University of Dayton Law Review

Volume 28 | Number 1 Article 4

10-1-2002

The Obvious Need for Deference: Federal Circuit Review of Patent and Trademark Office Determinations of Mixed Questions of Law and Fact

Dennis J. Harney
University of Dayton

THE OBVIOUS NEED FOR DEFERENCE: FEDERAL CIRCUIT REVIEW OF PATENT AND TRADEMARK OFFICE DETERMINATIONS OF MIXED QUESTIONS OF LAW AND FACT

Dennis J. Harney[*]

I. INTRODUCTION

The United States Court of Appeals for the Federal Circuit ("Federal Circuit") "must use the framework set forth in [the Administrative Procedure Act]" when it reviews the findings made by the Patent and Trademark Office ("PTO").[1] With this holding, the Supreme Court, in *Dickinson v. Zurko*,[2] upset over seventeen years of the Federal Circuit's established standard of review. These established standards of review had allowed the Federal Circuit to substitute its own reasoning and judgment over a decision of the PTO. The decision in *Zurko* serves as a policy pronouncement of the Supreme Court that extends the Administrative Procedure Act's ("APA") judicial review standards[3] to Federal Circuit review of PTO decisions. As a consequence of applying APA judicial review standards, the Federal Circuit would no longer be able to substitute its judgment for a reasonable PTO decision and instead would be "require[d] . . . to review [PTO] decisions on [their own] reasoning."[4]

The Federal Circuit has chosen to narrowly interpret the *Zurko* decision and to apply APA standards in its review of findings of fact.[5] Thus, the Federal Circuit effectively frees itself from the APA's deferential review standards because it continues to treat mixed questions of law and fact, such as obviousness,[6] as pure questions of law[7] subject to "de novo" review.[8]

---

[*] Senior Production Editor, 2002-2003, University of Dayton Law Review. J.D. expected May 2003, University of Dayton School of Law; Ph.D. Botany expected Aug. 2003, Miami University; M.S. Botany, 1996, Miami University; B.S. Biology, 1994, University of Central Florida.

[1] *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

[2] *Id.* at 152.

[3] 5 U.S.C. § 706 (1996).

[4] *In re Zurko*, 142 F.3d 1447, 1449 (Fed. Cir. 1998) (rehearing en banc).

[5] *Id.*

[6] To be patentable, an invention must be nonobvious under 35 U.S.C. § 103 (2002). The essential inquiry is: Given a problem, is the invention an obvious solution? For an explanation of the legal standards of nonobviousness, *see infra* nn. 130-134 and accompanying text.

[7] The *Chevron* doctrine governs application of APA deference to agency determinations of questions of law. *Chevron USA v. Nat.. Resources Def. Council*, 467 U.S. 837, 867 (1984) (holding that if a statute at issue is ambiguous, a court must defer to a permissive construction of the statute by the agency). The Federal Circuit, however, does not apply the *Chevron* analysis when reviewing PTO decisions. *See generally* Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415 (1995).

This comment will argue that the Supreme Court has mandated Federal Circuit adherence to all judicial review standards of the APA, that the Federal Circuit has not fully complied, and that PTO determinations of obviousness must be reviewed deferentially under the APA for the Federal Circuit to fully comply. When reviewing obviousness determinations non-deferentially, the Federal Circuit is exceeding the scope of APA judicial review by substituting its own judgment for that of the PTO. Part II of this comment briefly discusses *Zurko*, the history of the PTO and of the Federal Circuit, the APA standards of review, and an account of the Federal Circuit's implementation of *Zurko*. Part III of this comment analyzes the proper standard of review that should be afforded to PTO determinations of obviousness, a mixed question of law and fact. This analysis also incorporates the scope of the *Zurko* mandate, precedential case law outlining APA judicial review, and the Supreme Court's framework of analysis for reviewing mixed questions.

II. BACKGROUND

Between its inception in 1982[9] and the 1999 decision in *Zurko*,[10] the Federal Circuit consistently reviewed PTO findings of fact under a "clearly erroneous" standard and PTO findings of law under a "de novo" standard, both standards being typical of court-to-court review.[11] These standards allowed the Federal Circuit to "review board decisions on [the Federal Circuit's] own reasoning"[12] and to undertake its own substantive analysis of the underlying scientific basis in patent-related cases, regardless of the reasoning the PTO employed in its decision.[13] The decision in *Zurko* forces the Federal Circuit to adopt the judicial review provisions of the federal APA.[14]

The issue of the proper standard of review of PTO decisions raised in *Zurko* and in subsequent Federal Circuit cases implicates broad topics.

While not the focus of this comment, a *Chevron* doctrine based argument can, and has, been made that the Federal Circuit should deferentially review obviousness issues even under the current classification of obviousness as a question of law. *Id.*

[8] *See e.g. In re Sang Su Lee*, 277 F.3d 1338 (Fed. Cir. 2002).

[9] Federal Courts Improvement Act of 1982, Pub. L. No. 97-164 (April 2, 1982).

[10] 527 U.S. 150.

[11] *See e.g. In re Kemps*, 97 F.3d 1427, 1428 (Fed. Cir. 1996); *see infra* nn. 55-57 and accompanying text (describing the "clearly erroneous" and "de novo" standards of review).

[12] *Zurko*, 142 F.3d at 1450.

[13] Lawrence M. Sung, *Echoes of Scientific Truth in the Halls of Justice: The Standards of Review Applied by the United States Court of Appeals for the Federal Circuit in Patent-Related Matters*, 48 Am. U. L. Rev. 1233, 1257 (1999).

[14] 527 U.S. at 152; 5 U.S.C. § 706 (providing APA judicial review provisions).

These topics include patentability under the Patent Act, federal actors such as the PTO and the Federal Circuit, and judicial standards of review of Article III courts and administrative agencies. This section begins with a procedural history of *Zurko*. Before discussing the substance of the *Zurko* decision, a brief explanation is provided for the system surrounding patents, the history of the Federal Circuit, and the pertinent standards of court-to-court and court-to-agency review.

A. The Procedural History of Zurko

In *Zurko*, the Supreme Court held that APA standards of judicial review applied to the Federal Circuit when reviewing fact-finding of the Patent and Trademark Office ("PTO").[15] Zurko's patent application disclosed a method for improving security in a computer system.[16] The PTO examiner rejected the Zurko application as obvious[17] under section 103 of the Patent Act,[18] and the PTO's Board of Patent Appeals and Interferences ("BPAI") affirmed this decision.[19] On appeal by Zurko, a Federal Circuit panel reversed the PTO decision.[20] On rehearing en banc, the Federal Circuit refused to apply the APA deferential standards of review as requested by the PTO; instead, they applied the "clearly erroneous" standard and again reversed the PTO decision.[21] This decision was then appealed to the Supreme Court.[22]

B. The PTO, the Patent Act, and Patentability

The PTO is among the oldest of American federal governmental agencies, having preceded the New Deal and the rise of the administrative

---

[15] 527 U.S. at 152.

[16] *Zurko*, 111 F.3d at 887.

[17] *Supra* n. 6 (providing brief explanation of obviousness).

[18] 35 U.S.C. § 103 (2001).

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

Id.

[19] *Zurko*, 527 U.S. at 153.

[20] *Zurko*, 111 F.3d at 887.

[21] *Zurko*, 142 F.3d at 1447.

[22] *Zurko*, 527 U.S. 150.

state by nearly 100 years.[23] The PTO has broad powers allowing it to execute the Patent Act and to determine private rights or obligations through the use of agency rules and adjudicatory decisions.[24] The Patent Act defines patentable subject matter and statutory standards of patentability and also delegates the responsibility of examining patent applications to the PTO.[25]

The PTO is currently a unit of the Department of Commerce.[26] Statutory authority to administer the Patent Act is delegated to the PTO in Title 35 of the United States Code.[27] The PTO's current functions are exercises of power delegated to the Secretary of Commerce and, in turn, re-delegated to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.[28] The Secretary of Commerce appoints a Commissioner of Patents who serves for a five-year term.[29] The primary function of the PTO is to "[a]dminister[] the laws relating to the granting and issuing of patents."[30] The PTO also has authority[31] to approve regulations for the conduct of proceedings in the PTO[32] and to establish and revise fees.[33] Additionally, the PTO, when requested by appropriate authority, serves "as spokesperson for the Executive Branch on the broad range of domestic and international intellectual property issues confronting the Nation."[34]

Upon consideration of each application, the PTO reaches a decision regarding the patentability of the invention and the application's compliance

---

[23] Nard, *supra* n. 7, at 1417.

