No. 98-377

In the Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS
AND TRADEMARKS, PETITIONER

v.

MARY E. ZURKO, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE PETITIONER

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QUESTION PRESENTED

Section 12 of the Administrative Procedure Act (APA), now revised and reenacted as 5 U.S.C. 559, provided that the Act did not "limit or repeal additional requirements imposed by statute or otherwise recognized by law." The question presented in this case is:

Whether a standard of judicial review more stringent than that specified by the APA, purportedly used by courts before the adoption of that Act in reviewing factual findings made by a particular agency, is an "additional requirement[] * * * otherwise recognized by law" within the meaning of Section 559.

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OPINIONS BELOW

The opinion of the court of appeals sitting en banc (Pet. App. 1a-27a) is reported at 142 F.3d 1447. The earlier opinion of a panel of that court (Pet. App. 28a-34a) is reported at 111 F.3d 887. The opinions of the Board of Patent Appeals and Interferences (Pet. App. 35a-45a) are unreported.

JURISDICTION

The judgment of the court of appeals was entered on May 4, 1998. On July 24, 1998, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including September 1, 1998. The petition for a writ of certiorari was filed on August 31,

1998, and was granted on November 2, 1998. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

1. Section 12 of the original Administrative Procedure Act (APA), ch. 324, 60 Stat. 244 (1946), provided as follows:

CONSTRUCTION AND EFFECT

> **Sec. 12.** Nothing in this Act shall be held to diminish the constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law. Except as otherwise required by law, all requirements or privileges relating to evidence or procedure shall apply equally to agencies and persons. If any provision of this Act or the application thereof is held invalid, the remainder of this Act or other applications of such provision shall not be affected. Every agency is granted all authority necessary to comply with the requirements of this Act through the issuance of rules or otherwise. No subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly. This Act shall take effect three months after its approval except that sections 7 and 8 shall take effect six months after such approval, the requirement of the selection of examiners pursuant to section 11 shall not become effective until one year after such approval, and no procedural requirement shall be mandatory as to any agency proceeding initiated prior to the effective date of such requirement.

2. Section 559 of Title 5 of the United States Code (drawn from Section 12 of the APA) provides in pertinent part as follows:

§ 559. Effect on other laws; effect of subsequent statute

> This subchapter, [and] chapter 7 * * * of this title, * * * do not limit or repeal additional requirements imposed by statute or otherwise recognized by law. Except as otherwise required by law, requirements or privileges relating to evidence or procedure apply equally to agencies and persons. Each agency is granted the authority necessary to comply with the requirements of this subchapter through the issuance of rules or otherwise. Subsequent statute may not be held to supersede or modify this subchapter, [or] chapter 7 * * * of this title, * * * except to the extent that it does so expressly.

3. Section 701 of Title 5 of the United States Code (drawn from Sections 2 and 10 of the APA) provides in pertinent part as follows:

§ 701. Application; definitions

> (a) This chapter applies, according to the provisions thereof, except to the extent that—
>
> (1) statutes preclude judicial review; or
>
> (2) agency action is committed to agency discretion by law.
>
> (b) For the purpose of this chapter—
>
> (1) "agency" means each authority of the Government of the United States, whether or

not it is within or subject to review by another agency, but does not include—

(A) the Congress;

(B) the courts of the United States;

(C) the governments of the territories or possessions of the United States;

(D) the government of the District of Columbia;

(E) agencies composed of representatives of the parties or of representatives of organizations of the parties to the disputes determined by them;

(F) courts martial and military commissions;

(G) military authority exercised in the field in time of war or in occupied territory; or

(H) functions conferred by sections 1738, 1739, 1743, and 1744 of title 12; chapter 2 of title 41; subchapter II of chapter 471 of title 49; or sections 1884, 1891-1902, and former section 1641(b)(2), of title 50, appendix[.]

* * * * *

4. Section 706 of Title 5 of the United States Code (drawn from Section 10(e) of the APA) provides as follows:

§ 706. Scope of review

To the extent necessary to decision and when presented, the reviewing court shall decide all rele-

vant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(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;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by 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; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

STATEMENT

1. The Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Congress has in turn provided that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor." 35 U.S.C. 101. To administer the patent system, Congress has established, within the Department of Commerce, a Patent and Trademark Office (PTO), which operates under the direction and superintendence of the Secretary of Commerce and petitioner, the Commissioner of Patents and Trademarks. See 35 U.S.C. 1, 6, 131.

