1998

Substantial Evidence Supporting the Clearly Erroneous Standard of Review: The PTO Faces off Against the Federal Circuit

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SUBSTANTIAL EVIDENCE SUPPORTING THE CLEARLY ERRONEOUS STANDARD OF REVIEW: THE PTO FACES OFF AGAINST THE FEDERAL CIRCUIT

I came from an administrative law background. I thought the PTO was an administrative agency. But we don't review it as if it is. There is no other administrative agency in the United States that I know of in which the standard of review over the agency's decisions gives the appellate court as much power over the agency as we have over the PTO.

– Judge S. Jay Plager

I. INTRODUCTION .................................................................... 1128

II. BACKGROUND ...................................................................... 1130
   A. Administrative Law.......................................................... 1130
   B. Patent and Trademark Office Proceedings....................... 1132
   C. Patent and Trademark Office Argument........................... 1133
   D. In re Zurko..................................................................... 1136

III. ANALYSIS............................................................................ 1136
   A. Chevron Analysis.......................................................... 1136
   B. A Permissive Interpretation of Section 706....................... 1140
   C. Support for the Permissive Interpretation of Section 706.... 1142
      1. Congressional Consent............................................... 1142
      2. APA's Minimum Protections Purpose.............................. 1143
      3. APA's Uniformity Purpose........................................... 1146
      4. Attorney General Statements....................................... 1147
      5. PTO Commissioner Statements.................................... 1148
      6. The PTO Does Not Perform The Functions That Call For Deferential Review........................................ 1148
      7. Appellate Courts Determine Policy............................... 1151
      8. Review for Clear Error Provides Doctrinal Stability........... 1151

IV. CONCLUSION ........................................................................ 1153

I. INTRODUCTION

The Patent and Trademark Office (PTO) has mounted an aggressive campaign to convince the Federal Circuit that its review of PTO factual findings is bound by the Administrative Procedure Act's (APA) "substantial evidence" standard of review. The "substantial evidence" standard would replace the less deferential "clearly erroneous" standard which is currently applied to PTO factual determinations.

In In re Zurko, the Federal Circuit, en banc, upheld the panel's decision requiring the clearly erroneous standard. In re Zurko followed a recent Federal Circuit three-judge opinion which strongly admonished the Office of the Solicitor of the PTO for assuming the more deferential arbitrary and capricious standard of review applied. The Federal Circuit panel reprimanded the PTO, reiterating that the proper standard of review for PTO factual determinations is the clearly erroneous standard. The panel also noted that the APA standard unfairly burdened the applicant and required the applicant to expend resources to respond to inappropriate and unnecessary arguments presented in disregard of applicable precedent.

This Comment addresses the In re Zurko case before it was heard en banc by the Federal Circuit Court of Appeals. The Federal Circuit

2. See, e.g., In re Lueders 111 F.3d 1569, 1574-78 (Fed. Cir. 1997) (deciding to refer to the whole court for review en banc on the issue of whether the APA standard applies and declining to apply APA standards in light of precedent); In re Mac Dermid Inc., 111 F.3d 890, 892 (Fed. Cir. 1997); In re Zurko, 111 F.3d 887, 889 n.2 (Fed. Cir. 1997) (declining to apply APA standards as requested by PTO) aff'd en banc, 142 F.3d 1447 (Fed. Cir. 1998); In re Kemps, 97 F.3d 1427, 1430-31 (Fed. Cir. 1996) (indicating that the clearly erroneous standard of review applies to the PTO's factual determinations and not the APA standards as presented by the PTO in its brief and oral argument); In re Napier, 55 F.3d 610, 614 (Fed. Cir. 1995) (finding it unnecessary for the court to address whether the APA is the appropriate standard in certain cases because the court affirmed the PTO decision under the more stringent standard); In re Brana, 51 F.3d 1560, 1568-69 (Fed. Cir. 1995) (concluding that it was not necessary to the disposition of this case to address whether the APA standard applied to factual and legal determinations as argued by the PTO).

3. 111 F.3d 887 (Fed. Cir. 1997) (reversing the PTO and holding that the claimed method was not obvious and finding clear error in the factual determinations underlying the PTO's § 103 rejection), aff'd en banc, 142 F.3d 1447 (Fed. Cir. 1998).

4. See id.

5. See In re Kemps, 97 F.3d at 1430-31 (stating that the PTO should not ask a three judge panel of the Federal Circuit to overrule the court's many precedent cases applying the "clearly erroneous" standard to PTO factual determinations).

6. See id.

7. See id. (noting also that the applicant felt like "a bystander to some long-running dispute to which he really [was] not a party").
subsequently rendered its *en banc* decision on May 4, 1998. The *en banc* court ruled unanimously that it will continue to review findings of fact by the Patent and Trademark Office for clear error, rather than applying the more deferential standards of review provided in the Administrative Procedure Act. The *en banc* court's decision reversed the Board of Patent Appeals and Interferences based on the reasons set out in the court's panel opinion. Subsequently, Bruce A. Lehman, Commissioner of Patents and Trademarks, petitioned for certiorari to the United States Supreme Court, which was granted on November 2, 1998.

If the Supreme Court decides that the more deferential APA "substantial evidence" standard of review applies, the impact on patent prosecution could be dramatic. Issues relating to underlying factual determinations would become virtually unreviewable on appeal. Affected issues would include PTO factual determinations about utility, anticipation, best mode, written descriptions and obviousness. Other affected issues include the determination of what prior art references teach, the differences between those teachings and a claimed invention, and the impact of "secondary considerations." If the Supreme Court decides that the APA's deferential standard of review applies to PTO factual findings it will dramatically change the way patent prosecutors secure patents in the future. The entire patent bar

8. See *In re Zurko*, 142 F.3d 1447, 1459 (Fed. Cir. 1998) (*en banc*).
9. See id.
10. See id.
12. See, e.g., *In re Ziegler*, 992 F.2d 1197, 1200 (Fed. Cir. 1993) (stating that "[t]he first issue thus is whether the determination that Ziegler did not establish that the German application disclosed a practical utility for the polypropylene was clearly erroneous").
13. See, e.g., *In re Paulsen*, 30 F.3d 1475, 1478 (Fed. Cir. 1994) (noting that "[a]nticipation is a question of fact subject to review under the 'clearly erroneous' standard").
14. See, e.g., DeGeorge v. Bernier, 768 F.2d 1318, 1324 (Fed. Cir. 1985) (stating that "[b]est mode is a question of fact. Hence, our review of the board's best mode determination is under a clearly erroneous standard") (citations omitted).
15. See, e.g., *Fiers v. Revel*, 984 F.2d 1164, 1170 (Fed. Cir. 1993) (noting that "[c]ompliance with the written description requirement is a question of fact which we review for clear error").
16. See *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). The factual determinations of obviousness include: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the pertinent art; and (4) the "objective" indicia like commercial success and long felt need. See id.
17. See id.
18. See Janice M. Mueller, *Crafting Patents for the Twenty-First Century: Maximize Patent Strength and Avoid Prosecution History Estoppel in a Post-Markham/Hilton Davis*
should be concerned about the expanding role the PTO is trying to assert in adjudicating patent matters before that agency. As Judge Paul R. Michel of the Federal Circuit stated: "One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize." 19

The purpose of this Comment is threefold. First, it provides background on the PTO's arguments for deferential review under the APA. Second, it suggests a permissive interpretation of APA section 706 which permits review for clear error. And finally, it supports the permissive interpretation of section 706 with a variety of arguments.