[24] The Patent Act of 1836 established the Patent Office and provided statutory grounds for its Commissioner to refuse patent applications. Patent Act of 1836, ch. 357, 5 Stat. 117 (1836).

[25] 35 U.S.C. § 2 (2001). "Powers and duties (a) In general. The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce– (1) shall be responsible for the granting and issuing of patents and the registration of trademarks." *Id.*

[26] 35 U.S.C. § 1 (2001). The Patent Office was incorporated into the Department of Commerce by Executive Order of April 1, 1925, pursuant to the Act of February 14, 1903 (32 Stat. 830). The Patent Office remained under the Department of Commerce when the patent laws were codified as U.S.C. Title 35 in 1953. The name of the Patent Office was changed to the Patent and Trademark Office in 1975. Pub. L. 93-596, §§ 1-4, 88 Stat. 1949, 1949 (1975).

[27] 35 U.S.C. § 1.

[28] Commerce Department Organization Order 10-14 § 3 <http://www.osec.doc.gov/bmi/doo10-14.htm> (last updated Jan. 17, 2001) ("Authorities").

[29] *Id.* at § 2 ("Administrative Designation").

[30] *Id.* at § 4(a) ("Functions").

[31] *Id.* at § 3 ("Authorities").

[32] 35 U.S.C. § 6(a) (2001); 35 U.S.C. § 23 (2001); 35 U.S.C. § 31 (2001).

[33] 35 U.S.C. § 41 (2001).

[34] Commerce Department Organization Order 10-14 § 4(g) <http://www.osec.doc.gov/bmi/doo10-14.htm> ("Functions").

with other formal requirements.[35] If all relevant statutory and regulatory requirements are satisfied a patent will issue.[36] If the PTO examiner[37] decides these requirements are not satisfied, the applicant is provided the opportunity to amend the application or request reconsideration.[38] Upon a final rejection by a primary examiner, the applicant has the statutory right to appeal the examiner's decision to the BPAI.[39]

Generally, members of the BPAI have expertise in electrical, mechanical, or chemical disciplines, and additionally are required by statute to have law degrees.[40] Panel assignments are made randomly within the technical discipline based upon the subject matter of the appeal.[41] The BPAI operates independently but remains a part of the PTO.[42]

All BPAI decisions are subject to judicial review in federal district court or by appeal directly to the Federal Circuit.[43] The Federal Circuit has exclusive appellate jurisdiction over appeals based, in whole or in part, on the patent statute.[44] Thus, BPAI appeals brought in a district court may

---

[35] Act of July 19, 1952, 66 Stat. 792 (codified as amended in 35 U.S.C. 100-278 (1994)) (Patent Act); *see generally* Man. of Pat. Exam. Proc. (MPEP) (Clark Boardman Callaghan).

[36] An applicant whose invention satisfies the requirements of 35 U.S.C. § 101 subject matter and utility, § 102 novelty, § 103 nonobviousness, and who is willing to reveal to the public the substance of his discovery and the § 112 "best mode . . . of carrying out his invention," is granted, under § 281, "the right to exclude others from using, offering for sale or selling throughout the United States" for a period, under § 154, of 20 years. *Id.*

[37] PTO examiners have, at minimum, a Bachelor's degree in a technical field and often a graduate degree. Nard, *supra* n. 7, at 1506. The PTO's Patent Academy trains examiners in the law and regulations surrounding patent examining through 114 hours of coursework on 36 topics. *Id.* at n. 353.

[38] 37 C.F.R. § 1.111 (2001); 37 C.F.R. § 1.116 (2001).

[39] 35 U.S.C. § 6(b) (2001)

> Duties–The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least three members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant rehearings.

Id.; see 35 U.S.C. § 134 (2001); 37 CFR § 1.191 (2001); MPEP § 1205. The procedures governing appeals to the BPAI are found in 35 U.S.C. § 7 (2001).

[40] 35 U.S.C. § 7(a) (2001).

[41] 44 BNA's Pat., Trademark & Copyright J. No. 1081, 33 (May 14, 1992) (Correspondence Between Board Members and PTO Commissioner on Board Independence).

[42] *On-Line Carolene v. Am. Online*, 229 F.3d 1080, 1085 (Fed. Cir. 2000).

[43] An applicant denied a mark or patent by the BPAI or the Trademark Trial and Appeals Board may appeal the decision to the district court or directly to the Federal Circuit. *See* 28 U.S.C. § 1295(a)(4)(B) (2001).

[44] 28 U.S.C. § 1295(a)(1) (1994) (stating that the Federal Circuit shall have exclusive jurisdiction "of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part," on any Act of Congress relating to patents); 35 U.S.C. § 141 (1994) (stating that "[a]n applicant dissatisfied with the decision in an appeal to the [BPAI] . . . may appeal the

themselves be appealed solely to the Federal Circuit. The Patent Act does not, however, clearly state the standard the Federal Circuit is to employ when reviewing PTO decisions, which is the heart of the matter at issue in *Zurko*. Rather, the Patent Act only states that the Federal Circuit shall review the decision "on the record before the Patent and Trademark Office."[45]

C. The Federal Circuit

Congress created the Federal Circuit in 1982 as the nation's thirteenth federal court of appeals.[46] Unique among the circuits, the Federal Circuit has no geographical jurisdiction boundaries but is limited by subject matter jurisdiction. This subject matter includes laws important to American industry such as patent, trademark registration, international trade, and government contracts law.[47] Other areas of law within the Federal Circuit's subject matter jurisdiction include: constitutional takings; childhood vaccine injuries; veterans appeals; customs; federal employment; Native American claims; tax and other claims against the U.S. government; and the Temporary Emergency Court of Appeals.[48]

Approximately 19% of Federal Circuit cases are appellate review of U.S. District Court decisions based, in whole or in part, on the Patent Act.[49] About 8% of Federal Circuit cases are appeals from the boards of the PTO's Trademark Trial and Appeals Board or the BPAI.[50] The balance of Federal Circuit cases encompasses claims from the several subject matter jurisdictions previously listed.

The Federal Circuit has presided over "significant strengthening of the patent grant," and this strengthening was partly responsible for the renewed

---

decision to the [Federal Circuit]. By filing such an appeal the applicant waives his or her right to proceed under section 145 of this title."); 35 U.S.C. § 145 (2002) (stating that "[a]n applicant dissatisfied with the decision of the [BPAI] . . . may, unless appeal has been taken to the [Federal Circuit], have remedy by civil action against the Director in the United States District Court for the District of Columbia").

[45] 35 U.S.C. § 144 (2002).

[46] The Court of Appeals for the Federal Circuit was created by the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164 (April 2, 1982). The Act merged the Court of Claims, consisting of seven judges, and the Court of Customs and Patent Appeals (CCPA), consisting of five judges. The Federal Circuit adopted the precedent of its predecessor court, the CCPA. *S. Corp. v. U.S.*, 690 F.2d 1368, 1369 (Fed. Cir. 1982).

[47] Judge Pauline Newman, *The Federal Circuit: Judicial Stability or Judicial Activism?*, 42 Am. U. L. Rev. 683 (1983).

[48] *Id.* at 683.

[49] *Id.*; *see* Donald R. Dunner, J. Michael Jakes, and Jeffrey D. Karceski, *A Statistical Look of the Federal Circuit's Patent Decisions: 1982-1994*, 5 Fed. Circuit B.J. 151, 155 (1995) (disclosing that the Federal Circuit has affirmed the PTO's determination of unpatentability about 80% of the time).

[50] Newman, *supra* n. 47, at 683.

value American corporations place on their patent assets.[51] The Supreme Court has recognized the "special expertise" of the Federal Circuit in the area of patent law.[52] This special expertise lies in sharp contrast to the legislative history behind the act creating the Federal Circuit.[53] Although patent law is one of many specialty areas of the Federal Circuit's exclusive appellate jurisdiction and represents only a quarter of its docket, in the minds of many court observers, it is patent law that dominates the court.[54]

D. The Standards of Judicial Review

Before the decision in *Zurko*, the Federal Circuit consistently reviewed fact-finding of the PTO under the "clearly erroneous" standard and questions of law under "de novo" review, both of which are standards typical of court-to-court review.

