰

The precise issue before the Court in *Martin* was thus the proper interpretation of a regulation and not a statute. The Court nevertheless found the issues to turn on the same considerations.

[W]e presume that the power authoritatively to interpret its own regulations is a component of the agency’s delegated lawmaking powers.¹⁰¹

For that reason the Court characterized the question before it as determining “to which administrative actor—the Secretary or the Commission—did Congress delegate this ‘interpretive’ lawmaking power under the OSH Act.”¹⁰²

The Court decided that congress had given this power to the Secretary and not the Commission. “The Secretary,” it observed, “enjoys readily identifiable structural advantages over the Commission in rendering authoritative interpretations of the OSH Act regulations.”¹⁰³ Significantly, the Court discussed all of these structural

⁹⁸ 111 S. Ct. at 1174.

⁹⁹ Compare, e.g., *Brock v. Williams Enterprises of Georgia, Inc.*, 832 F.2d 567, 569–70 (11th Cir. 1987) (deference to Secretary); *United Steelworkers of America v. Schuykill Metals Corp.*, 828 F.2d 314, 319 (5th Cir. 1987) (same); *Donovan v. Amorello & Sons, Inc.*, 761 F.2d at 65–66 (same) (collecting authorities), with *Brock v. Cardinal Industries, Inc.*, 828 F.2d 373, 376 n.4 (6th Cir. 1987) (deference to Commission); *Brock v. Bechtel Power Corp.*, 803 F.2d 999, 1000–01 (9th Cir. 1986) (same); *Marshall v. Western Electric, Inc.*, 565 F.2d 240, 244 (2d Cir. 1977) (same).

¹⁰⁰ E.g., *Dole v. Occ. Saf. & Health Reg. Comm.*, 891 F.2d 1495 (10th Cir. 1989). Farina describes such interpretory powers as a “quintessential judicial function.” Farina, 89 Colum. L. Rev. at 452. Cf., e.g., *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803) (“It is emphatically the province of the judicial department to say what the law is.”).

¹⁰¹ 111 S. Ct. at 1176 (citations and footnote omitted).

¹⁰² *Id.*

¹⁰³ *Id.* at 1176.

advantages in terms of the traditional functions of agencies. The Secretary, it noted, has the rulemaking authority under the act, thus, is more likely to know the actual purpose of the regulation in question. Additionally, the Secretary has enforcement authority and therefore comes into contact with a large number of regulatory problems. The Commission, in contrast, has only adjudicatory authority. It therefore “encounters only those regulatory episodes resulting in contested citations,”¹⁰⁴ which the Court assumed to be comparatively fewer in number.¹⁰⁵

“Consequently,” the Court concluded, “the Secretary is more likely to develop the expertise relevant to assessing the effect of a regulatory interpretation.”¹⁰⁶ The Court “presume[d]” that Congress intended to invest interpretive power in the administrative actor who was in the best position to develop that expertise. On that basis, it chose the Secretary over the Commission.¹⁰⁷

Adams Fruit and *Martin* thus provide insight into when an agency's statutory interpretations qualify for *Chevron* deference.¹⁰⁸ The judiciary defers to agencies under *Chevron* because it assumes that the typical unitary agency knows better the history of the statute and the relevant policies. A non-unitary agency, however, performs fewer functions with regard to the statute. Its role may be so limited that another entity performs more significant functions and thus has greater lawmaking expertise. In such a situation the underlying premise of *Chevron* does not apply with regard to the non-unitary agency. As was the case in *Martin* the other, more expert entity may be a second agency. If so, the interpretations of that second agency are to be given preference. Alternatively, the judiciary may perform enough

104 *Id.* at 1177.

105 The foregoing discussion appears *id.* at 1176–77.

106 *Id.* at 1177.

107 *Id.*

108 Another relevant decision of the Supreme Court in this area is *EEOC v. Arabian American Oil Co.*, ___ U.S. ___, 111 S.Ct. 1227 (1991), in which the Court addressed the controlling effect of an interpretation of Title VII by the EEOC. There, the Court subjected the EEOC's interpretation to the more searching standard of review that existed before *Chevron*. 111 S.Ct. at 1235 (applying standard set forth in *Skidmore v. Swift*, 323 U.S. at 140). It did so because “ ‘Congress, in enacting Title VII, did not confer upon the EEOC authority to promulgate rules or regulations.’ ” *Id.* (citing *General Electric Co. v. Gilbert*, 429 U.S. at 141).

Although the majority opinion in *Aramco* does not cite *Chevron* it clearly addresses whether *Chevron* should apply to interpretations of the EEOC. Justice Scalia, writing in dissent, specifically criticizes the majority for its failure to provide the EEOC *Chevron* deference. *Id.* at 1236–37.

functions so that it is more expert. In this latter situation *Chevron* deference does not exist at all.¹⁰⁹

B. *The PTO's Entitlement to Chevron Deference*

1. *The PTO's role in the statutory scheme*

The criteria identified in the preceding section are particularly destructive to the PTO's claim of expertise. The American patent system assumes that granting inventors monopoly-like rights for limited periods of time will speed the pace of innovation.¹¹⁰ The statutory scheme acts on this assumption by bestowing such rights on the inventor in exchange for the disclosure of an invention that meets certain specified criteria.¹¹¹