II. BACKGROUND

A. Administrative Law

Administrative law is governed mainly by the Administrative Procedure Act (APA). 20 Enacted in 1946, this act governs most decision-making by federal agencies. The APA outlines the scope of review that the courts are to apply when reviewing administrative actions. 21 While courts have the final interpretation of law, courts often defer to an agency's interpretation of its enabling statute, especially when Congress has explicitly empowered the agency to interpret the laws it enforces. 22

In review of agency action, treatment of "questions of fact" is usually governed by section 706 of the APA. The APA provides three criteria by which to review agency determinations of fact. While there is substantial deference to agency factual determinations, actions which are (1) arbitrary and capricious, (2) unsupported by substantial evidence gathered through formal hearings, or (3) unsupported by facts considered on de novo review, must be set aside. 23 Recall that appellate courts review factual determinations in non-jury court trials under the "clearly erroneous" standard. 24 The spectrum of the reviewing court's deference to the fact finder's determinations, from most deferential to the fact finder's determinations to least deferential to fact finder's determinations, is (1) arbitrary, capricious, (2) substantial evidence, (3) clearly erroneous, (4) de novo review. 25

22. See infra Part III.A.
24. See Fed. R. Civ. P. 52(a) (stating that "findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous").
25. See Robert L. Stern, Review of Findings of Administrators, Judges and Juries: A
De novo review of agency adjudications means a new trial (hardly a "review" as such). The clearly erroneous standard provides for a more rigorous review of agency findings than does the substantial evidence standard. The substantial evidence test has been compared to the appellate review of judgments predicated on jury verdicts. The substantial evidence test is a more rigorous review of agency findings than is the arbitrary and capricious review. Regardless of the scope of review, the reviewing court is required to give the agency's action "a thorough, probing, in-depth review."

The APA's substantial evidence test applies only to formal adjudication and formal rulemaking, which are made on the record.

Comparative Analysis, 58 Harv. L. Rev. 70, 72-89 (1944).
27. See Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pension Trust, 508 U.S. 602, 623 (1993) (stating that while "review under the 'clearly erroneous' standard is significantly deferential, . . . application of a reasonableness standard is even more deferential"); Consolo v. Federal Maritime Comm'n, 383 U.S. 607, 619-620 (1966) (stating that "[w]e have defined 'substantial evidence' as 'such relevant evidence as a reasonable mind might accept as adequate to support a conclusion"); Stern, supra note 25, at 88-89 (stating that "[p]olicy, authority and history all thus show that the 'clearly erroneous' rule gives the reviewing court broader powers than the 'substantial evidence' formula"). See generally Kenneth C. Davis & Richard J. Pierce Jr., Administrative Law Treatise § 11.2, at 177 (3d ed. 1994) (explaining the substantial evidence test).
28. See, e.g., NLRB v. Columbian Enameling & Stamping Co., 306 U.S. 292, 300 (1939) (stating that "[s]ubstantial evidence is more than a scintilla . . . and it must be enough to justify, if the trial were to a jury, a refusal to direct a verdict when the conclusion sought to be drawn from it is one of fact for the jury"); accord Consolo v. Federal Maritime Comm'n, 383 U.S. 607, 619-20 (1966); see also Bernard Schwartz, Administrative Law § 10.11 (2d ed. 1984) (stating that "[t]he test of review of a jury verdict is also usually stated in terms of substantial evidence. This leads to the conclusion that the scope of review of jury verdicts and of agency findings is the same"); Stern, supra note 25, at 76 (stating that the substantial evidence rule governing the review of administrative findings of fact is the same as that applied to a jury verdict).
29. See American Paper Inst. v. American Elec. Power Serv. Corp., 461 U.S. 402, 412 n.7 (1983) (stating that the arbitrary and capricious test is "more lenient" than the substantial evidence test); Abbott Lab. v. Gardner, 387 U.S. 136, 143 (1967) (stating that the substantial evidence test provided "a considerably more generous judicial review than the 'arbitrary and capricious' test"). See generally American Trucking Ass'n v. United States, 344 U.S. 298, 314 (1952) (stating that the relationship between rules and the regulatory scheme is to protect against rules being deemed arbitrary); Pacific States Box & Basket Co. v. White, 296 U.S. 176, 182 (1935) (holding that state regulation is measured by the arbitrary and capricious standard).
31. See Davis & Pierce, supra note 27, § 11.2 (explaining the substantial evidence test).
The court must evaluate the record of the agency's proceedings to ascertain whether there is evidence in the record as a whole to support the agency's decision, regardless of whether the court would have reached a different conclusion on the same facts. The key to the test is whether a "reasonable mind" would accept the evidence as adequate to form a conclusion.

The arbitrary and capricious test applies to review agency acts which occur through informal adjudication. To make this finding the court must consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error in judgment. Although this inquiry into the facts is to be searching and careful, the ultimate standard of review is a narrow one. The court is not empowered to substitute its judgment for that of the agency. So long as there is a rational basis for the agency's decision, the reviewing court may not overturn an agency's action as arbitrary or capricious.

B. Patent and Trademark Office Proceedings

A patent applicant may appeal an examiner's final rejection to the PTO's Board of Patent Appeals and Interferences. Each appeal is "heard" by at least three members of the Board of Patent Appeals and Interferences, who are chosen by the Commissioner. The Board may

33. Consolidated Edison Co. v. NLRB, 305 U.S. 197, 229 (1938) (stating "[s]ubstantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion").
34. See Davis & Pierce, supra note 27, § 11.4 (explaining the arbitrary and capricious test).
35. See Overton Park, 401 U.S. at 415.
36. See id.
37. See id.
   The method of computing the netting period does not make the regulations arbitrary and capricious. The inevitable delay between the discovery that something is amiss and the formal 'initial determination' of error (which closes the netting period) is necessary to avoid spur-of-the-moment decisions. The Secretary's regulations limit delay, and the hypothesis that the Secretary will deliberately delay to net-in additional underpayments is implausible. Respondents' alternative regime of separate accounting would increase the administrative burden, and their alternative suggestion of delayed reimbursement of underpayments does not address the alleged delay problem.
40. See id. Note that the proceedings before the Board are purely paper proceedings. See Briefs Are Filed In En Banc Case On Federal Circuit Standard of Review, 55 Pat. Trademark & Copyright J.(BNA) No. 1351, at 32, 33 (Nov. 13,
affirm or reverse the examiner's action and may enter a new ground for rejection. From an adverse ruling of the Board, the applicant may either appeal on the record to the Court of Appeals for the Federal Circuit or file a de novo civil suit to obtain a patent against the Commissioner in the District Court for the District of Columbia.