The "clearly erroneous" standard requires affirming a decision unless the court has a definite and firm conviction that a mistake has been made.[55] Put differently, to be clearly erroneous, "a decision must strike [a reviewing court] as more than just maybe or probably wrong; it must . . . strike [a reviewing court] as wrong with the force of a five-week-old, unrefrigerated dead fish."[56]

A "de novo" standard of review provides the widest latitude for a court reviewing adjudicatory decisions. In employing "de novo" review, a

---

[51] Donald S. Chisum, Craig A. Nard, Herbert F. Schwartz, Pauline Newman, and F. Scott Kief, *Principles of Patent Law, Cases and Materials* 25 (2d ed., Foundation Press 2001); *see* Dunner, *supra* n. 49, at 154 (a statistical study of 1307 Federal Circuit cases spanning eleven years).

[52] *Warner-Jenkins Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997).

[53] *See* H.R. Rpt. 97-312, at §19 (1981). As Congress observed,

> The [proposed new court] will not be a "specialized court." . . . [Its] jurisdiction will not be limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket spanning a broad range of legal issues and types of cases. . . . [The Federal Circuit's] rich docket assures that the work of the . . . [court will be] broad and diverse and not narrowly specialized. Moreover, the subject matter of the new court will be sufficiently mixed to prevent any special interest from dominating it.

Sen. Rpt. 97-275, at § 6 (1981).

[54] *See e.g.* William C. Rooklidge and Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort with its Appellate Role*, 15 Berkeley Tech. L.J. 725, 752 (2000); Mark D. Torche, *Rubber Stamp or Court of Last Resort: The Proper Standard of Review in Patent and Trademark Cases*, 48 Drake L. Rev. 211, 217 (1999).

[55] *See e.g. Kemps*, 97 F.3d at 1428.

[56] *Parts & Elec. Motors, Inc. v. Sterling Elec., Inc.*, 866 F.2d 228, 233 (7th Cir. 1988).

reviewing court must exercise its independent judgment on the evidence of record and weigh it as a trial court.[57]

On *Zurko*'s appeal to the Supreme Court, the PTO challenged the Federal Circuit's use of the "clearly erroneous" standard for reviewing PTO fact-finding. The PTO asserted the proper standard was the more deferential review dictated by section 706 of the Administrative Procedure Act ("APA").

The APA sets forth the judicial review standards used for court-to-agency review. The APA procedural framework for federal administrative agencies and standards for judicial review of agency action "bring uniformity to a field full of variation and diversity" and promote fairness in agency proceedings without undue interference with agency function.[58] Section 706 of the APA provides that a reviewing court shall:

> (2) hold unlawful and set aside agency action, findings, and conclusions found to be –
>
> (A) *arbitrary, capricious*, an abuse of discretion, or otherwise not in accordance with law;
>
> . . .
>
> (E) unsupported by *substantial evidence* in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute;
>
> . . .
>
> In making the foregoing determinations, the court shall review the whole record. . . .[59]

"Substantial evidence is more than a mere scintilla [under section 706(2)(E)]. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion."[60] Accordingly, it "must do more than create a suspicion of the existence of the fact to be established . . . , 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

---

[57] *See e.g. Kemps*, 97 F.3d at 1428; Sung, *supra* n. 13 at 1272.

[58] *Zurko*, 527 U.S. at 150.

[59] 5 U.S.C. § 706 (emphasis added).

[60] *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229-230 (1938).

jury . . . ."[61] Generally, fact-finding of an agency based on a trial-type record is reviewed with the "substantial evidence" standard.[62]

The "arbitrary and capricious" standard, under section 706(2)(A), requires a reviewing court to begin with a presumption of regularity and then "consider whether the decision was based on a consideration of relevant factors and whether there has been a clear error of judgment."[63] Generally, the arbitrary-capricious test is a catch-all and will apply to matters of agency discretion and decisions not falling under the more specific provisions.[64]

The deferential review standards of the APA apply to questions of fact, some questions of law, and mixed questions of law and fact. Under APA review, agency conclusions resulting from application of broad statutory terms to the facts at issue, so called mixed questions of law and fact, are treated the same as a question of basic fact:[65] *the agency decision must be upheld if its decision is reasonable.*[66] If the application of law does not depend upon agency expertise and the facts are not complex, then the issue turns mainly on statutory interpretation. Courts may retain the power to substitute their judgment through "de novo" review on application of law issues.[67]

The modern view of deference, ushered in by the *Chevron* doctrine, suggests a court must defer to an agency's interpretation of law.[68] Traditionally, a court could substitute its own judgment over an agency's

---

[61] Sung, *supra* n. 13, at 1272 (citing *SSIH Equip. v. U.S. Intl. Trade Commn.*, 718 F.2d 365, 379-83 (Fed. Cir. 1983)).

[62] *Assn. of Data Processing Serv. Org. v. Bd. of Governors of Fed. Reserve Sys.*, 745 F.2d 677, 683 (D.C. Cir. 1984) (then-Judge Scalia) ("*ADAPSO*") (explaining the distinguishing characteristic of the substantial evidence standard was that it applied to formal, closed records).

[63] *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971), *rev'd in part on other grounds, Citizens to Preserve Overton Park, Inc. v. Brinegar*, 494 F.2d 1212, 1213 (6th Cir. 1974); *see* Sung, *supra* n. 13, at 1272.

[64] *ADAPSO*, 745 F.2d at 683.

[65] *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111, 130-31 (1944), *vacated on other grounds, Nationwide Mut. Ins. Co. v. Darden*, 503 U.S. 318 (1992) (emphasizing that Congress intended the agency to have primary responsibility for applying the law; so, Congress intended to delegate application issues to the agency).

[66] *Id.*

[67] *Packard Motor Car Co. v. NLRB*, 330 U.S. 485, 491 (1947).

[68] *Chevron*, 467 U.S. at 843-44. This Comment argues that PTO determinations of obviousness should be characterized as primarily questions of fact and reviewed deferentially by the Federal Circuit. On the other hand, a *Chevron* doctrine based argument can, and has, been made that the Federal Circuit may continue to treat obviousness as a pure question of law but must provide deferential review under a *Chevron* analysis. *See e.g.* Nard, *supra* n. 7.

determination of a pure question of law,[69] providing only minimal deference to the agency's view.[70] Currently, as announced in *Chevron*, if Congress expressly or implicitly delegated law-interpreting power to the agency, the reviewing court must follow any reasonable agency interpretation of an ambiguous statute.[71]

Central to the APA's judicial review standards is the tenet that a reviewing court must not substitute its own judgment over the agency.[72] Instead, the reviewing court must analyze the *agency's reasoning* employed in reaching the decision.[73] This is very different from the "clearly erroneous" and "de novo" standards of review that analyze a lower court's ultimate conclusion without regard to the chain of reasoning employed. While the APA standards of review ask, *is the decision unreasonable or irrational*, a review under the "clearly erroneous" standard goes further by asking, *is the decision wrong*. A review under the "de novo" standard goes even further by asking, *is the decision right*.

Herein lies the key to the judicial review standards disagreement between the Federal Circuit and the PTO: upon whose reasoning, or judgment, may the agency decision stand or fall?[74] The Federal Circuit and court-to-court standards answer—*the court*. The PTO and APA standards answer—*the agency*.

E. Zurko Extends APA Standards of Review to the Federal Circuit's Review of PTO Decisions

In *Zurko*, the Supreme Court held that the Federal Circuit is constrained by the APA when reviewing decisions of the PTO.[75] Before the Court, the parties of *Zurko* agreed that the PTO was an "agency" under section 701 and

---

[69] A pure question of law can be answered without reference to the facts of the case. *See Black's Law Dictionary* 1260 (Bryan A. Garner ed., 7th ed, West 1999) (defining a question of law as "an issue to be decided by the judge, concerning the application or interpretation of the law").

[70] *See e.g. Skidmore v. Swift & Co.*, 323 U.S. 134 (1944).