Unfortunately for the PTO's claim of expertise, the PTO performs none of the three traditional agency functions within this statutory scheme. Adjudication in the U.S. patent system occurs before the courts. The remedy for patent infringement is currently via a civil action under 35 U.S.C. § 281, and not through any proceeding before the PTO.¹¹² The courts, in fact, have always adjudicated patent infringement in civil actions;¹¹³ adjudication has never taken place before the PTO.¹¹⁴

Neither does the PTO have any enforcement role under the present statutory scheme. A patent owner seeking to vindicate its patent rights against a violator must itself bring an action for infringement. The PTO has no authority to sue for infringement on behalf of the

¹⁰⁹ See e.g., Anthony, 7 Yale J. on Reg. at 47 ("A purely adjudicative agency, holding no rulemaking or other policymaking powers, 'is not entitled to any special deference from the courts' for its interpretations." (quoting *Potomac Electric Power Co. v. Director, Office of Worker's Compensation Programs*, 449 U.S. 268, 278 n.18 (1980) (citing authorities)); Sunstein, 90 Colum. L. Rev. at 2093, 2096 (agencies with enforcement, but no rulemaking powers do not have "pedigree" sufficient for deference under *Chevron*; "The line between independent review and *Chevron's* deference . . . should turn directly on questions of relative competence.").

¹¹⁰ E.g., *In re Nelson*, 280 F.2d 172, 182 (CCPA 1957); Kitch, *The Nature and Function of the Patent System*, 20 J. Law & Econ. 265, 266-67 (1977) (surveying literature). See generally, e.g., Malchup, *An Economic Review of the Patent System*, Patent Study No. 15; Abramson, *The Patent System: Its Economic and Social Basis*, Patent Study No. 26, at 4-7.

¹¹¹ 35 U.S.C. § 154. See e.g., Patent Study No. 26 at 7. The criteria are, of course, the well-known requirements of statutory subject matter, novelty, non-obviousness, adequate disclosure, and sufficiently definite description. 35 U.S.C. §§ 101-03, 112, ¶¶ 1-2.

¹¹² "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281.

¹¹³ See e.g., Patent Act of 1790, § 4, ch. 7, 1 Stat. 109-112 (providing damages "in an action on the case").

¹¹⁴ The Patent Act of 1836, ch. 357, 5 Stat. 117, for example, which created the Patent Office, nonetheless maintained the remedy of infringement via a civil action. *Id.* at § 17.

patentee;¹¹⁵ indeed, the present PTO is totally unequipped to police patent infringements even if it were to be given that role.¹¹⁶ This feature of the American patent system also has been unchanged during the entire history of the PTO.¹¹⁷

Congress has also deprived the PTO of the third traditional function of federal agencies—that of rulemaking. Congress' rulemaking delegation to the PTO is narrowly worded. The PTO has been authorized only to “establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.”¹¹⁸ The delegation is consistent with a congressional intent to confer only the power to make non-binding rules of internal management.¹¹⁹ It apparently does not confer on the PTO any substantive rulemaking powers.¹²⁰

To be sure, the patent statute does assign to the PTO the job of performing some adjudications with regard to patents. The PTO has been directed to “superintend or perform all duties required by law respecting the granting and issuing of patents.”¹²¹ This consists primarily of determining whether individual applications for patents are

¹¹⁵ 35 U.S.C. § 281, *supra*, note 112.

¹¹⁶ *Compare*, for example, the current structure of the PTO with the elaborate inspection and enforcement mechanisms of the EPA, *supra* at notes 78–85.

¹¹⁷ *See, e.g.*, Section 14 of the Patent Act of 1836 (referring to the patent owner as “plaintiff” in suit for infringement).

¹¹⁸ 35 U.S.C. § 6 (“The Commissioner . . . may, subject to the approval of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office.”).

¹¹⁹ *Cf., e.g.*, Congress' delegations to the Privacy Protection Study Commission, Pub. L. No. 93-579, 88 Stat. 1896 (1974), and the EEOC, 42 U.S.C. § 2000e-12(a). Both exclude from the agency power to make substantive rules. *See, e.g., The Effect of New Rule 56*, 74 JPTOS at 268 n.59 (discussing the Privacy Protection Study Commission), and *General Electric Co. v. Gilbert*, 429 U.S. 125, 141 & n.20 (1976) (discussing the EEOC).

The legislative history of Congress' original delegation to the PTO supports this position as well. *See* the comments of Congressman Jenckes, *reprinted in* Congressional Globe, 41st Cong., 2d Sess., 2855–56 (April 20, 1870) (“It is part of the recommendation of the committee . . . that the power which the Commissioner shall have and ought to have shall be that of regulating the manner in which the proceedings shall be conducted in his Office; the rules of court, so to speak, *not the rules of decision but of government.*” (emphasis added)). *See The Effect of New Rule 56*, 74 JPTOS at 269 n.60.

¹²⁰ *The Effect of New Rule 56*, 74 JPTOS at 266–269. *See* Tai, *Substantive Versus Interpretive Rulemaking in the United States Patent and Trademark Office: The Federal Circuit Animal Legal Defense Fund Decision*, 32 *Idea* 235, 237, 247 (1992).