An inventor who seeks to patent an alleged invention must file with petitioner an application containing a "specification," which sets out "a written description of the invention * * * in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains * * * to make and use the same." 35 U.S.C. 111(a)(2), 112. The PTO then refers the application to a patent examiner attached to an "art unit" that specializes in matters involving the particular technology or "art" involved. See U.S. Dep't of Commerce, Patent & Trademark Office, *Manual of Patent Examining Procedure* (MPEP) § 903.08(a) (7th ed., rev. July 1998). It is the examiner's job to determine, in the first instance, whether the claimed invention is properly described in the specification and meets all of the requirements for patentability, including that there be sufficient "differences between the subject matter

sought to be patented and the prior art * * * that the subject matter as a whole would [not] 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." 35 U.S.C. 103(a) (Supp. II 1996), 131; see also 35 U.S.C. 102, 112 (other requirements).

Patent applications and examination proceedings are generally held in confidence between the applicant and the PTO, until such time as a patent is issued. See 35 U.S.C. 122. While examiners make an independent assessment of the prior art relevant to the examination (see, *e.g.*, 37 C.F.R. 1.104(a)), they also rely on applicants to bring relevant references to their attention. The PTO's regulations impose on "[e]ach individual associated with the filing and prosecution of a patent application" a general duty of "candor and good faith in dealing with the Office," which includes a duty "to disclose to the Office all information known to that individual to be material to patentability." 37 C.F.R. 1.56(a).

If the examiner determines that the applicant is entitled to a patent, then petitioner will normally issue the requested patent in the ordinary course. 35 U.S.C. 131. If the examiner concludes that the applicant is not entitled to a patent with respect to one or more of the submitted claims, or that the application is subject to particular objections or requirements, the PTO notifies the applicant, stating "the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application." 35 U.S.C. 132; see 37 C.F.R. 1.104(a)(2). The applicant is then afforded an opportunity to respond, including by amending the application to address the examiner's concerns (but without adding new matter to

the application). 35 U.S.C. 132; 37 C.F.R. 1.111-1.112. On the second (or any subsequent) examination of the application, the examiner may declare that a rejection or other adverse action is "final." See 37 C.F.R. 1.112-1.113; MPEP § 706.07.

If any of an applicant's claims is twice or finally rejected by an examiner, the applicant may appeal to the Board of Patent Appeals and Interferences. 35 U.S.C. 134; 37 C.F.R. 1.191. The Board consists of petitioner, the Deputy Commissioner and Assistant Commissioners of Patents and Trademarks, and a number of "examiners-in-chief," who are "persons of competent legal knowledge and scientific ability * * * appointed to the competitive service." 35 U.S.C. 7(a).[1] The Board ordinarily acts through panels of three members, and decides appeals on the basis of written submissions (and sometimes oral argument) by or on behalf of the applicant and the examiner. 35 U.S.C. 7(b); 37 C.F.R. 1.192-1.194.

An applicant who is "dissatisfied" with the Board's decision on an appeal may seek review of that decision in the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141; see also 28 U.S.C. 1295(a)(4)(A); 37 C.F.R. 1.301. Petitioner then certifies the administrative record to that court. 35 U.S.C. 143. If, as is usually the case, there is no adverse private party, petitioner must also "submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal." *Ibid.* The court then reviews the Board's decision "on the record before the Patent and Trademark Office."

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[1] Examiners-in-Chief are generally known administratively as "Administrative Patent Judges." See 1156 Official Gazette Pat. Off. 32 (Nov. 9, 1993); Pet. App. 35a.

35 U.S.C. 144. Review concludes when the court "issue[s] to [petitioner] its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case." *Ibid.*[2]

2. Respondents applied for a patent in February 1990, claiming that they had invented a method of improving security in computer systems that include both "trusted" and "untrusted" computing environments. Pet. App. 28a-29a & n.1, 38a n.1; J.A. 5-66 (specification).[3] Respondents acknowledged that the existing UNIX operating system had previously taught the feasibility of having an "untrusted" program "pars[e] a command [such as a user keyboard entry] and then execut[e] the command by calling a trusted service that executes in a trusted computing environment." Pet. App. 30a; J.A. 70 (information disclosure statement). They also acknowledged that another existing program, FILER2, had taught the mechanism of "repeat[ing] back potentially dangerous user commands

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[2] A dissatisfied applicant who does not wish to seek review in the court of appeals on the basis of the administrative record may instead file suit against the Commissioner in the United States District Court for the District of Columbia. 35 U.S.C. 145. By seeking review in the court of appeals respondents waived their right to proceed under that alternative provision, which is therefore not directly at issue in this case. 35 U.S.C. 141; see also 28 U.S.C. 1295(a)(4)(A).