[71] 467 U.S. at 843-44.

[72] *Hearst Publications*, 322 U.S. at 111, 130-31.

[73] *Sec. & Exch. Commn. v. Chenery Corp.*, 318 U.S. 80, 95 (1943) ("*Chenery I*") (holding that "an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained").

[74] *See Zurko*, 142 F.3d at 1449 (remarking that, unlike court-to-court review standards, under APA review standards, the Federal Circuit would no longer be able to substitute its judgment for a reasonable PTO decision and instead would be "require[d] . . . to review [PTO] decisions on their own reasoning").

[75] 527 U.S. at 152.

subject to APA constraints; the PTO finding of what the prior art taught,[76] a factor underlying obviousness, was one of fact; and the finding of obviousness constituted "agency action" under section 706.[77] The Federal Circuit asserted that it had a pre-APA history of applying the "clearly erroneous" standard of review.[78] This argument was based on section 559 of the APA, which grandfathers stricter standards of review in use by the courts at the time of APA enactment.[79] Because a "clearly erroneous" standard was thought to be stricter than the deferential standards of the APA, the Federal Circuit maintained its historical standard should be considered an "additional requirement[] . . . recognized by law," thus providing an exemption under section 559 of the APA.[80]

The Supreme Court found that the APA court-to-agency review standard applies in the absence of exception for "additional requirements" under section 559.[81] Most of the *Zurko* opinion analyzes the issue of whether the Federal Circuit had sufficient historical application of an "additional requirement" when reviewing PTO decisions. After a close examination of the Court of Customs and Patent Appeals'[82] pre-APA cases reviewing PTO decisions, the Supreme Court held the section 559 exception does not apply, and as a result, the APA applied to Federal Circuit review of the PTO.[83]

The Supreme Court left open the issue of which particular provision of section 706 would apply to Federal Circuit review of PTO findings[84] but

---

[76] Prior art is a patent term of art referring broadly to known technical information. The statutory bars to patentability in 35 U.S.C. § 102 generally define which technical references are considered prior art. To be patentable, an invention must be both new, 35 U.S.C. § 102, and nonobvious, under 35 U.S.C. § 103, in light of what the prior art "teaches," or discloses.

[77] *Zurko*, 527 U.S. at 154.

[78] *Id.*

[79] 5 U.S.C. § 559 (2002) (providing that APA judicial review provisions "do not limit or repeal additional requirements imposed by statute or otherwise recognized by law").

[80] *Id.*

[81] *Zurko*, 527 U.S. at 154-55 (holding that in order to benefit from the § 559 exception, "respondents must show more than a possibility of a heightened standard, and indeed more than even a bare preponderance of evidence in their favor. Existence of the additional requirement must be clear").

[82] The Court of Customs and Patent Appeals was the predecessor to the Federal Circuit. *Supra* n. 46.

[83] *Zurko*, 527 U.S. at 152.

[84] *See id.* at 158 (essentially, the Supreme Court declined to decide whether findings of the PTO were formal or informal adjudication, thus requiring either the "substantial evidence" or the "arbitrary and capricious" standards, respectively).

cited the proposition[85] that there is no significant difference between the "arbitrary and capricious"[86] and the "substantial error"[87] standards.[88]

Zurko made it clear the PTO was considered a federal administrative agency and Federal Circuit review of its decisions was subject to the provisions of the APA. While only review standards for findings of fact were before the Court in *Zurko*, the APA standards of review also implicate applications of law to fact, or so called "mixed questions," as well as pure questions of law.[89]

Currently, the Federal Circuit applies the APA standards of review only to PTO findings of fact.[90] In cases immediately following *Zurko*, the Federal Circuit did not differentiate between the several section 706 standards, and it stated the decision at issue had not been shown to be "arbitrary or capricious, an abuse of discretion, or unsupported by substantial evidence."[91] In the case of *In re Gartside*, the Federal Circuit decided to adopt the "substantial evidence" standard over the "arbitrary and capricious" standard when reviewing the PTO's fact-finding.[92] In *Gartside*, the Federal Circuit first pointed out that, under 35 U.S.C. § 144, it was required to review PTO decisions "on the record."[93] The court then found that "the 'hearing' upon which the 'record' is based is 'provided by' 35 U.S.C. § 7(b)."[94] The court in *Gartside* concluded that the plain language of the statutes required review of Board decisions "on the record of an agency hearing provided by statute" and the Federal Circuit should therefore review BPAI fact-finding for

---

[85] *ADAPSO*, 745 F.2d at 683-84 (then-Judge Scalia) (stating that "when the 'arbitrary or capricious' standard is performing that function of assuring factual support, there is no substantive difference between what it requires and what would be required by the 'substantial evidence' test").

[86] 5 U.S.C. § 706(2)(A) (2002).

[87] 5 U.S.C. § 706(2)(E) (2002).

[88] *Zurko*, 527 U.S. at 158.

[89] *See supra* nn. 64-70 and accompanying text.

[90] *See e.g. In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000).

[91] *In re Intl. Flavors and Fragrances Inc.*, 183 F.3d 1361, 1365 (Fed. Cir. 1999); *see e.g. In re Hiromichi Wada*, 194 F.3d 1297 (Fed. Cir. 1997).

[92] 203 F.3d at 1305.

[93] *Id.* at 1313 (emphasis removed); "The United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office." 35 U.S.C. § 144 (emphasis removed).

[94] *Gartside*, 203 F.3d at 1313.

> The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a) of this title. Each appeal and interference shall be *heard* by at least three members of the Board of Patent Appeals and Interferences, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences has the authority to grant *rehearings*.

35 U.S.C. § 7(b) (emphasis added).

the statutes required review of Board decisions "on the record of an agency hearing provided by statute" and the Federal Circuit should therefore review BPAI fact-finding for "substantial evidence."[95] In *Recot Incorporated v. Becton*, the Federal Circuit extended its choice of the "substantial evidence" standard to review of decisions by the Trademark Trial and Appeal Board of the PTO.[96]

The Federal Circuit has thus far not applied the *Chevron* doctrine to PTO decisions (while it does apply the doctrine to many other agencies under its purview) and continues to review questions of pure law under a "de novo" standard of review.[97] Importantly, the Federal Circuit draws no distinction between pure questions of law and questions of application of law to facts (e.g., obviousness), reviewing both under the "de novo" standard.[98]

III. ANALYSIS

The PTO, as a specialized agency, is in the best position to determine if a patent applicant has met the statutory standard laid down by Congress and interpreted by the courts.[99] In keeping with the standards of the APA, this

---

Patent Appeals and Interferences, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences has the authority to grant *rehearings*.

35 U.S.C. § 7(b) (emphasis added).

[95] 203 F.3d at 1313; *see supra* n. 62 and accompanying text (explaining application of substantial evidence standard).

[96] 214 F.3d 1322 (Fed. Cir. 2000).

[97] Nard, *supra* n. 23, at 1430.

[98] *Gartside*, 203 F.3d 1305. Following *Zurko* and *Gartside*, the "de novo" review standard has been used in reversing or vacating the obviousness determinations of the PTO in many cases. *See e.g. In re Sang Su Lee*, 277 F.3d 1338 (Fed. Cir. 2002); *Brown v. Barbacid*, 276 F.3d 1327 (Fed. Cir. 2002); *Superior Fireplace Co. v. The Majestic Products Co.*, 270 F.3d 1358 (Fed. Cir. 2001); *In re Haruna*, 249 F.3d 1327 (Fed. Cir. 2001); *In re Inland Steel Co.*, 265 F.3d 1354 (Fed. Cir. 2001); *Okajima v. Bourdeau*, 261 F.3d 1350 (Fed. Cir. 2001); *In re Roemer*, 258 F.3d 1303 (Fed. Cir. 2001); *Helfgot v. Dickenson*, 209 F.3d 1328 (Fed. Cir. 2000); *In re Kotzab*, 217 F.3d 1365 (Fed. Cir. 2000); *Singh v. Brake*, 222 F.3d 1362 (Fed. Cir. 2000).