This limitation on the Commissioner's rulemaking authority has apparently existed since a very early date. *See Stephens v. Salisbury*, MacArthur's Pat. Cas. 379, 384 (C.C.D.C. 1855) (“The appellant has referred to the seventh rule of the Patent Office [I]t is proper to say that the acts of Congress on the subject must always be looked to, and whatever principle is not comprehended in their provisions is not to be depended on.”).

¹²¹ 35 U.S.C. § 6(a).

allowable in *ex parte* proceedings before the Examining Corps and the Board of Patent Appeals and Interferences.¹²² In addition, the PTO determines priority of invention when two inventors simultaneously attempt to claim interfering subject matter.¹²³ All these determinations qualify as adjudications.¹²⁴

The statutory scheme, however, gives unusually little credence to these administrative determinations of the PTO. An inventor who has received an adverse ruling from the PTO during *ex parte* examination can either appeal immediately to the Federal Circuit¹²⁵ or file a civil action against the PTO in the United States District Court for the District of Columbia.¹²⁶ While the record before the Federal Circuit is closed, the record before the district court is open, i.e., the applicant is free to introduce evidence beyond what was before the PTO during prosecution.¹²⁷ Under either review mechanism the PTO's factual determinations are overturned on clear error.¹²⁸ The same general mechanisms are used to review the PTO's determinations of priority of invention.¹²⁹

¹²² 35 U.S.C. §§ 131, 134.

¹²³ 35 U.S.C. § 135.

¹²⁴ See *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 927–28 (Fed. Cir. 1991). Cf. *Western Electric Co. v. Piezo Technology, Inc.*, 860 F.2d 428 (Fed. Cir. 1988) (rejecting demand to depose examiner because of examiner's "quasi-judicial" function).

¹²⁵ 35 U.S.C. § 141. Review of PTO decisions in *ex parte* applications was originally by appeal to an outside board of examiners appointed by the Secretary of State. Patent Act of 1836 at §7. Each board was apparently assembled *ad hoc* as the need arose in connection with individual patent applications. See *Report from the Commissioner of Patents*, H.R. Doc. No. 80, 25th Cong., 2d Sess. (1839). It appears that no such appeals took place under this provision until 1838. See generally Federico, *The Patent Office in 1839*, 21 JPOS 786, 791 (1939). Judicial review of *ex parte* decisions of the PTO began with the Patent Act of 1839, § 11, ch. 88, 5 Stat. 353–55. See MacArthur, *Patent Cases*, at v (1885).

Legislative histories show that Congress provided for independent review of the PTO out of distrust of PTO. "The board of examiners [under the Patent Act of 1836] . . . was provided, it is presumed, to relieve the apprehensions some might have entertained, from the power necessarily conferred, and the duty imposed upon the Commissioner, to withhold a patent . . ." 1839 *Report from the Commissioner of Patents*. Accord S. Rep. No. 1979, 82nd Cong., 2d Sess. (1952) (accompanying Patent Act of 1952) ("The Act of 1836 provided, for the first time, for the refusal of patents by officials known as examiners. The legislature was jealous of the rights of the public and provided adequate means of reviewing the action of the Patent Office.").

¹²⁶ 35 U.S.C. § 145.

¹²⁷ E.g., *Hirschfeld v. Banner*, 462 F. Supp. 135, 141 (D.C.D.C. 1978).

¹²⁸ E.g., *Gould v. Quigg*, 822 F.2d 1074, 1077 (Fed. Cir. 1987); *Sikora v. Brenner*, 259 F.2d 431 (D.C.D.C. 1966).

¹²⁹ See 35 U.S.C. §§ 141, 146.

After issuance, moreover, the courts completely revisit the PTO's determinations of patentability yet again.¹³⁰ An accused infringer can defend against liability on the ground of invalidity.¹³¹ The defense has always been available¹³² and is nearly always pled. It opens all the issues upon which the PTO ruled when determining patentability¹³³ and the determination is again made on a completely open factual record.¹³⁴ The PTO's resolution of factual questions is not controlling if clear and convincing evidence is to the contrary.¹³⁵

Court review of the PTO's patentability determinations is therefore much closer to *de novo* than is judicial review of the determinations of other agencies. Courts typically review the adjudications of agencies on a record that is closed, not open.¹³⁶ The factual determinations of a typical agency are overturned only if they are unsupported by substantial evidence¹³⁷—a showing that is more deferential to the agency than the standards applied to the PTO.¹³⁸

More fundamentally, the patent statute has given the PTO a role that is extremely limited in nature when compared to the patent sys-

¹³⁰ See, e.g., the following quotation from *In re Thompson*, 26 App. D.C. 419, 425 (1906) (citations omitted):

No absolute right of property is conferred by the grant of the patent. The patentee is merely put in a position to assert his prima facie right against infringers who may in their defense, raise the question of the validity of the patent, and have the same finally adjudicated in the light of a full presentation and consideration of all the evidence attainable in respect of anticipation, prior knowledge, use, and the like.

The PTO has cited this language in *Thompson* with approval in Patent Office, *Court Decisions as Guides to Patent Office Policy and Performance*, Patent Study No. 25, at 2-3 (1960). Cf. *Lear, Inc. v. Adkins*, 394 U.S. 653, 670 (1969) ("A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office.").