The PTO is one of the oldest agencies in the American administrative system. Throughout the history of the Federal Circuit and its predecessor courts, the factual decisions of the PTO boards have been reviewed by the same standards that are applied to decisions of district courts. This standard is referred to as "clearly erroneous." The use of this standard to review PTO decisions dates back over one hundred years. In a recent plurality opinion, Judge Rich noted: "The fact that we apply the clearly erroneous standard of review rather than the more restrictive substantial evidence standard usually applied to administrative boards illustrates the purely administrative nature of the Board."

C. Patent and Trademark Office Argument

Despite this long history of review precedent, the PTO has crafted an argument purporting that the proper standard of review should be prescribed by a restrictive interpretation of the agency review standards in the Administrative Procedure Act (APA), section 706. The PTO believes that the clearly erroneous standard of review is inconsistent with the

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1997) (noting that although the statute requires that appeals be heard, the proceeding "is purely a paper proceeding").
42. See id. §§ 141-144.
43. See id. § 145.
44. The first patent statute was enacted in 1790. See 38 TRADEMARK REP. 149, 149 (1948). However, it was the 1836 Patent Act that created the Patent Office and vested it with the authority to administer the patent system. See id.
45. See DONALD R. DUNNER, ET AL., COURT OF APPEALS FOR THE FEDERAL CIRCUIT: PRACTICE AND PROCEDURE § 1.01, at 1-2 (1996). The predecessor courts were the Court of Customs and Patent Appeals, and that court's predecessor, the Court of Appeals of the District of Columbia. See id.
46. See Fed. R. Civ. P. 52(a) (stating that findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous); see also CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 2591 (2d ed. 1995) (stating that because Rule 52(a) is fully applicable to patent cases, findings of fact may be set aside only if they are clearly erroneous).
47. See Morgan v. Daniels, 153 U.S. 120, 129 (1894). "It is enough to say that the testimony as a whole is not of a character or sufficient to produce clear conviction that the Patent Office made a mistake..." Id.
48. In re Alappat, 33 F.3d 1526, 1535 n.10 (Fed. Cir. 1994).
review prescribed by the APA.  

The APA argument involves a simple plain meaning analysis of section 706. The PTO is an "agency" as defined by the APA. Courts including the Federal Circuit have recognized the PTO as an "agency" under the APA. The PTO's factual findings in the course of determining patentability are "agency actions" as defined by the APA. The PTO's argument is that the courts must adhere to the literal plain meaning of the language of section 706. Therefore, the PTO's factual findings should be subject to the APA's standards of review.

The APA's legislative history appears to lend support to the use of the APA's standards of review for review of PTO decisions. Prior to

50. The PTO's Brief on the Merits stated that PTO Board's factual determinations should be reviewed under the substantial evidence standard (for formal adjudications) set out in § 706(2)(E) of the APA. However, if the this standard does not apply, then the arbitrary or capricious standard (for all other adjudication) under § 706(2)(A) of the APA should apply. See Briefs Are Filed In En Banc Case On Federal Circuit Standard of Review, 55 Pat. Trademark & Copyright J.(BNA) No. 1351, at 32, 32 (Nov. 13, 1997). During oral arguments the PTO conceded that the proceedings before the PTO Board are not formal adjudications. See En Banc Federal Circuit Hears Argument on Reviewing PTO Fact Findings, 55 Pat. Trademark & Copyright J.(BNA) No. 1354, at 96, 97 (Dec. 4, 1997). It is difficult to understand why the PTO would argue primarily for a standard of review that it concedes the APA denies.

51. See NORMAN J. SINGER, STATUTES AND STATUTORY CONSTRUCTION § 46.01 (5th ed. 1992) (noting that "the meaning of the statute must, in the first instance, be sought in the language in which the act is framed, and if that is plain ... the sole function of the courts is to enforce it according to its terms").

52. See 5 U.S.C. § 701(b)(1) (1994) (defining 'agency' as each authority of the Government of the United States); 5 U.S.C. § 701 (b)(1)(A)-(H) (1996) (listing exceptions, none which apply to the PTO); see also 5 U.S.C. § 701(a) (1994) (stating that "[t]his chapter [on judicial review] applies ... except to the extent that — (1) statutes preclude judicial review; or (2) agency action is committed to agency discretion by law").

53. See, e.g., Singer Co. v. P.R. Mallory & Co., 671 F.2d 232, 236 n.7 (7th Cir. 1982) (noting that the "[t]he Patent Office falls within the definition of an administrative 'agency' established by the Administrative Procedure Act"); Ray v. Lehman, 55 F.3d 606, 608 (Fed. Cir. 1995) (treating the PTO as an agency under the APA for purposes of reviewing a challenge to the PTO's denial of a petition to reinstate a patent); Glaxo Operations UK, Ltd. v. Quigg, 894 F.2d 392, 394 n.4 (Fed. Cir. 1990) (treating the PTO as an agency under the APA for purposes of reviewing the PTO's denial of a request for a patent extension).

54. See 5 U.S.C. §§ 551(6), 551(13), 701(b)(2) (1994) (stating that an "order means the whole or a part of a final disposition ... in a matter other than rulemaking").

55. See 5 U.S.C § 706 (1994) (stating that "the reviewing court shall ... determine the meaning or applicability of the terms of an agency action" under the APA standards).

56. See H.R. REP. NO. 79-1980, at 16 (1946) (stating that "[t]he APA is meant to be operative 'across the board' in accordance with its terms, or not at all"). See generally DAVIS & PIERCE, supra note 27, § 1.4 (explaining the purpose of the APA).
enacting the APA in 1946, Congress considered legislation governing administrative law for over ten years. One unsuccessful proposal was the 1940 Walter-Logan bill. The Walter-Logan bill expressly exempted the PTO from coverage of the bill. However, the exclusionary language in the enacted Act was omitted from the APA's judicial review section. Thus, the PTO should be treated like every other agency.

Moreover, the Patent Act's statutes for judicial review of PTO decisions do not preempt application of the APA standards of review. The Supreme Court has indicated that the APA standards of review apply when the agency's enabling statutes are silent on a standard. The Patent Act does not contain any standard of review for PTO adjudications, therefore, the APA's standard of review should govern.