[99] *See Lujan v. Defenders of Wildlife*, 504 U.S. 555, 604 (1992) (J. Blackmun, dissenting) (stating that "Congress legislates in procedural shades of gray not to aggrandize its own power but to allow maximum Executive discretion in the attainment of Congress' legislative goals."); *Stark v. Wickard*, 321 U.S. 288 (1944) (explaining that "When Congress passes an Act empowering administrative agencies to carry on governmental activities, the power of those agencies is circumscribed by the authority granted. This permits the courts to participate in law enforcement entrusted to administrative bodies only to the extent necessary to protect justiciable individual rights against administrative action fairly beyond the granted powers. . . . This is very far from assuming that the courts are charged more than administrators or legislators with the protection of the rights of the people. Congress and the Executive supervise the acts of administrative agents. . . . But under Article III, Congress established courts to adjudicate cases

court alone . . . , labeling a question as one of law can be a handy device to free a court from deferring to an agency's findings of fact."[100]

The Federal Circuit has characteristically adopted this strategy by labeling ultimate determinations, or application of law to facts, as pure questions of law reviewable "de novo." By following this approach, and at the same time not applying *Chevron*, the Federal Circuit effectively frees itself from a portion of the deferential review standards of the APA. While this approach may be within the narrow letter of the *Zurko* holding, it contravenes the spirit of the decision, fails to apply precedential APA interpretations, and does not conform to established processes for analyzing mixed questions. The Federal Circuit should review the mixed question of obviousness the same as a question of basic fact by applying APA mandated deference and upholding the PTO's decision if it is reasonable.

A. The Decision in Zurko Should Be Read as a Policy Pronouncement of the Supreme Court that Extends the Full Body of APA Standards to the PTO

While the Supreme Court's analysis in *Zurko* was focused on fact-finding, the language of the opinion should be read as a general policy pronouncement that uses fact-finding as one specific example. The Federal Circuit was limited to reviewing the findings of fact made by the PTO in the case of *In re Zurko* and subsequent rehearing en banc.[101] In reviewing the PTO's denial of Zurko's patent application on the basis of obviousness, the Federal Circuit focused only upon the question of what was taught by the prior art,[102] a question it characterized as one of fact.[103] Therefore, on appeal to the Supreme Court, the PTO's legal conclusion that these prior art teachings made the Zurko patent obvious were not before the Court. Only the underlying factual findings of what the prior art taught was at issue.[104]

The Court, in its analysis of the issue in *Zurko*, addressed findings of fact directly. Before laying out section 706 of the APA, the Court explained that this section "sets forth standards that govern[] the scope of court review of, *e.g., agency factfinding*."[105] By providing agency fact-finding as one

---

[100] Howard T. Markey, former Chief Judge, United States Court of Appeals for the Federal Circuit, *Jurisprudence or "Juriscience"?*, 25 Wm. & Mary L. Rev. 525, 536 (1984).

[101] 111 F.3d 887, *rehearing en banc*, 142 F.3d. 1447.

[102] *See supra* n. 76 (defining prior art).

[103] *Zurko*, 142 F.3d at 1447.

[104] *Zurko*, 527 U.S. at 150.

[105] *Id.* at 152 (internal quotations omitted) (emphasis added).

particular example of court-to-agency review, the Court implicitly recognized that the APA standard applied to more than just fact-finding.

While section 706 directly applies to "agency action, findings, and conclusions,"[106] the Supreme Court quoted only "agency . . . findings . . . ." It is important to recall that the issue before the Court was "whether [section] 706 applies when the Federal Circuit reviews findings of fact made by the [PTO]."[107] Since fact-finding was solely before the Court, only language specifically applicable to fact-finding was quoted from the APA.

Yet, the focus upon fact-finding did not stop the Court from utilizing broad language when discussing the scope and application of the APA. The Court stated the APA court-to-agency "substantial evidence" standard, contained in section 706, "requir[ed] a court to ask whether a reasonable mind might accept a particular evidentiary record as adequate to support a *conclusion*."[108] The Court also used broad language in dismissing the Federal Circuit's argument that stricter review "will produce better agency *factfinding*."[109] The Court pointed out that the Federal Circuit had not convincingly explained "why direct review of the PTO's *patent denials* demands a stricter *fact-related* review standard than is applicable to other agencies."[110] A "patent denial" is a legal conclusion by the PTO stating the applicant has not met the legal standard of patentability.[111] It is arrived at by applying the law to the facts.[112]

Finally, in the conclusion of its opinion, the Court used very open-ended and plain language when it declared, "Congress has set forth the appropriate standard in the APA."[113] The Supreme Court expressed great reluctance to establish disruptive precedent through *Zurko* that would "too readily [permit] . . . depart[ure] from *uniform APA requirements*."[114] In support of this overarching criterion, the Court stated that Congress enacted APA standards for judicial review of agency action in order to "bring uniformity to a field full of variation and diversity."[115]

---

[106] APA 10(e), 5 U.S.C. 706 § (2).

[107] *Zurko*, 527 U.S. at 152.

[108] *Id.* at 162 (quoting *Consol. Edison*, 305 U.S. at 229) (omitting internal citations) (emphasis added).

[109] *Zurko*, 527 U.S. at 165 (emphasis added).

[110] *Id.* (emphasis added).

[111] *See supra* n. 36 (discussing the legal standards of patentability).

[112] *Id.*

[113] *Zurko*, 527 U.S. at 165.

[114] *Id.* at 162 (emphasis added).

[115] *Id.* at 155.

The position of the Federal Circuit and the PTO regarding judicial review standards in the face of *Zurko* are analogous to the position of other courts and agencies faced with the procedural due process explosion brought on by *Goldberg v. Kelley*.[116] The Supreme Court in *Goldberg* held that a welfare recipient was entitled to minimum procedures before benefit termination.[117] This holding, however, was interpreted to extend far beyond the narrow facts at issue and was responsible for generating a procedural "Due Process explosion."[118] The decision in *Goldberg* implicated all similarly situated courts reviewing agency termination of statutorily granted rights. One commentator observed that while an agency and the court reviewing its decisions may not precisely be within the narrow holding of *Goldberg*, they "cannot afford to disregard the Supreme Court's pronouncements" on procedural due process policy.[119] In the situation at hand, the holding in *Zurko* should be similarly interpreted to extend the APA standards umbrella to all PTO decisions reviewed by the Federal Circuit, not just fact-finding decisions.

Thus, the Court's underlying policy announcement in *Zurko* encompasses more than just the explicit holding that the APA standards govern the Federal Circuit's review of PTO fact-finding. The broad language employed in selective portions of the opinion in *Zurko* illustrates that the Court considered the full scope of APA judicial review. *Zurko* signals that the Supreme Court considers the PTO to be a federal administrative agency subject to, and protected by, the same body of APA standards and administrative law precedent as any other federal administrative agency. Consequently, the Federal Circuit must abide by all APA standards of judicial review of PTO decisions.

B. APA Standards and Administrative Case Law Suggest that a Mixed Question of Law and Fact Having the Characteristics of a PTO Determination of Obviousness Should Be Reviewed Primarily as a Question of Fact and Accorded Deference

The Supreme Court has plainly announced the PTO is an administrative agency subject to the APA's constraints.[120] In the years since *Zurko*, Congress has not made any attempts to exclude the PTO from the APA

---

[116] 397 U.S. 254 (1970).

[117] *Id.* at 262.

[118] William F. Fox, Jr., *Understanding Administrative Law*, 121 (4th Ed., Lexis Pblg. 2000).

[119] *Id.* at 271.

[120] *Zurko*, 527 U.S. at 154.

umbrella. Therefore, the standards of the APA should fully govern judicial review of PTO decisions.

Mixed questions of law and fact[121] with the characteristics of a conclusion of obviousness by the PTO[122] should be reviewed under the deferential standards of the APA. Currently, the Federal Circuit follows its historic characterization of the ultimate determination of obviousness as a pure question of law,[123] subject to "de novo" review, while the underlying factual basis for the obviousness determination is reviewed with deference.[124] This approach is in conflict with decisions interpreting how to apply APA judicial review standards to mixed questions of law and fact.