¹³¹ 35 U.S.C. § 282.

¹³² Section 15 of the Patent Act of 1836 allowed the defendant in an infringement case to "plead the general issue," including invalidity on any ground sufficient to bar issuance of the patent.

¹³³ Invalidity may be asserted "on any ground specified in this title as a condition for patentability." 35 U.S.C. § 282.

¹³⁴ There has arisen, in fact, a spirited debate as to how such newly presented evidence in validity proceedings should affect the presumption that an issued patent is valid. The Federal Circuit currently requires facts offered to establish invalidity to be proven by clear and convincing evidence. E.g., *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1358-60 (Fed. Cir. 1984).

¹³⁵ *Id.*

¹³⁶ E.g., *Conax Florida Corp. v. United States*, 641 F. Supp. 408, 411 (D.C.D.C. 1986) ("The general rule remains that the focal point for judicial review should be the administrative record already in existence, not some new record completed initially in the reviewing court." (citing authorities)).

¹³⁷ See, e.g., *Akzo v. USITC*, 808 F.2d 1471, 1479 (Fed. Cir. 1986); *United States v. ICC*, 221 F. Supp. 584, 587 (D.C.D.C. 1963).

¹³⁸ See generally 5 Davis, *Administrative Law Treatise*, § 29.5.

tem as a whole.¹³⁹ The PTO's issuance of a patent gives the patent owner in essence only a tentative license to sue for infringement. Under the statute, the courts can revoke that license as part of adjudicating any dispute over the infringement of the patent.¹⁴⁰

In performing its limited functions, moreover, the PTO routinely fails to come into contact with vast areas of the patent system.¹⁴¹ It is obviously uninvolved, for example, with questions of infringement and damages.¹⁴² Less obviously, it also seldom confronts certain classes of issues within the field of patentability.¹⁴³

The PTO's functions are thus very limited when viewed in the context of the overall statutory scheme of patent law. In point of fact, the PTO is so structurally isolated within that statutory scheme as to

139 See, e.g., Weber, *The Patent Office*, 32 (1924) (“[I]t is not within the province of the Patent Office to administer the laws pertaining to the rights of patentees or the public after the patents are issued . . .”).

140 E.g., Patent Study No. 25, at 2–3, 7; *In re Crawford*, 154 F.2d 670 (CCPA 1946)(Bland, J., concurring) (“Patents are only prima facie evidence of invention and, as has been true for more than one hundred years, the equity courts, generally speaking, may be trusted, upon more complete records, to correct any mistakes made by the Patent Office in granting patents.”).

141 Professor Dreyfuss has discussed this in connection with the Federal Circuit's effect on the substantive law of patents:

Previous [to the creation of the Federal Circuit], the PTO and the CCPA made most patentability determinations, while the regional courts handled enforcement issues. This bifurcation of technical and remedial questions made it unlikely that any court would consider patent law in the aggregate.

Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U.L. Rev. 1, 21 (1989) (hereinafter “Dreyfuss”). See also *id.* at 13, 66–67; Strawbridge, McDonald & Moy, *Patent Law Developments in the United States Court of Appeals for the Federal Circuit During 1986*, 36 Am. U.L. Rev. 861, 878–79 (1987).

142 E.g., Dreyfuss, 64 N.Y.U.L. Rev. at 13. The point would appear to be inarguably settled in light of the statutory scheme.

143 These include, for example, issues involving public-use and on-sale activities. See *Green v. Rich Iron Co.*, 944 F.2d 852 (Fed. Cir. 1991) (criticizing district court characterization of PTO as having “special expertise” in “questions of public use and sale”).

The PTO's search files consist almost exclusively of printed publications, particularly in the form of U.S. and foreign patent documents. Under the patent statute, however, prior art can include information that is “known or used” or “in public use or on sale.” 35 U.S.C. §§ 102(a)–(b). Prior art in these latter categories often includes information that is not in the form of printed publications. E.g., Patent Study No. 25, at 1 n.2 (“The Patent Office obviously does not have available in the form of printed publications or patents all evidence of actual prior use or knowledge.”). See e.g., 35 U.S.C. §§ 301–07 (limiting requests for reexamination to those based on “prior art consisting of patents or printed publications”). To this extent, then, the PTO's information on patentability is systematically incomplete.

The PTO has no power to independently search for prior-art information in these latter categories. It relies instead solely on voluntary submissions of such information by the inventor. See, e.g., 37 C.F.R. §§ 1.56, 1.97–99. It has no means of verifying whether any inventor has in fact disclosed the information sufficiently. See *infra*, note 146.

call its lawmaking expertise into question.¹⁴⁴ Certainly this question extends to claims that the PTO is expert in matters wholly outside the PTO's jurisdiction, such as infringement and damages. In addition, however, many aspects of infringement and damages are closely related to those of patentability and validity.¹⁴⁵ The PTO's claims of expertise are therefore suspect even when they concern the PTO's core functions.

This lack of expertise should manifest itself in the PTO's legal positions directly. Since the PTO has little background in infringement matters, for example, it should be unconcerned with, and to some degree uneducated as to how its statutory interpretations will affect infringement determinations. An inexperienced PTO thus will undervalue the costs that its interpretations impose in that area. At the same time, the PTO's statutory preoccupation with patentability matters should cause it to overvalue the benefits that its interpretations will bestow on its own operations. In short, an inexperienced PTO will take positions on the law that are systematically flawed.