The PTO also declares that its expertise in patent matters justifies the deference given under the APA. Courts have recognized that agencies with particular expertise are afforded deference in accordance with decisions based on that expertise. Moreover, application of the APA standards of review is necessary to maintain uniformity, asserting that once a section of APA has been applied to one aspect of agency action, the

58. See id. at 3-4.
61. See American Paper Inst., Inc. v. American Elec. Power Serv. Corp., 461 U.S. 402, 412-13 n.7 (1983) (stating that absent a specific command to employ a particular standard of review, agency action should be reviewed under the APA standards); see also Marsh v. Oregon Natural Resources Council, 490 U.S. 360, 375-77 (1989) (holding that the APA provided the standard of review for a challenge to a statement prepared pursuant to National Environmental Policy Act, where the statute did not provide a standard of review); Camp v. Pitts, 411 U.S. 138, 140-42 (1973) (holding that the APA provided the standard for reviewing the denial of a bank application where the statute did not provide the standard of review).
62. See, e.g., Baltimore Gas & Elec. Co. v. NRDC Inc., 462 U.S. 87, 103 (1983) (stating that "[w]hen examining this kind of scientific determination, as opposed to simple findings of fact, a reviewing court must generally be at its most deferential"); Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (recognizing the PTO's expertise in technological arts); Interconnect Planning Corp. v. E. Fiel, 774 F.2d 1132, 1139, (Fed. Cir. 1985) (stating that "[t]his statutory presumption [validity] derives in part from recognition of the technological expertise of the patent examiners").
63. See, e.g., Ray v. Lehman, 55 F.3d 606, 608 (Fed. Cir. 1995) (holding that agency action to terminate patent for failure to make the necessary maintenance fees may be set aside if it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law"), cert. denied, 116 S. Ct. 304 (1995); Gerritsen v. Shirai, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992) (holding that the court reviews the PTO decision for abuse of discretion when the PTO sanctioned patent holders for noncompliance with regulation); Animal Legal Defense Fund v. Quigg, 932 F.2d 920 (Fed. Cir. 1991) (using the APA to challenge PTO rulemaking).
entire APA should apply to every agency action.

D. In re Zurko

Mary Zurko applied for a patent on a method for improving security in a computer system. 64 The PTO found the invention obvious in light of two disclosed references. 65 The Federal Circuit reversed, finding the Board’s obviousness determination clearly erroneous as based on a hindsight view of the prior art. 66 The Federal Circuit rejected the Board’s conclusion that the application’s claimed step of obtaining confirmation over a trusted pathway is inherent in the prior art. 67 Neither of the references disclosed by the applicant teaches, either explicitly or implicitly, communicating with the user over a trusted pathway, the court held. 68

The PTO’s petition for a rehearing contended that the Federal Circuit’s long practice of reviewing PTO factual determinations under the clearly erroneous standard violates the Administrative Procedure Act. 69 The PTO argued that the rejection should have been affirmed under the APA’s more deferential (to the trier of fact) “substantial evidence” test, citing 5 U.S.C. § 706(2)(E). 70 Zurko maintained that the clearly erroneous standard has been applied for years with no objection from the PTO, that a different standard would make no difference in this case, and that the APA and its legislative history exempt the PTO from coverage. In July 1997, the Federal Circuit announced that it would review the case en banc. 71

III. ANALYSIS

A. Chevron Analysis

The analysis begins with the question of whether the PTO’s interpretation of its enabling statute is controlling or even requires deference. The seminal Supreme Court case that has addressed the

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64. See In re Zurko, 111 F.3d 887, 888 (Fed. Cir. 1997), aff’d en banc, 142 F.3d 1447 (Fed. Cir. 1998).
65. See id.
66. See id. at 889-90.
67. See id.
68. See id.
69. See 54 Pat. Trademark & Copyright J. (BNA) No. 1331, at 139 (June 12, 1997).
70. See id.
71. See 54 Pat. Trademark & Copyright J. (BNA) No. 1335, at 211 (July 17, 1997).
72. See In re Zurko, 116 F.3d 874, 874 (Fed. Cir. 1997).
standards applied in determining the validity of an agency's interpretation of the statute it enforces is *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.* 73 In *Chevron* the Court established a new two-step approach to judicial review of agency interpretations of provisions contained in statutes that delegate regulatory power to an agency.

The first step is to determine whether Congress has directly spoken to the precise question at issue. If the intent of Congress is clear, that is the end of the matter. The court, as well as the agency, must give effect to the unambiguously expressed intent of Congress. In other words, if the language of the statute indicates that Congress has resolved the policy issue that corresponds to the interpretive issue before the court, the court's job is to enforce the congressional policy decision against the agency. Congressional intent is normally embodied in the agency's enabling statute.

The proper standard of review of PTO factual determinations is clearly not defined in the PTO's enabling statute. 75 Title 35, section 141 of the United States Code, entitled "Appeal to Court of Appeals for the Federal Circuit," sets out the dissatisfied applicant's right to appeal to the Federal Circuit. 76 No standard of review is set forth, however. Section 143 of the United States Code, title 35, entitled "Proceedings on appeal," sets forth the Commissioner's duty to transmit a certified list of the documents which comprise the entire record to the Federal Circuit. 77 Again, no standard of review is set forth. Section 144, entitled "Decision on appeal," states that review of the PTO decision is decided on the record that was before the PTO. 78 No standard of review is prescribed. Section 145, entitled "Civil action to obtain patent," states that any party dissatisfied

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74. See id. at 842-43.
with a patent decision of the PTO may have a civil remedy by civil action against the Commissioner in United States court for the District of Columbia.9 No standard of review is set forth. Section 146, entitled "Civil action in case of interference," states that any party dissatisfied with the interference decision of the PTO may have a civil remedy by civil action.0 No standard of review is set forth. Therefore, the PTO's enabling statute does not define the proper, or any, standard of review of PTO factual determinations.

If the court determines that Congress has not directly addressed the precise question at issue, then the court must proceed with the second step in the analysis. The second step for the court is to determine whether the agency's interpretation is based on a permissible construction of the statute.81 A literal interpretation of step two of the analysis instructs reviewing courts not to interpret ambiguous language in statutes that delegate power to the agencies.82 The reviewing court retains its role in the policymaking process, but its role is limited to making certain the agency's resolution of the policy is a reasonable one.

Chevron's applicability to the PTO has been particularly hotly contested. One commentator has argued that the Federal Circuit needs to apply Chevron to questions of patent validity and non-obviousness, as well as other PTO determinations.84 Another commentator argues that the Federal Circuit is the primary expert and source of patent law, not the

79. See 35 U.S.C. § 145 (1994). The intent of this section, dealing with a civil action to obtain a patent, is to keep the administration of Title 35 from becoming too technical and to conserve the original purpose of the Title. See Evans v. Watson, 142 F. Supp. 225, 227-28 (D.C. Cir. 1956). The ultimate finding in a patent case is a conclusion drawn from undisputed or established facts. Subsidiary facts do not change such a finding from one of fact to one of law. See Dresser Indus., Inc. v. Smith-Blair, Inc., 322 F.2d 878, 879 (9th Cir. 1963). A finding of fact is not to be set aside unless clearly erroneous. See id. at 881.
80. See 35 U.S.C. § 146 (1994). The purpose of the provision of § 146 is to give a judicial remedy to an applicant who has been finally denied a patent because of the Patent Office's decision against him and in favor of his adversary on a question of priority. See Sanford v. Kepner, 344 U.S. 13, 14 (1952). When the trial court decides the factual issue of priority against him, and thus affirms refusal of the patent by the Patent Office, he has obtained the full remedy this section gives him, and only if he wins on a priority issue may he proceed under further provisions of this section permitting the court to authorize issuance of a patent. See id at 15. As with any bench trial, the court of appeals reviews the district court's judgment in interference actions for clearly erroneous findings of fact and errors of law. See Conservolite, Inc. v. Widmayer, 21 F.3d 1098, 1100 (Fed. Cir. 1994).
82. See Davis & Pierce, supra note 27, § 1.7, at 28.
83. See id.
84. See Nard, supra note 1, at 1450-64.
PTO; therefore, the theoretical justification for deference to the PTO under *Chevron* fails.  