As taught by the Supreme Court in *NLRB v. Hearst Publications*, if the issue is an "ultimate" finding, that is to say, the facts as found do or do not satisfy a legal standard, the issue is treated the same as a question of basic fact.[125] Louis Jaffe, a leading scholar on the court-agency relationship under the APA, stated, "a law-applying judgment is presumptively within the area of the agency's discretion."[126] The Federal Circuit has directly cited *Hearst Publications* for the proposition that the U.S. Merit Systems Protection Board was "entitled to the same deference typically accorded [administrative] agencies resolving fact-intensive mixed questions—that is, questions involving the straight application of a rule in need of no further elaboration to highly particularized facts."[127] In *Holly Farms v. NLRB*, the Court expressed the rule that a reviewing court "must respect the judgment of the agency empowered to apply the 'law to varying fact patterns, even if the issue with nearly equal reason might be resolved one way rather than another.'"[128] It is only when the issue in a court-to-agency review turns on

---

[121] A mixed question of law and fact is "an issue that is neither a pure question of fact nor a pure question of law." Black's Law Dictionary at 1018.

[122] Obviousness is a legal conclusion "requir[ing] a fact-intensive comparison of the claimed [invention] with the prior art. . . ." *In re Ochiai*, 71 F.3d 1565, 1571 (Fed. Cir. 1995); *In re Durden*, 763 F.2d 1406, 1411 (Fed. Cir. 1985) (stating that "Our function is to apply, in each case, [the obviousness requirements of] § 103 as written to the facts of disputed issues . . .").

[123] *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1567 (Fed. Cir. 1987).

[124] *Gartside*, 203 F.3d at 1312.

[125] 322 U.S. at 111; *see O'Leary v. Brown-Pacific-Maxon, Inc.*, 340 U.S. 504, 508 (1951) (treating the issue as one of fact when the statutory term "course of employment" encompassed a large area of potential conduct which might or might not fall within the zone of danger).

[126] Louis L. Jaffe, *Judicial Control of Administrative Action* 549-50 (Abridged Student ed., Little, Brown and Co. 1965) (emphasis removed).

[127] *Campbell v. Merit Sys. Protection Bd.*, 27 F.3d 1560, 1566 (1994).

[128] 517 U.S. 392, 399 (1996) (holding NLRB's determination that live-haul workers met the statutory standards of an "employee" under the NLRA was reasonable); *see Nat. R.R. Passenger Corp. v. Boston & Maine Corp.*, 503 U.S. 407, 417 (1992) (holding that "[i]f the agency interpretation is not in conflict with the plain language of the statute, deference is due").

statutory construction, and not application, that it may appropriately be treated as an issue of pure law.[129]

The Supreme Court has never held that obviousness is a pure question of law to be reviewed "de novo." Before laying out the legal standard governing obviousness, the Supreme Court, in *Graham v. John Deere Company*, stated: "While the ultimate *question of patent validity is one of law*, . . . the [section] 103 condition [of obviousness], which is but one of three conditions [of utility, novelty, and obviousness], each of which must be satisfied, lends itself to several basic factual inquiries."[130] The legal standard of obviousness was then set forth as follows:

> Under [section] 103 [obviousness determination], the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.[131]

The conclusion of obviousness is essentially determined upon a case-by-case basis.[132] The Federal Circuit has held the issue of obviousness must be decided for "each case on the basis of its own particular fact situation . . . ."[133] Thus, an obvious determination relies upon application of the law to particularized facts and does not rely on statutory construction.

In an obviousness determination, the PTO is empowered to make findings of fact based on varying and complex fact patterns and, by applying the obviousness standard laid out in *John Deere,*[134] determine whether the invention at issue is, or is not, obvious. Nowhere in this determination does

---

[129] *Packard Motor Car*, 330 U.S. at 492. The Court construed "employee" in the National Labor Relations Act as a pure question of law, concerning statutory construction. *Id.* at 486-87. However, the legal conclusion of whether foremen were "employees" under the Act, for which there was equal factual evidence for both inclusion and exclusion, "involve[d] of necessity a large measure of informed discretion and the decision of the Board, if not final, is rarely to be disturbed." *Id.* at 491.

[130] 383 U.S. 1, 17 (1966) (emphasis added).

[131] *Id.* at 17-18.

[132] *See In re Wright*, 848 F.2d 1216, 1220 (Fed. Cir. 1988) (stating that "as with all section 103 decisions, judgment must be brought to bear based on the facts of each case"), *overruled on other grounds*, *In re Dillion*, 919 F.2d 688 (Fed. Cir. 1990).

[133] *In re Durden*, 763 F.2d at 1410.

[134] 383 U.S. 1.

the PTO state what the law is because the law on this issue has been settled since *John Deere*. Because conclusions of obviousness do not turn on what the law is, but rather the application of a known legal standard to a set of facts, in accord with Supreme Court precedent in *Hearst Publications*, *Holly Farms*, and *Packard Motor Car*, obviousness determinations of the PTO should be reviewed primarily as a question of fact and afforded the appropriate deferential standard of the APA.

C. *Under the Supreme Court's Framework for Analyzing Mixed Questions of Law and Fact, the Mixed Question of Obviousness Should Be Reviewed as One of Fact and Hence Subject to Deferential APA Review*

The Supreme Court has used a three-factor approach to determine whether a mixed question of law and fact should be reviewed as one of law or one of fact.[135] The first factor looks at past practice of the court.[136] Second, the utility of treating a mixed question as one of law is analyzed in the context of whether the legal rules acquire context only through application and therefore require the court to maintain control of the legal principle[137] to provide unity of precedent and stability of the standard.[138] Third, institutional advantages of reviewing courts and lower decision makers are compared.[139] An application of the three-factor approach suggests that the question of obviousness should be treated primarily as one of fact. As such, it must be reviewed under the deferential standard of the APA.

1. Past Practice of the Federal Circuit in Reviewing Obviousness Issues

In light of the decision in *Zurko*, past practice in resolving the treatment of mixed questions does not dictate the outcome. While the Federal Circuit would argue that it has historically treated obviousness as a question of law reviewable "de novo,"[140] the decision in *Zurko* made it clear that even long

---

[135] *See Ornelas v. U.S.*, 517 U.S. 690 (1996); *Thompson v. Keohane*, 516 U.S. 99 (1995); *Mixed Questions of Law and Fact*, 110 Harv. L. Rev. 317 (1996) (hereinafter "*Mixed Questions*").

[136] *Ornelas*, 517 U.S. at 696; *Thompson*, 516 U.S. at 115.

[137] *Ornelas*, 517 U.S. at 696-97.

[138] *Thompson*, 516 U.S. at 115.

[139] *Thompson*, 516 U.S. at 111; *Ornelas*, 517 U.S. at 699.

[140] *See e.g. Panduit*, 810 F.2d at 1567.

standing precedential treatment will not stand contrary to the requirements of the APA.[141] Thus, the first factor carries little weight in the present inquiry.

2. The Utility of Reviewing the Mixed Question of Obviousness as One of Law or One of Fact

There is little utility in treating the mixed question of obviousness as primarily one of law. When legal rules acquire context only through application, the case for treating the issue as one of pure law subject to "de novo" is strengthened. In these applications, a court must maintain control of the legal principle to provide unity of precedent and stability of the standard.[142] The obviousness standard contains independent meaning, is not the type of issue relying upon precedent, and does not present a risk of the Federal Circuit losing control of the standard.

On the surface it appears that obviousness, with its complex array of underlying facts involving technicalities of prior art, is a legal standard acquiring meaning only through application. The language the Supreme Court used in *John Deere*, however, directly refutes this position:

> What is obvious is not a question upon which there is likely to be uniformity of thought in every given factual context. The difficulties, however, are comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and should be amenable to a case-by-case development. We believe that strict observance of the requirements laid down here will result in that uniformity and definiteness which Congress called for in the 1952 Act.[143]

The first line of the quote suggests the standard has context only through application. Yet the Court also compares the difficulties of an obviousness determination to negligence[144] and scienter,[145] both of which are legal

---

[141] *See Zurko*, 527 U.S. at 152.

[142] *Ornelas*, 517 U.S. at 697-98.

[143] *John Deere*, 383 U.S. at 18.

[144] "Negligence" is defined as "[t]he failure to use such care as a reasonably prudent and careful person would use under similar circumstance." Black's Law Dictionary at 538.