The PTO's positions on at least one current issue, that involving the scope of means expression during *ex parte* prosecution, show

¹⁴⁴ See Dreyfuss, 64 N.Y.U.L. Rev. at 67 (arguing that administration of the patent law under the CCPA and the PTO was "piecemeal"; the CCPA's review solely of the PTO, and not infringement suits, did not give either lawmaking body "the motivation to knit doctrinal strands together"). Professor Dreyfuss also argues that the PTO's determinations are suspect because of the one-sided nature of *ex parte* proceedings. *Id.* at 66-67.

¹⁴⁵ Claim interpretation, for example, is an issue in infringement, patentability and validity determinations. *E.g.*, *SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.*, 859 F.2d 878 n.7 (Fed. Cir. 1988) (observing that consistent claim interpretation between infringement and validity is "axiomatic"). See generally Wepner, *The Patent Invalidity/Infringement Parallel: Symmetry or Semantics?*, 93 Dick. L. Rev. 67 (1988). Other relationships exist as well. The determinations of validity and infringement, in fact, may be so interwoven as to render the submission of the issues to separate triers of fact constitutionally impermissible. *Cf. Gasoline Products Co. v. Champlin Refining Co.*, 283 U.S. 494, 499-501 (1931); 9 Wright & Miller, *Federal Practice and Procedure*, § 2391 (1971); 5 *Moore's Federal Practice*, § 42.03[2] (2d ed. 1991).

these systematic flaws.¹⁴⁶ By way of background, the patent statute authorizes the use of means expressions in the sixth paragraph of Section 112.¹⁴⁷ That provision states:

An element in a claim for a combination may be expressed as a means or a 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, or acts described in the specification and equivalents thereof.

The Federal Circuit has held that the provision requires means expressions to be interpreted during prosecution the same as during infringement determinations.¹⁴⁸ The PTO, however, disagrees.¹⁴⁹ According to the PTO means expressions should be read more broadly during prosecution, to encompass all elements that are capable of performing the recited function.¹⁵⁰ It has asserted in a recent Explanatory Notice that its own interpretation of the statutory provision should be controlling.¹⁵¹

The PTO's arguments regarding this statutory provision typify those of an agency with limited perspective. The statutory interpretation that the PTO seeks to defend causes one invention to be judged

¹⁴⁶ See *supra*, note 2.

These concerns also cast doubt on the usefulness of the PTO's recent foray via rulemaking into the proper extent of a patent applicant's "duty to disclose" information to the PTO during prosecution. See, e.g., *PTO Notice Regarding Duty of Disclosure*, 57 Fed. Reg. 2021. See generally also Lee, *USPTO Proposals to Change Rule 56 and the Related Rules Regarding a Patent Applicant's Duty of Candor*, *Patent World*, Feb. 1992, at 32. The degree to which a patent applicant has in fact misled the PTO almost never becomes known until the issue is subject to discovery during litigation before the courts. As already stated, however, the PTO is not involved in enforcing patent rights. Published court decisions on the issue of inequitable conduct thus are the only systematic means by which the PTO learns that a patent applicant has violated the duty to disclose. The sufficiency of this mechanism in educating the PTO is highly suspect. Only a very small fraction of all issued patents are litigated to published decision in the courts. See Patent Study No. 29 at 36-38 (reporting district court and regional circuit decisions on patents as involving under 1% of issued patents; "The validity of the vast majority of the patents issued by the Patent Office has never been tested in the courts."). The PTO may therefore have no real idea whether the typical patent applicant discloses information adequately during examination, or even whether the applicant's disclosure is in accordance with the PTO's statement of the duty.

¹⁴⁷ 35 U.S.C. § 112, ¶ 6. The provision originally appeared as the third paragraph of this section. Three paragraphs were later inserted into the paragraph by amendment. See Act of Nov. 14, 1975, Pub. L. No. 94-131, § 7, 1975 *U.S. Code Cong. & Ad. News* (89 Stat.) 685.

¹⁴⁸ E.g., *In re Bond*, 910 F.2d 831 (Fed. Cir. 1990); *In re Iwahashi*, 888 F.2d 1370 n.1 (Fed. Cir. 1989).

¹⁴⁹ *PTO Notice Regarding Section 112*, 41 PTCJ at 411-12 (stating decision not to follow *Bond*); *PTO Explanatory Notice*, 43 PTCJ at 161, 164.

¹⁵⁰ *PTO Notice Regarding Section 112*, 41 PTCJ at 411-12. See generally Moy, *The Interpretation of Means Expressions During Examination*, 68 JPOS 246 (June 1986) (hereinafter "Means Expressions").