With the basic ground work of agency interpretation laid, it must be stated that questions on the proper scope of review are questions of law. The final word on interpretation of law and its applicability, whether constitutional or statutory, resides in the courts. This fundamental concept is stated in the APA: "[t]o the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action." The reviewing court "may substitute their judgment on questions of law for that of the agency on a virtually *carte blanche* basis." The doctrine that courts are the ultimate interpreter of the law has its origin in *Marbury v. Madison*. "It is emphatically the province and duty of the judicial department to say what the law is. . . . If two laws conflict with each other, the courts must decide on the operation of each."  

The breadth of *Chevron* is limited. *Chevron* is not applicable "when the particular context suggests that deference would be a poor reconstruction of congressional desires." The clearest case is when the agency does not have the authority at all. Agencies with the power to prosecute violations but not the power to make rules lack the "pedigree" that is a prerequisite for deference.  

The clearest case of the PTO’s lack of rulemaking power is demonstrated in *Merck & Co., Inc. v. Kessler*. In *Merck*, Commissioners Kessler and Lehman contended that under *Chevron* the PTO’s final determination was entitled to controlling weight. The Federal Circuit corrected the Commissioners mistake as to *Chevron*’s breadth. The court stated that only agencies with rulemaking powers deserve deference on statutory interpretations. The broadest rulemaking power of the PTO is...
found in 35 U.S.C. § 6(a). That section authorizes the Commissioner to promulgate regulations directed only to the conduct of proceedings in the PTO; it does not grant the Commissioner the authority to issue substantive rules.

Congress has not vested the Commissioner with general substantive patent rulemaking power. "[T]he exercise of quasi-legislative authority by governmental departments and agencies must be rooted in a grant of such power by the Congress and subject to limitations which that body imposes." Therefore, the rule set forth in *Chevron* does not apply to PTO interpretations outside the rulemaking power vested in it by Congress.

The framework set forth dictates that the Federal Circuit should decide the PTO's standard of review without deference to the PTO's position. The PTO enabling statute is silent on the issue of the proper standard of review. The statutory interpretation of the proper standard of review is beyond the power of the PTO and therefore is given no deference under *Chevron*. Even if the interpretation was within the PTO's power, the proper standard of review is a legal question. According to the APA and the common law, reviewing courts determine legal questions. The fact that the PTO has concluded that it deserves greater autonomy is not legally relevant, much less controlling. Therefore, the final word on interpretation of law resides in the reviewing court.

### B. A Permissive Interpretation of Section 706

The PTO's argument for more deferential review is based on the assumption that section 706 compels that result under the "plain meaning rule." The rule states that the plain and unambiguous meaning of the words used by Congress prevails in the absence of a clearly expressed

98. See id.
100. Merck & Co., Inc. v. Kessler, 80 F.3d 1543, 1550 (Fed. Cir. 1996).
102. See supra notes 75-80 and accompanying text.
103. See SINGER, supra note 51, at 81 (stating that "the meaning of the statute must, in the first instance, be sought in the language in which the act is framed, and if that is plain . . . the sole function of the courts is to enforce it according to its terms"). However, if the words of the statute are plain and unambiguous, the court may still look to the legislative history if the plain meaning of the words vary from the policy of the statute. See id.
STANDARD OF REVIEW OF PTO DECISIONS

When faced with an ambiguity the court is to examine the legislative history to determine Congress' intent. Congress' intent clearly has been to consent to the common law standard of review. However, even without Congressional intent, review of PTO factual determinations for clear error is still consistent with the literal language of section 706. It has long been recognized that the plain meaning rule is inherently suspect. Words are nearly always susceptible to several meanings; therefore, statutory provisions often have no meaning that is plain.

This is the case with section 706. The relevant provision reads: "The reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be . . . unsupported by substantial evidence. . . ." By its terms, this language defines only a class of determinations that must be reversed—those not supported by substantial evidence. It provides no direct definition of which agency determinations must be upheld.

The PTO believes that this language applies to all factual determinations, asserting that its determinations made on substantial evidence must be left standing. The PTO believes that section 706 defines the threshold between reversible and proper findings of fact.

But the literal language of section 706 does not support the PTO's reading. Rather, the language is consistent with the application of any standard of review that is at least as searching as one for substantial evidence. One such standard is review under the existing, more inclusive standard of clear error. Use of the clear error standard results in the Federal Circuit reversing each determination by the PTO that is unsupported by substantial evidence.

105. See Hoechst, 917 F.2d at 526.
106. See discussion infra Part III.C.1.
107. See SINGER supra note 51, §§ 46.01, 46.07 (defining the plain meaning rule and the limits of literalism). If it is clear that a literal interpretation of the meaning of the words is inconsistent with the legislative intent or that a literal interpretation leads to an absurd result, the words of the statute will be modified to agree with the intention of the legislature. See id. at § 46.07. "While the intention of the legislature must be ascertained from the words used to express it, the manifest reason and obvious purpose of the law should not be sacrificed to a literal interpretation of such words." Peirce v. Van Dusen, 78 F. 693, 696 (1897).
108. See SINGER supra note 51, §§ 46.01, 46.07.
110. See Supplemental Brief for Appellee at 18, In re Zurko, No. 96-1258 (Fed. Cir. argued Dec. 2, 1997).
111. See id.
112. See Stern, supra note 25, at 87-89; DAVIS & PIERCE, supra note 27, § 11.2.
C. Support for the Permissive Interpretation of Section 706

A closer look at the APA reveals that review for clear error is consistent with the literal interpretation of section 706. For over fifty years, with both issues clearly before it, Congress has repeatedly refused to modify the review of PTO decisions in the PTO's enabling statute. Review for clear error is faithful to the APA's purpose, which is to provide a set of guaranteed minimum rights and to ensure uniform adjudication of agency decisions. Statements by both the then attorney general and the commissioner of the PTO confirms that review for clear error survived the enactment of the APA. The PTO does not perform functions that call for deferential review. The determination of a patentable invention is a policy decision, and the appellate court is the proper place to determine policy. Finally, review for clear error provides doctrinal stability.