[145] "Scienter" is defined as "[being] used in pleading to signify an allegation [or that part of the declaration or indictment which contains it] setting out the defendant's previous knowledge of the cause which led to the injury complained of, or rather his previous knowledge of a state of facts which it was his duty to guard against, and his omission to do what has lead to the injury complained of. The term is frequently used to signify the defendant's guilty knowledge." *Id.* at 699 (; *see Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 (1976) (defining scienter as "the intent to deceive, manipulate, or defraud").

conclusions treated as *questions of fact*.[146] Moreover, the Court alludes to "strict observance of the requirements" of the obviousness standard laid down in *John Deere*.[147] The words of the Court strongly suggest that the obviousness standard has meaning independent of specific factual situations. Therefore, the independent context of the obviousness standard lends credence to the characterization of an obviousness determination as one primarily of fact.

The precedential value of each obviousness decision is low, and concerns over precedent stability are reduced because conclusions of obviousness are based heavily upon each specific factual situation.[148] The Federal Circuit explicitly recognized this when it stated "[w]hat we or our predecessors may have said in discussing different fact situations [underlying obviousness] is not to be taken as having universal application."[149] Hence, stability of precedent does not contribute to any supposed utility of Federal Circuit "de novo" review of obviousness.

Obviousness does not implicate the same concerns over inconsistency and instability that have led the Federal Circuit to classify other mixed questions as primarily law. In *Markman v. Westview Instruments* ("*Markman I*"), the Federal Circuit classified patent claim interpretation,[150] involving a mix of standards of law and underlying facts, as primarily a question of law subject to "de novo" review.[151]

The *Markman I* decision was aimed at correcting the Federal Circuit's expressed frustration with inconsistent and unpredictable jury interpretations of patent claim meaning.[152] The Federal Circuit en banc panel of *Markman I* reasoned that eliminating the jury from claim interpretation would promote

---

[146] *See e.g. Cerny v. Cedar Bluffs Junior/Senior Pub. Sch.*, 628 N.W.2d 697, 704-705 (Neb. 2001) (holding that "while the existence of a duty and the identification of the applicable standard of care are questions of law, the *ultimate determination* of whether a party deviated from the standard of care and was therefore negligent *is a question of fact*") (emphasis added); *Abrams v. Baker Hughes, Inc.*, 292 F.3d 424, 431 (5th Cir. 2002) (stating that the "appropriate analysis . . . is to consider whether all facts and circumstances 'taken together' are sufficient to support the necessary strong inference of scienter") (internal quotations omitted).

[147] *John Deere*, 383 U.S. at 18.

[148] *See supra* nn. 132-133 and accompanying text (discussing the case-by-case determination of obviousness).

[149] *Durden*, 763 F.2d at 1410.

[150] A patent claim is a formalized description of the invention appearing in the written patent instrument. Claim interpretation is a frequently arising issue in patent infringement suits at the trial court level, and involves giving meaning to the specific language present in the claims in light of established legal standards.

[151] *Markman v. Westview Instruments*, 52 F.3d 967 (Fed. Cir. 1995).

[152] Craig Allen Nard, *Intellectual Property Challenges in the Next Century: Process Considerations in the Age of Markman and Mantras*, 2001 U. Ill. L. Rev. 355, 358 (2001).

uniformity and certainty in patent law.[153] The Supreme Court, after characterizing claim interpretation as a "mongrel practice" that "falls somewhere between a pristine legal standard and a simple historical fact," upheld the Federal Circuit's holding that claim interpretation is solely for the judge.[154]

It is important to note that claim interpretation issues rarely arise within the PTO.[155] Neither is there an unpredictable and inconsistent jury involved in PTO decision making. Hence, the concerns expressed in *Markman I* do not apply to the standard for reviewing PTO determinations of obviousness.

Conclusions of obviousness do not present a risk of the reviewing court losing control of governing legal standards. The long line of Federal Circuit cases characterizing obviousness as a question of law, subject to "de novo" review, rely upon the analysis of the issue in *Panduit Corp. v. Dennison Manufacturing Company*.[156] In *Panduit*, the Federal Circuit stated that treating section 103 obviousness as a question of law would "facilitate a consistent application of that statute in the courts and in the Patent and Trademark Office."[157] The reasoning in *Panduit* was based upon the perceived necessity of controlling the legal standards of section 103 obviousness and the legal standards for determining scope and content of the prior art.[158] As evidence of this necessity, the Federal Court pointed out that the District Court decision being reviewed had made "controlling misstatements of the legal criteria applicable to [section] 103 determinations"[159] and "fail[ed] to employ established legal standards" for scope and content of prior art.[160]

The errors cited by the court in the *Panduit* decision, however, pertain to what the law is and not how the law is applied. Classifying the mixed question of obviousness as primarily one of fact to be reviewed under the APA mandated deference does not wrest away the ability of the Federal

---

[153] 52 F.3d at 979.

[154] *Markman v. Westview Instruments*, 517 U.S. 370, 378, 388 (1996) (quoting *Miller v. Fenton*, 474 U.S. 104, 114 (1985)).

[155] While claim interpretation does arise in "interference" proceedings before the BPAI, this type of proceeding is rare and declining in use.

[156] 810 F.2d 1561. Most current Federal Circuit cases cite *In re Dembiczak*, 175 F.3d 994 (Fed. Cir. 1999) for the proposition that obviousness is a question of law. *See e.g. In re Gartside*, 203 F.3d at 1319. Analysis of the issue, however, is not contained in *In re Dembiczak* which only cites to *Miles Labs, Inc. v. Shandon Inc.*, 997 F.2d 870, 877 (Fed. Cir. 1993). *Miles Labs* in turn cites *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 989 (Fed. Cir. 1988). Finally, *Specialty Composites* cites *Panduit*, the only case in the above trail with analysis of the issue.

[157] 810 F.2d at 1567.

[158] *Id.* at 1567-68.

[159] *Id.* at 1567.

[160] *Id.* at 1568.

Circuit to say what the law is. The Federal Circuit remains free to review "de novo" any legal standard brought into play by the PTO. Thus, the reasoning of *Panduit* in characterizing obviousness as a question of law applies only to review of what the law is and not how the law is applied.

Therefore, analysis of the second factor, the utility of treating a mixed question as one of law, suggests that conclusions of obviousness do not possess the characteristics necessitating strict control of legal standards. This supports reviewing PTO conclusions of obviousness as primarily a question of fact.

3. The Institutional Advantages of the PTO over the Federal Circuit in Determining Whether an Invention is Obvious

Congress delegated the authority to grant or deny patents to the PTO.[161] A conclusion of obviousness is one of the legal standards by which the PTO judges whether an invention is deserving of monopolistic protection.[162] In its seminal opinion in *John Deere*, the Supreme Court declared "the primary responsibility for sifting out unpatentable material lies in the Patent Office."[163] This "primary responsibility" translates to the PTO possessing sufficient institutional advantage to warrant deference when the Federal Circuit reviews PTO conclusions of mixed questions such as obviousness.[164]

The institutional competence of agencies other than the PTO has been recognized by the Federal Circuit. In *Campbell v. Merit System Protection Board*, the court held "independent status" under the Hatch Political Activities Act was a mixed question of law and fact that should be reviewed as fact-finding under the substantial evidence test of the APA.[165] In considering institutional competence and the separation of powers as factors in determining the review standard appropriate for applying law to fact in *Campbell*, the Federal Court stated that:

> [W]hile the [Merit Systems Protection] Board is perhaps more akin to a lower court than the typical agency (since Congress assigned it

---

[161] *Supra* nn. 30, 35 and accompanying text.

[162] *Supra* n. 36 (describing statutory standards of patentability).

[163] *John Deere*, 383 U.S. at 18.

[164] *See* Nard, *supra* n. 23, at 1423 (stating that "the Federal Circuit's judicial review of the BPAI's patentability determinations and the Commissioner's statutory interpretations is paternalistic and results in a less than optimal balance of interpretive power"); Craig Allen Nard, *Legitimacy and the Useful Arts*, 10 Harv. J. L. & Tech 515, 517, 557 (Summer 1997) (answering the PTO to the question of who should be primarily responsible for making patent validity determinations, the courts or the PTO).

[165] 27 F.3d 1560, 1567 (Fed. Cir. 1994).