¹⁵¹ *PTO Explanatory Notice*, 43 PTCJ at 164.

for patentability, and another, different invention to be used to determine infringement.¹⁵² This discontinuity strikes at basic assumptions of the patent system.¹⁵³ The PTO determines the patentability of a broad invention, moreover, when it is clear that only a narrow invention would be used to determine infringement—a situation that is virtually guaranteed to prevent meritorious inventions from obtaining patent protection.¹⁵⁴ The PTO's Explanatory Notice, however, does not mention this problem. Instead, it dwells at length on the relationship of the PTO's interpretation to the Reverse Doctrine of Equivalents,¹⁵⁵ a legal rule that has been applied in infringement litigations only on extremely rare occasions.¹⁵⁶ The PTO's primary policy concerns rest mainly on the negative impact the PTO fears the Federal Circuit's interpretation will have on the PTO's workload.¹⁵⁷

2. *The PTO's historical familiarity with the patent statute.*

There are also strong reasons why the question of historical familiarity should work against the PTO's claim to *Chevron* deference. An agency's "institutional memory" of the original purpose and meaning of a provision is a "practical administrative consideration" in deciding whether to defer to the agency's interpretation.¹⁵⁸ Many of the statutory provisions relating to patent law, however, are so ancient that the PTO is factually unlikely to possess any significant institutional memory regarding them. The original patent statute in

¹⁵² See, e.g., *Means Expressions*, 68 JPOS at 266–68.

¹⁵³ See, e.g., *SmithKline Diagnostics*, 859 F.2d at n.7 (use of same claim interpretation between validity and infringement "axiomatic").

¹⁵⁴ *Means Expressions*, 68 JPOS at 268.

¹⁵⁵ 43 PTCJ at 166.

¹⁵⁶ See *SRI International v. Matsushita*, 775 F.2d 1107, 1123 n.19 (Fed. Cir. 1985); *Ethyl Molded Products Co. v. Betts Package, Inc.*, 9 USPQ2d 1001, 1026 (E.D. Ky. 1988) (observing that the Federal Circuit has never applied the reverse doctrine of equivalents); Merges and Nelson, *On the Complex Economics of Claim Scope*, 90 Colum. L. Rev. 839, 864 n.113 (1990). The doctrine has controlled the outcome of only one reported decision since 1982. *Precision Metal Fabricators Inc. v. Jetstream Systems Co.*, 693 F. Supp. 814 (N.D. Calif. 1988).

¹⁵⁷ PTO Explanatory Notice, 43 PTCJ at 166–67:

3. Policy Considerations

...

a. PTO Workload

PTO's workload will increase; without the benefit of live testimony and testing facilities, the PTO will have to resolve structural equivalency.

b. Practical Application

...

[I]t would be impractical for the PTO to attempt to apply the last clause of § 112's final paragraph when comparing prior art to claims in ex parte examination.

¹⁵⁸ E.g., *Donovan v. Amorello*, 761 F.2d at 66. See *Martin*, 111 S.Ct. at 1176.

the United States was promulgated in the 18th century.¹⁵⁹ Congress created the modern examination system, along with the PTO, in 1836.¹⁶⁰ Many modern statutory provisions in the U.S. patent law codify or repeat legal rules that were developed in the 19th century. Even the latest recodification of the Patent Laws is now almost forty years old.¹⁶¹

More importantly, the Federal Circuit is itself likely to be very familiar with the history of the patent statutes. The Federal Circuit has exclusive jurisdiction over appeals from the PTO.¹⁶² All the experience of the judiciary in such matters is therefore concentrated in a single court. Appeals from the PTO, moreover, are routine and statistically commonplace, a condition which should further enhance the familiarity of the Federal Circuit with the merits of the PTO's legal determinations.¹⁶³

In fact, the Federal Circuit is much more expert in the relation to the PTO than is, say, the D.C. Circuit in relation to the EPA. Congress created the Federal Circuit specifically to consolidate into a single court all appeals in all patent cases, including those from infringement actions before the district courts.¹⁶⁴ Judges of the Fed-

159 Patent Act of 1790, ch. 7, 1 Stat. 109-12.

160 Patent Act of 1836, ch. 357, 5 Stat. 117.

161 Patent Act of 1952, ch. 950, 66 Stat. 792.

162 28 U.S.C. § 1295(a)(4) (1988).

163 Another, related factor evidencing the Federal Circuit's expertise is the fact that a significant number of the judges on that court have specialized in the law of patents prior to being appointed to the judiciary. The effect of the patent-specialist judges on the formation of substantive patent law has been explored in the context of the history of the CCPA. Baum, *Judicial Specialization, Litigant Influence, and Substantive Policy: the Court of Customs and Patent Appeals*, 11 L. & Soc'y. Rev. 823 (1977).

The presence of these patent specialists on the Federal Circuit can be traced to two influences. First, the patent bar has a particular interest in increasing the number of patent specialists among the judges of that court. Second, Congress itself recognized, in creating the Federal Circuit, that the Federal Circuit's lawmaking expertise in the patent area could be strengthened through the appointment of patent specialists to a portion of the court. See H. Rep. No. 312, 97th Cong., 1st Sess. 16 (1981) (noting, in reference to 28 U.S.C. § 46(a), that judges of the Federal Circuit will have "patent law expertise").

The presence of these patent specialists on the Federal Circuit can result in the PTO's claim to deference appearing peculiar in individual cases. For example, the last paragraph of 35 U.S.C. § 112, whose interpretation is a matter of current disagreement between the PTO and the Federal Circuit, *supra*, notes 146-57, first appeared in the Patent Act of 1952. The only surviving co-author of that act is Judge Giles Rich of the Federal Circuit, see *Congressional Intent, supra*, note 61, who authored one of the opinions the PTO is refusing to accept. *In re Iwahashi*, 888 F.2d 1370.