1. Congressional Consent

Congress' failure to modify the PTO's enabling statute to include a reference to the APA's deferential standard of review amounts to congressional consent that the clearly erroneous standard of review does not conflict with the APA. After the enactment of the APA, Congress has spoken on topics directly relating to the interaction between the PTO, the reviewing courts, and the law on patents. At each opportunity, Congress has refused to change the standard of review for PTO factual determinations.

Prior to the APA's enactment in 1946, the decision of the PTO boards were reviewed by the same standards as applied to a decision from the district court. After the enactment of the APA, review of PTO decisions continued without enhanced deference. Congress' first opportunity to reconcile patent law with any different APA standard came in 1952 when Congress revised and codified patent law into Title 35 of the United States Code. Both issues were plainly before Congress. The review of PTO decisions without enhanced deference had a long history, and Congress had recently spent several years studying, drafting,

114. See id.
115. See In re Borden, 90 F.3d 1570, 1576 (Fed. Cir. 1996); In re GPAC, Inc., 57 F.3d 1573, 1577 (Fed. Cir. 1995); In re Vaeck, 947 F.2d 488, 495 (Fed. Cir. 1991); In re Woodruff, 919 F.2d 1575, 1577 (Fed. Cir. 1990); In re King, 801 F.2d 1324, 1326 (Fed. Cir. 1986); In re Longi, 759 F.2d 887, 892 (Fed. Cir. 1985); In re De Blauwe, 736 F.2d 699, 703 (Fed. Cir. 1984); In re Kunzmann, 326 F.2d 424, 426 (C.C.P.A 1964).
and enacting the APA. However, no change of the standard of review was made by Congress. Ten years passed with PTO decisions reviewed without enhanced deference, under the clearly erroneous standard.

In 1962 Congress acted again on patent law. This time Congress expressly incorporated a citation to the APA into Title 35. The express application of the APA to Section 135(c) supports the conclusion that the APA does not affect sections that do not reference it. "Inclusio unius est exclusio alterius is a maxim applied to statutory construction. "As the maxim is applied to statutory interpretation ... there is an inference that all omissions should be understood as exclusions." Since the APA is referenced in the PTO's enabling statute, a strong inference can be drawn that the omission of an APA reference in all other sections was intentional. Another twenty years passed with PTO decisions reviewed without enhanced deference.

In 1982 Congress again revised patent law with the Federal Courts Improvement Act. Through inaction, the Federal Courts Improvement Act ratified the review practice of previous courts over PTO decisions. This long history of Congressional inaction and failure to modify the PTO's enabling statute to include a reference to the APA's deferential standard of review, amounts to congressional consent that the clearly erroneous standard of review does not conflict with the APA.

2. APA's Minimum Protections Purpose

Application of APA's deferential standard of review to PTO factual determinations that are currently reviewed for clear error is contrary to a basic purposes of APA. A basic purpose of the APA was to outline the minimum rights private parties have against federal agencies. Applying

118. See discussion infra Parts III.C.4, III.C.5.
119. See Act of October 15, 1962, Pub. L. No. 87-831, 76 Stat. 958 (1962) (codified as 35 U.S.C. § 135(c)). The last paragraph of section 135(c) states that "any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act." Id.
120. See SINGER, supra note 51, § 47.23 (explaining the history and operation of the maxim as applied to statutory construction).
121. Id.
122. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). This Act merged the Court of Customs and Patent Appeals with the Court of Claims thereby creating the Court of Appeals for the Federal Circuit. See id. The Federal Circuit received nationwide jurisdiction over all appeals from patent cases in the district courts in addition to direct appeals from the PTO. See id.
123. See In re Lueders, 111 F.3d 1569, 1577 (Fed. Cir. 1997) (stating that the Federal Courts Improvement Act ratified, through inaction, the practice of appellate court review of PTO decisions without enhanced deference).
the APA’s deferential standard of review to PTO factual determinations substantially frustrates this purpose.

The APA is an outline of minimum rights for private parties. The APA standard is a guarantee of minimum rights. Enactment of the APA was a response to the large increase in administrative activity that occurred in this country after World War I, and especially during the era of the New Deal. Enactment of the APA was a response to the large increase in administrative activity that occurred in this country after World War I, and especially during the era of the New Deal.

By the end of this period, the practices of the various agencies had grown into a disorderly hodge-podge. Government by administration was also considered dangerous to the Constitutional concept of separation of powers.

The APA was, as a consequence, a legislative action aimed primarily at protecting the rights of individuals from potential depredations of administrative agencies. Consistent with this intent, the Act sets out a basic set of protections to which individuals are guaranteed. In fact, the reports of both houses of Congress, characterize the APA as setting forth a “minimum” set of procedures and requirements.

This overall principal applies fully to the standard of review set forth in section 706(2)(C). As the House Report details, this provision was specifically directed at the then-existing practice of some agencies to base determinations on factual findings that were supported by far less than substantial evidence. According to that body, the substantial evidence standard was “exceedingly important” because “[d]ifficulty has come about by the practice of agencies and courts to rely on something less — suspicion, surmise, implications, or plainly incredible evidence.”

In sum, it is clear that Congress intended the language in section 706 to define the minimum vigilance that courts henceforth would be


127. See DAVIS & PIERCE, supra note 27, § 1.4, at 12 (citing the Report of the President’s Committee on Administrative Management, 39-40 (1937), which characterized administrative agencies as a “headless ‘forth branch’ of the government”). Concerns about a ‘headless forth branch’ continue today. See id.

128. See H.R. REP. No. 79-1980, at 10 (1946) (stating that “the law must provide that the governors shall be governed, and the regulators shall be regulated”).

129. See S. REP. No. 79-752, at 7 (1945); H.R. REP. No. 79-1980, at 16 (1945); see also ANALYSIS OF THE FEDERAL ADMINISTRATIVE PROCEDURE ACT 16, 23 (1947). “As you proceed through the official documents [of the Act’s legislative history] you will find time after time, so that there can be no doubt whatever, that the purpose was limitation of procedure, of powers, of methods, of sanctions and of remedies.” Id.

130. H.R. REP. No. 79-1980, at 45 (1946); accord S. REP. No. 79-752, at 30 (1945); see also Dickinson, supra note 125, at 597-98.
required to exercise when reviewing the factual determinations of agencies. To characterize the provision as also defining the maximum level of vigilance that courts would be permitted is simply reading more into the language than Congress intended. Such a reading would indeed be contrary to Congressional intent.

The correctness of a permissive interpretation is confirmed by developments both before and after the APA was enacted. Prior to enactment of the APA, both Congress and the courts had imposed higher standards of review on various agencies as circumstances warranted. The Attorney General's Manual on the Administrative Procedure Act plainly states that section 10 of the Act (now codified as section 706) was intended only to "restate" the law of judicial review. This plainly implies that the various pre-existing standards were to survive. Congress has also subsequently enacted statutes that explicitly require a standard of judicial review higher than substantial evidence.