> an essentially adjudicatory function), its determinations nevertheless represent the actions of an independent branch of government for which Congress prescribed the same standards of review.[166]

Like the Merit Systems Protection Board, the PTO is assigned a primarily adjudicatory function. The decision in *Campbell* suggests the Federal Circuit appears to recognize the institutional competence of sister federal agencies of the PTO, but not of the PTO itself. This conclusion is reinforced by the statement of Judge S. Jay Plager, of 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.[167]

Some commentators argue that the principle of *stare decisis* and the life tenure of judges are institutional advantages the Federal Circuit possesses over the PTO, and consequently, "de novo" review lodges interpretive power over the Patent Act in the more stable forum of the judiciary.[168] This argument, however, applies mainly to review of law declaring agency actions as opposed to law applying actions. A determination of obviousness with respect to a particular set of facts has very little precedential value,[169] thus minimizing the *stare decisis* concern. Additionally, the long tenure of a circuit judge removes them from the newly arising technology and innovation of the private sector. While the Federal Circuit has several judges with technical backgrounds, it cannot match the technical training of the cadre of PTO examiners and BPAI members. A former Commissioner of the PTO remarked in 1994:

> I think that a nonobvious determination is so clearly a technical determination . . . . I mean we have 2000 patent examiners and in the area of biotechnology, we have over 150 Ph.Ds. How a judge for the [Federal Circuit], even if they are a patent lawyer, can presume to know more about whether something meets that nonobviousness

---

[166] *Id.* at 1566 (omitting internal citations).

[167] S. Jay Plager, *An Interview with Circuit Judge S. Jay Plager*, 5 J. Proprietary Rts. 2, 5 (Dec. 1993) (Circuit Judge, Court of Appeals for the Federal Circuit) (quotation cited in Nard, *supra* n. 23, at 1415).

[168] Orin S. Kerr, *Rethinking Patent Law in the Administrative State*, 42 Wm. & Mary L. Rev. 127, 187 (2000).

[169] *See supra* nn. 150-160 and accompanying text (discussing the factual intensive nature of obviousness).

> test than a highly trained, skilled patent examiner, often times with a Ph.D, is beyond me.[170]

It is important to remember that the Federal Circuit reviews primarily patent denials when it reviews PTO obviousness conclusions.[171] Any time the Federal Circuit reverses a PTO denial of patent, they are providing monopoly protection to an inventor over the express objection of the administrative agency charged with this task by Congress. When courts review the reasonableness of an agency's decision, "they must acknowledge that Congress is legitimately entitled to favor some interests over others and that courts should defer to Congressional choices."[172] Neither Congress nor the Constitution favors the rights of a person desiring patent protection over the public good.[173] The need to encourage invention must be carefully balanced against the evils of monopoly that stifle competition without advance in the progress of science and the useful arts.[174] In denying a patent application for obviousness, the PTO has concluded as a matter of policy that the American public is better off by not extending a monopoly to the particular invention at issue. Federal Circuit reversals conducted under non-deferential "de novo" review upsets this policy decision. Review under deferential standards would ensure the PTO decision was reasonable in the face of the obviousness standard, but at the same time, leave the PTO's technical and policy considerations intact.

The Supreme Court has announced the PTO is an administrative agency subject to the APA's constraints.[175] The Federal Circuit should treat it as such. The Federal Circuit should review PTO decisions, perhaps even taking a "hard look," only to ensure that the agency has correctly adhered to established legal standards[176] and that PTO conclusions are supported by substantial evidence in the record. The Federal Circuit is essentially granting patents when it uses "de novo" review on patentability issues to reverse the

---

[170] Nard, *supra* n. 23, at 1506 n. 352 (reciting Interview with Bruce Lehman, [former] Commissioner of the PTO, in Washington, D.C. (Nov. 2, 1994)).

[171] Most appeals from PTO decisions are by applicants disappointed with the PTO's refusal to grant a patent for their invention. *See supra* nn. 35-45 and accompanying text (describing the patent application process).

[172] Martin Shapiro, *APA: Past, Present, Future*, 72 Va. L. Rev. 447, 472 (1986).

[173] Article I, section 8, clause 8 of the United States Constitution provides that the Congress shall have power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Hence, providing an individual with intellectual property rights is done in order to advance public interest and society.

[174] *Bonito Boats v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

[175] *Zurko*, 527 U.S. at 154.

[176] *See e.g. supra* nn. 159-160 and accompanying text.

conclusions of the PTO. Yet, through the patent statutes, Congress has delegated the duty to grant patents upon the PTO. The level of involvement the Federal Circuit has assumed through "de novo" review is akin to Holmes' "Bad Man"[177]—a judge hellbent to impose his own policy preferences. When the Federal Circuit exercises these policy preferences, it exceeds the legitimate scope of judicial review of an agency adjudication.[178] Federal Circuit Judge Pauline Newman echoed Holmes' concern when she warned of "the pitfalls of a 'specialized' court wherein a cadre of experts, secure in its superior knowledge of the policy that the law should serve, comes to view itself as judge, advocate, and jury."[179] This statement by one of the court's own is prescient of the Federal Circuit's tactic of using the label of "question of law" as a handy device[180] to marginalize the role of the PTO and greatly augment the influence of the Federal Circuit.[181]

Thus, in concluding the analysis of the third factor, the institutional advantages of the PTO support the assertion that the Federal Circuit should treat conclusions of obviousness as primarily factual in nature and review them under the appropriate deferential APA standards.

IV. CONCLUSION

The Federal Circuit was wrong to narrowly limit the holding in *Zurko* exclusively to questions of fact. *Zurko* should be read as a policy pronouncement, which fully extends the APA to the PTO. Under the APA, the Federal Circuit should deferentially review PTO decisions that are

---

[177] As Oliver Wendall Holmes wrote in his famous essay, *The Path of the Law*,

> [i]f you want to know the law and nothing else, you must look at it as a bad man, who cares only for the material consequences which such knowledge enables him to predict, not as a good one, who finds his reasons for conduct, whether inside the law or outside of it, in the vaguer sanctions of conscience.

Oliver Wendall Holmes, *The Path of the Law*, 10 Harv. L. Rev. 457 (1897) (reprinted in Golding, *The Nature of Law: Readings in Legal Philosophy* 178 (Random House 1966)).

[178] *Cf. Arkansas v. Oklahoma*, 503 U.S. 91, 109, 112-14 (1992) ("[T]he Court of Appeals *exceeded the legitimate scope of judicial review of an agency adjudication* . . ." when it "sat in review of an agency action and should have afforded the EPA's interpretation of the governing law an appropriate level of deference . . ." but instead "[t]he court disregarded well-established standards for reviewing . . . findings of agencies . . ." and "made a policy choice that it was not authorized to make . . . . It is not [the Supreme Court's] role, or that of the Court of Appeals, to decide which policy choice is the better one, for it is clear that Congress has entrusted such decisions to the Environmental Protection Agency.") (emphasis added).

[179] Newman, *supra* n. 47.

[180] *See supra* n. 100.

[181] One commentator, in discussing the Federal Circuit's classification of mixed questions as questions of law to be reviewed de novo said "in the name of certainty and uniformity, the [role of the decision making body has] been greatly marginalized, while the influence of the Federal Circuit, in turn, has been significantly augmented." Nard, *supra* n. 152, at 360.

applications of law to fact. Additionally, analysis under the Supreme Court's framework for determining how to treat mixed questions of law and fact supports the conclusion that mixed questions such as obviousness should be treated primarily as questions of fact and so should be reviewed deferentially. Most importantly, the PTO should govern patents not the Federal Circuit.

In another context, the Supreme Court observed:

> [W]e cannot escape the reality that the law on occasion adheres to doctrinal concepts long after the reasons which gave them birth have disappeared and after experience suggests the need for change . . . [and thus, when] "precedent and precedent alone is all the argument that can be made to support a court-fashioned rule, it is time for the rule's creator to destroy it."[182]

The reality is that patent law and society are better served by placing the judgment of what does or does not satisfy the obviousness legal standard in the capable hands of the PTO and the review of the reasonableness of this judgment within the purview of the Federal Circuit.

---

[182] *Trammel v U.S.*, 445 U.S. 40, 48 (1980) (quoting the dissenting opinion in *Francis v. S. Pacific*, 333 U.S. 445, 471 (1948)).