164 *E.g.*, S. Rep. No. 275, 97th Cong., 2d Sess. 5-7, 21, reprinted at 1982 U.S. Code Cong. & Ad. New 11, 15-17, 31; H.R. Rep. No. 97-312 at 6-9. See generally Lever, Jr., *The New Court of Appeals for the Federal Circuit (Part I)*, 64 JPOS 178, 197-208 (1982).

eral Circuit therefore encounter issues of patent law repeatedly, with a frequency far outstripping the D.C. Circuit's encounters with the EPA's governing acts.¹⁶⁵ The Federal Circuit may thus have a historical familiarity with the patent laws that rivals or even exceeds that of the PTO.

Congress' very creation of the Federal Circuit, in fact, strikes at the heart of the assumptions that underlie *Chevron*. Congress took the unusual step of consolidating all patent appeals into the Federal Circuit for the purpose of providing that court with overall doctrinal responsibility for the law of patents.¹⁶⁶ One underlying premise was that placing all patent cases before a single court would increase the expertise of that body and cause it to create higher quality legal rules.¹⁶⁷ *Chevron*, on the other hand, is based on the opposite premise: that Congress intends agencies, and not the courts, to have primary lawmaking responsibilities.¹⁶⁸ If this assumption concerning Congress' intent is factually incorrect in a particular setting then *Chevron* should not apply.¹⁶⁹ The simple presence of the Federal Circuit makes such an assumption particularly likely to be incorrect in the case of the Federal Circuit's review of the PTO.¹⁷⁰

C. Analysis and Prior Precedents

The PTO thus performs too few of the traditional functions of agencies to qualify for the deference described in *Chevron*. Compared to the Federal Circuit, it is isolated within the patent system and therefore unable to obtain a broad range of information and experi-

165 For example, the EPA was named as a party before the D.C. Circuit in 23 reported cases during 1989-90. During that same period the Federal Circuit acted upon 201 appeals from patent proceedings in the PTO. *Annual Reports of the Commissioner of Patents and Trademarks* (1989, 1990).

166 *E.g.*, S. Rep. No. 97-275, 1982 *U.S. Code Cong. & Ad. News* at 15-17.

167 *Id.*

168 *See supra*, notes 30-32.

169 *See* Sunstein, 1990 *Duke L.J.* at 2091 ("*Chevron* is inapplicable when the particular context suggests that deference would be a poor reconstruction of congressional desires.>").

170 Other evidence supports this conclusion as well. The PTO is one of the oldest federal agencies. *See* Litan & Nordhaus, *Reforming Federal Regulation*, 44-46 (1983) (asserting that first federal regulatory agency was created in 1837); Asimow, 81 *Colum. L. Rev.* 759 (asserting that only 5 federal regulatory agencies existed in 1900). At the time Congress created the PTO full judicial review of agency decisions was considered "axiomatic." Sunstein, 1990 *Duke L.J.* at 2085. Thus, it is highly unlikely that Congress intended to place lawmaking power in the hands of the PTO, over the courts, when it created the PTO.

In addition, Congress has characterized itself as originally having been distrustful of the PTO's decisionmaking powers. *See supra*, note 125.

ence. This should directly reduce the quality of the PTO's lawmaking expertise to the level where *Chevron* does not apply.

Comparing the PTO's situation with that of the Secretary of Labor in *Martin*¹⁷¹ illustrates the magnitude of this problem for the PTO. In *Martin* the Secretary lacked only the power to adjudicate; retaining both the power to make substantive rules and the power to enforce those rules against violators.¹⁷² This single gap in the Secretary's power nevertheless created a close question whether the Secretary or the Commission had the greater lawmaking expertise.¹⁷³ Congress has given the PTO, in contrast, far fewer powers than the Secretary. The PTO, like the Secretary in *Martin*, has essentially no adjudicatory powers with regard to the statutory scheme as a whole. In addition, however, the PTO has no enforcement powers. Its substantive rulemaking powers extend at best only to those matters that concern "the conduct of proceedings in the PTO," and even then only to matters that are "not inconsistent with law."¹⁷⁴ The PTO's lawmaking expertise as a result should be far less than that of the Secretary.

The courts, on the other hand, occupy a position within the patent system that is roughly comparable to that of the Commission in *Martin*: both perform the adjudicatory function. What was a difficult question in *Martin* should therefore be an easier question when applied to the PTO. The PTO is less expert than the courts. It is consequently not entitled to *Chevron* deference.

While this conclusion may seem striking at first, it is actually consistent with precedents of the Supreme Court. The Supreme Court specifically considered the degree to which courts should defer to the statutory interpretations of the PTO on two occasions in the late 19th century.¹⁷⁵ Because these cases predate the rise of the modern administrative state they do not bear on the PTO's present lawmaking powers directly. Nevertheless, the cases are striking. In both the Court focused on the limited functions of the PTO within the patent system as a whole—the very aspect of the PTO that remains relevant today under *Chevron*. In both cases the Court rejected any rigid rule of judicial deference to the PTO.

¹⁷¹ See *supra* notes 96-107.

¹⁷² 111 S.Ct. at 1174.

¹⁷³ See the cases collected *supra*, at note 99.