The permissive interpretation is also confirmed by analogy to how the APA regulates the fields of rule-making and adjudication. The APA clearly permits the use of procedures during these activities beyond those that are set out in the Act. Just as the APA entrusts the design of such internal procedures to the agency, it should be understood to permit the exercise of more searching review by the courts under the clear error standard.

131. See Administrative Procedure in Government Agencies, Report of the Committee on Administrative Procedure, Appointed by the Attorney General, at the Request of the President, to Investigate the Need for Procedural Reform in Various Administrative Tribunals and to Suggest Improvements Therein, S. Doc. No. 77-8, at 90, 91 (1941); John Dickinson, Administrative Justice and the Supremacy of Law 56-71 (1927); Stern, supra note 25, at 87-89.


133. See Davis & Pierce, supra note 27, § 11.3.


135. See Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, 435 U.S. 519, 524 (1977) (holding "that generally speaking this section of the Act [5 U.S.C. § 553 (1976)] established the maximum procedural requirements which Congress was willing to have the courts impose upon agencies in conducting rulemaking procedures. [However,] [a]gencies are free to grant additional procedural rights in the exercise of their discretion").

3. APA's Uniformity Purpose

Another purpose of the APA was to ensure uniformity across judicial jurisdictions. The appellate structure for review of PTO findings provides inherent uniformity. The Federal Circuit has exclusive jurisdiction over appeals from the PTO.

In 1972, Congress created the Hruska Commission to study the entire federal appellate court system and make recommendations for change. The Hruska Commission determined that the federal appellate system's problem was its inability to explicitly adjudicate issues of national law. As a consequence, uncertainty in the law among circuits created massive forum shopping among the circuits. The Hruska Commission found that forum shopping was particularly acute in the area of patent law. However, opponents argued vigorously against the formation of a specialized court on patent law. 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 presented review of the Department of the Army’s handling of an environmental impact statement under the National Environmental Protection Act (NEPA) of 1969. There, the Court did choose to use the arbitrary and capricious standard of section 706(2)(A) over a competing “reasonableness” standard. See id. at 377 n.23. As the Court noted in Marsh, “the difference between the ‘arbitrary and capricious’ and ‘reasonableness’ standards is not of great pragmatic consequence. Accordingly, our decision today will not require substantial reworking of long-established NEPA law.” Id. (citations omitted). The third decision of the Supreme Court, Camp v. Pitts, 411 U.S. 138 (1973), reversed a decision by the Fourth Circuit regarding the Comptroller of the Currency’s adjudication of a request for a national bank charter. That case, like American Paper, also presented a choice between the standards of “arbitrary and capricious” and “substantial evidence.” See id. at 141-42. In addition, the major difficulty with the Fourth Circuit’s action was that it ordered a de novo trial of the issue to be held before the district court. See id.
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. In the end, creation of the Federal Circuit unified patent law, mostly without the Supreme Court's intervention.

The argument that deferential review is required to promote uniformity between jurisdictions simply does not work with respect to PTO determinations. The Federal Circuit has jurisdiction for all PTO appeals. Therefore, review of PTO determinations is inherently uniform.

4. Attorney General Statements

Attorney general statements made during the passage and implementation of the APA indicate enactment of the APA's standards of review for agencies was not meant to affect PTO appeals. While the intended scope of the APA was broad, the APA was not designed to alter the review process of PTO decisions. The existing clearly erroneous standard of review survived the enactment of the APA.

Attorney General Clark supplied opinions concerning the APA and aided in drafting the "Attorney General's Manual on the Administrative Procedure Act." Attorney General Clark, while discussing the APA's provision on reviewable acts, stated: "[T]his provision does not apply to situations where the Congress has provided special and adequate review procedures . . . . Thus, the Customs Court and the Court of Customs and Patent Appeals retain their present exclusive jurisdiction." Attorney General Clark also expressed that the APA did not apply to the procedure of the Court of Customs and Patent Appeals "nor affect the requirement of resort thereto." Statements by Attorney General Clark regarding the APA have been given deference by the Supreme Court. Therefore,

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145. See id.
146. See Desmond, supra note 143, at 463-64.
147. See CLARK, supra note 132, at 101.
148. See supra note 56, 144-46 and authority cited therein.
149. See CLARK, supra note 132, at 101.
151. In re Lueders, 111 F.3d 1569, 1575 (Fed. Cir. 1997); see CLARK, supra note 132, at 101.
152. Lueders, 111 F.3d at 1575; see CLARK, supra note 132, at 101 n.15.
153. See Steadman v. SEC, 450 U.S. 91, 102 n.22 (1981) (noting that Justice Clark was Attorney General both when the APA was passed and when the APA Manual was published); Vermont Yankee Nuclear Power Corp. v. National Resources Defense Council, Inc., 435 U.S. 519, 546 (1978) (stating that the Attorney General's Manual has frequently been given deference because of the role played by the Department of Justice in drafting the APA); United States v.
statements by Attorney General Clark stating that the APA did not affect Patent Appeals is substantial evidence that the APA was not intended to affect PTO appeals. The existing clearly erroneous standard of review survived the enactment of the APA.

5. **PTO Commissioner Statements**

Casper W. Ooms, Commissioner of Patents, believed that the enactment of the APA did not substantially change operations within the PTO or review of its decisions. Commissioner Ooms stated that the APA study ignored the PTO. Commissioner Ooms noted that only a footnote of confession was left to report that "the highly specialized character of the Patent Office and the insufficiency of the Committee's staff led first to the postponement and then to abandonment of plans to study this agency." The Commissioner believed that the PTO had anticipated and resolved the problems which the APA was created to solve. He stated that the PTO provided the applicant with the full requisites of process that the APA ensured including full review.

Commissioner Ooms stated that the enactment of the APA judicial review "will have the effect of minimizing the technical aspects of the review and . . . the courts will welcome the appellant as exercising a right to review . . . . [t]hus will the substantive purposes of the [APA] be served." An agency's contemporaneous construction of a statute or its own regulations is to be given great weight. Therefore, even the commissioner of the PTO believed that the existing clearly erroneous standard of review survived the enactment of the APA.

6. **The PTO Does Not Perform The Functions That Call For Deferential Review**

Review under the deferential standard of substantial evidence is based on the view that the lower tribunal possesses either of two advantages over the appellate court: (1) a greater ability to determine

Zucca, 351 U.S. 91, 96 (1956) (holding that "a contemporaneous construction of a statute by the officer charged with its enforcement is entitled to great weight"); Fawcus Machine Co. v. United States, 282 U.S. 375, 378 (1931) (holding that a "contemporaneous construction by those charged with the administration of the act, is entitled to respectful consideration, and will not be overruled except for weighty reasons").

155. Id. (citing S. DOC. NO. 77-8, at 4 n.2 (1944)).
156. See id.
157. See id.
158. Id. at 159.
credibility and veracity of witnesses; or (2) greater expertise in the subject matter under consideration. Review of PTO factual finding for substantial evidence is inappropriate because the PTO possesses neither of these advantages.