¹⁷⁴ 35 U.S.C. § 6. See the discussion *supra*, at notes 118-120.

¹⁷⁵ *Andrews v. Hovey*, 124 U.S. 694, 717-8 (1888); *Bate Refrigerating Co. v. Sulzberger*, 157 U.S. 1, 33-34 (1895).

The first case, *Andrews v. Hovey*, centered around an earlier version of the statutory-bar provision that is now in 35 U.S.C. § 102(b).¹⁷⁶ At issue was whether prefiling activities performed without the knowledge, consent, or allowance of the patent applicant could establish a bar to patentability.¹⁷⁷ In a first decision in the case,¹⁷⁸ the Court had decided that such activities could bar patentability.

The losing party then sought rehearing on the basis of additional "views and authorities,"¹⁷⁹ including the official position of the PTO. Specifically, the PTO had interpreted the statutory provision at issue differently than the Court in a rule that purported to govern practice during *ex parte* prosecution.¹⁸⁰ At the time of the rehearing the particular statutory provision was over 15 years old,¹⁸¹ and the PTO's interpretation of it was long-standing.¹⁸² According to the petitioner, the PTO's prior interpretation of the provision should have settled the question. Alternatively, the petitioner argued, the Court should have deferred to the PTO's viewpoint.¹⁸³

The Court found neither argument persuasive. It first addressed the binding effect of the PTO's rule. "[T]he promulgation and enforcement of such a rule" by the PTO, it stated, "cannot be regarded as having the effect of a judicial or authoritative adjudication of the question under consideration."¹⁸⁴ Later in its opinion, the Court addressed whether the PTO's interpretation was entitled to any other special weight. The Court decided it was not, in language that is strikingly similar to the limitation on *Chevron* deference under discussion in this article:

Nor is this a case for the application of the doctrine that, in cases of ambiguity, the practice adopted by an executive department of the government *in interpreting and administering a statute* is to be taken as some evidence of its proper construc-

176 Act of 1839, ch. 88, 5 Stat. 354 (1850) (codified as amended at R.S. § 4886 (1875)).

177 124 U.S. at 701.

178 123 U.S. 267.

179 124 U.S. at 701. Interestingly, the losing party in *Andrews v. Hovey* is reported to have been supported by briefs from both George Ticknor Curtis and Albert H. Walker. *Id.* at 700. Curtis was the author of *A Treatise on the Law of Patents*, a work which appeared in four editions from 1849-73 and which was influential in the early development of U.S. patent law. Walker was of course the author of *Text-Book of the Patent Laws*, (1883).

180 *E.g.*, 124 U.S. at 702 ("It is also urged, that the court omitted to give due weight to what is said to be the current executive and judicial authority in favor of the construction upon which the appellants rely.").

181 The provision at issue was part of the Patent Act of 1870.

182 *See* 124 U.S. at 716.

183 *Id.* at 716-18.

184 *Id.* at 716.

tion. The question before us . . . is not a question of executive administration, but is properly a judicial question. Although it may be a question which, to some extent, may come under the cognizance of the commissioner of patents, in granting a patent, yet like all the questions passed upon by him in granting a patent . . . his determination thereof, in granting a particular patent, has never been looked upon as concluding the determination of the courts in regard to those questions, respecting such particular patent, and *a fortiori* respecting other patents.¹⁸⁵

On the basis the Court rejected the petition for rehearing and declined to adopt the PTO's statutory interpretation.

Less than a decade later the Supreme Court addressed the issue again in a second case, *Bate Refrigerating Co. v. Sulzberger*.¹⁸⁶ That case presented another appellant who sought a statutory construction contrary to the longstanding view of the PTO.¹⁸⁷ In ruling on the question the Court reiterated its holding in *Andrews v. Hovey*.¹⁸⁸ "The appellant, therefore," it said, "properly insists that the determination of the present question shall not be deemed absolutely concluded . . . by the practice that has obtained in the Patent Office."¹⁸⁹

III. CONCLUSION

The courts retain their traditional freedom to reject the PTO's statutory interpretations despite *Chevron*. The Supreme Court has given *Chevron* deference only to agencies that administer statutory schemes, and not to all agencies generally. The courts thus continued to have their historic lawmaking authority over atypical, non-expert agencies.

The PTO is one such atypical, non-expert agency excluded from the effects of *Chevron*. Congress has entrusted the PTO with few administrative tasks. This, in turn, makes the PTO systematically inexpert with regard to the patent law as whole. In addition, the Federal Circuit possesses advantages over the typical court of appeals. It is likely to be expert itself with regard to the patent laws, thereby eroding the theoretical justification for *Chevron* deference in the case of the PTO.

The PTO's current attempts to use *Chevron* as a means of obtaining greater influence over the patent law are therefore misguided.

¹⁸⁵ *Id.* at 717-18 (first emphasis added).

¹⁸⁶ 157 U.S. 1 (1895).

¹⁸⁷ *See id.* at 26-30.

¹⁸⁸ *Id.* at 33-34.

¹⁸⁹ *Id.* at 34.

Influence for the PTO will not result from the mere fact that the PTO's statutory interpretations are those of a federal agency. Rather, the PTO must rely for influence, as it always has, on the quality inherent in its individual legal rulings.