The PTO does not have a greater ability to determine credibility and veracity of witnesses. The PTO adjudicates patent applications on the written record. The PTO adjudicates interference proceedings on the written record as well. As a consequence, the agency cannot claim to have a superior ability to judge the credibility of the assertions made before it. The Federal Circuit has the same ability to adjudicate on a written record as the PTO does.

The Supreme Court believes that the Federal Circuit is especially expert in patent law. The Supreme Court has recognized the Federal Circuit's review of patent appeals as "sound judgment in this area of its special expertise." This sound judgment is testimony to the Federal Circuit's large expertise in patent law. Indeed, Congress believed 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.

The patent statute has given the PTO a role that is very limited in nature when compared to the patent system as a whole. A patent issued by the PTO only gives the patent owner a fully revocable license to sue for infringement. The PTO's claims of expertise are suspect even with regard to the PTO's core functions.

The PTO certainly has a significantly lesser claim to expertise than

160. See Stern, supra note 25, at 70; Davis & Pierce, supra note 27, § 11.2; Stein, supra note 88, § 51.01[1].
162. See id. § 146.
165. See Moy, supra note 85, at 429-30.
166. See id. at 430; see also In re Crawford, 154 F.2d 670 (C.C.P.A. 1946) (Bland, J., dissenting) (stating that "[p]atents 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").
167. See Moy, supra note 85, at 431.
do other federal agencies. The PTO is not a unified agency in the sense of administrative law. Unified agencies are those that perform the functions of substantive rulemaking, enforcement, and adjudication. The Environmental Protection Agency is an example of a typical unified agency.

The PTO, in contrast, does not perform any of these three typical administrative functions. It has no substantive rulemaking authority in the area of patent law. It does not enforce patents against infringement. Neither does it adjudicate the question of patent infringement itself. In reality, the PTO's decision whether to allow patent applications to issue merely controls the grant of an initial license to sue for patent infringement. Even the grant is subject to being revoked by a later action in the district courts.

The conclusion is therefore that the PTO is much less entitled to claim expertise in patent law than the EPA in environmental law, or the Securities and Exchange Commission in the law of securities regulation. To say that the PTO is the most expert agency in patent law is no answer. The patent system is simply an area of law that does not rely on the federal administrative structure for anything more than light assistance.

This general lack of expertise in the PTO is coupled with an unusually large expertise in the Federal Circuit. Congress consolidated all appeals in patent matters into the jurisdiction of the Federal Circuit to create an expert body within the judiciary. Clearly, Congress assumed that creation of an expert judicial body would improve administration of the patent system.

This assumption must necessarily have included the further expectation that the Federal Circuit would be able to use its expertise. Looked at in this way, the PTO's call for greater deference is inconsistent with the Congressional plan for administering the patent system. The specter of this inconsistency is especially alarming at the present time,

168. See id. at 426-27.
172. See id. § 281 (providing remedy by private action of patentee).
173. See id. (providing for civil action).
175. See 35 U.S.C. § 282 (1994) (stating that civil action may determine invalidity "on any ground specified . . . as a condition for patentability").
when recent Supreme Court authority may soon have the effect of sharply enlarging the proportion of issues in patent law that are denominated issues of fact, as opposed to law.  

7. Appellate Courts Determine Policy

Invention is largely a question of policy, and if it is to be decided by the court at all, as it must be under the general standard of the Patent Act, the opinion of the trial judge should not be final. Policy considerations are very important in the patent field. It has been asserted that patents stimulate invention and investment and are therefore the basis for economic progress. It has also been noted that the grant of a patent gives inventors monopoly-like rights which determinately affect economics.

This detrimental effect on economics is the dark side of patent protection. The costs as well as the benefits of patent protection are relevant in deciding which inventions should be patented. The Supreme Court has stated that it is “the underlying policy of the patent system that ‘the things which are worth to the public the embarrassment of an exclusive patent,’ as Jefferson put it, must outweigh the restrictive effect of the limited patent monopoly.” Clearly an agency as inexpert as the PTO in patent law must defer to the Federal Circuit to determine patent law policy as to which inventions are worth the costs of a limited monopoly of a patent. Review for clear error is consistent with the Federal Circuit’s responsibility.

8. Review for Clear Error Provides Doctrinal Stability

Review of PTO factual determinations for substantial evidence is wrong because it runs counter to the basic principles of stare decisis and adherence to precedent. Proper respect for precedent is one of the most fundamental tenets of American jurisprudence. Without it, the law is unable to ensure that like persons will be treated alike. Doctrinal stability

180. See John C. Stedman, Invention and Public Policy, 12 LAW & CONTEMP. PROBS. 649, 653 (1947).
181. See Moy, supra note 85, at 426.
183. Id. (citing Graham v. John Deere Co., 383 U.S. 1, 9 (1966)).
also plays a critical role in fostering predictability. Stare decisis stands in the way of changing the standard of review. The precedent of law is clear: PTO factual determinations are reviewed under the "clearly erroneous" standard. This current standard of review is antiquated. Judicial review of PTO determinations began in 1839. "A long-standing practice should not be set aside absent substantial reason to do so." Legal rules, even standards of review, are not to be disturbed without good reason. Good reason does not exist simply because the PTO is currently fascinated with the issue. Therefore, without a substantial reason to do so, the current standard of review of PTO factual findings should not be set aside.

A uniform standard of review for PTO and district court factual findings works best. "From a practical, judicial policy standpoint, moreover, patentability [validity] issues such as anticipation, whether decided by the Board or by district courts, should be reviewed similarly."
If the Federal Circuit was forced to adopt a heightened deference to PTO factual finding over district court factual finding, the Federal Circuit might be compelled to hold the same patent both valid and invalid over the same prior art. This paradox would result only because of the differing standards of review.

IV. CONCLUSION

The proper standard of review of PTO factual findings is the fundamental first step in review of many PTO determinations. The entire patent bar should be concerned about the expanding role the PTO is trying to assert in adjudicating patent matters before that agency. This expanding role comes at the expense of the oversight role performed by the Federal Circuit.

Much to the disbelief of the PTO, it does not make patent law. The PTO is not as expert in patent law as is Federal Circuit. Nor does it perform functions that call for deferential review.

The judicial provisions of the APA do not require review under a more deferential standard of substantial evidence only. In fact, review of the PTO’s factual determinations for clear error is more consistent with the APA’s purpose and overall structure. Review for clear error is also consistent with the Federal Circuit’s role of determining patent policy and its oversight role of the PTO.

Review of the factual determinations of the PTO for clear error, under the current law, is well established and appropriate. The law places a high premium on stability. As a result, fundamental principles of jurisprudence argue strongly in favor of retaining the current practice.

Brian C. Whipps

and legal conclusions to support an anticipation finding, appellate review of the very same claim might produce disparate results, depending simply on which tribunal decided the issue.” Id.

191. See In re Lueders, 111 F.3d at 1577 (stating that the clear error standard of review should apply to PTO factual determinations in order to maintain consistency with the standard of review for district court factual determinations).