[3] The specification filed with respondents' original application, which contains a detailed explanation of the claimed invention, is reprinted, for the Court's convenience, at pages 5-66 of the Joint Appendix. Respondents submitted two amendments to the original specification as part of the examination process. J.A. 72, 79 The final version of the central claim at issue in this case is reprinted in the panel opinion of the court of appeals, Pet. App. 29a n.1.

and request[ing] confirmation from the user prior to execution." Pet. App. 30a; J.A. 69. Respondents claimed a patentable invention in the processing of a "trusted" command in an "untrusted" environment, relaying the parsed command to a trusted environment, and then having the trusted portion of the system seek user verification, over a trusted pathway, before executing the command. See Pet. App. 29a.

After a preliminary narrowing of the claims at issue (see Pet. App. 39a & n.2), the patent examiner rejected respondents' patent application. The examiner determined both that respondents' remaining claims were not stated with the specificity necessary to satisfy 35 U.S.C. 112, and that respondents were not entitled to a patent because the claimed invention was "obvious" within the meaning of 35 U.S.C. 103 (1994). See Pet. App. 40a.

Respondents appealed the examiner's decision to the Board. The Board rejected the examiner's conclusion that respondents' claims were not properly specified (Pet. App. 42a-43a), but it sustained the examiner's refusal to issue a patent on the ground that the claimed invention was "obvious" within the meaning of Section 103. The Board agreed with the examiner that it was proper to read the two cited instances of prior art in conjunction, and that one ordinarily skilled in the relevant art "would have been led from these teachings to take the trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by [FILER2]." Pet. App. 43a.

The Board rejected respondents' argument that the use of a trusted (rather than untrusted) path to seek and receive verification from the user before executing

the command involved a non-obvious advance over the prior art. Pet. App. 44a-45a. Rather, the Board concluded, "[c]ommunication in a trusted environment would normally be assumed, by artisans, to be over trusted paths," so that the use of such a path for verification, in a system designed to ensure security, was, "if not explicit," then "either inherent or implicit" in the prior art. *Id.* at 44a.[4]

3. Respondents sought review of the Board's decision in the United States Court of Appeals for the Federal Circuit, as permitted by 35 U.S.C. 141. A panel of that court concluded that the Board's decision should be reversed. Pet. App. 28a-34a. The court proceeded on the premise that "[o]bviousness is a legal question based on underlying factual determinations" (*id.* at 31a), and that "[w]hat a [prior-art] reference teaches and whether it teaches toward or away from the claimed invention are questions of fact" (*id.* at 32a). Reviewing the references cited by the Board, the court determined that "neither UNIX nor FILER2 teaches communicating with the user over a trusted pathway." *Id.* at 33a. Concluding that the Board had "impermissibly used hindsight" in evaluating respondents' claimed invention, the court held that "the Board's finding that the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway" was "clearly erroneous." *Id.* at 32a; see also *id.* at 33a.

The panel opinion noted petitioner's argument that the court "should review findings by the Board using a more deferential standard as required by the Administrative Procedure Act, 5 U.S.C. § 706(2) (1994)." Pet.

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[4] At respondents' request, the Board reconsidered this portion of its decision. After doing so, however, it adhered to its original reasoning and conclusions. Pet. App. 35a-37a.

App. 32a n.2. Although the panel indicated that, in light of Federal Circuit precedent, "[o]nly the court sitting in banc [could] answer the question of whether a different standard of review of the Board's findings should apply," it observed that en banc rehearing might be appropriate where, as in this case, a panel of the court had already determined that the Board's decision would be reversed under a non-APA standard of review. *Ibid.*

4. The full court of appeals, "[c]oncluding that the outcome of this appeal turns on the standard of review used by th[e] court to review board fact finding," accepted petitioner's suggestion that it rehear the case en banc to consider whether the Board's factual findings should be reviewed "under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous' standard." Pet. App. 2a. After considering the matter, the court determined that it would adhere to what it viewed as traditional practice, rather than apply the standards prescribed by the APA. *Id.* at 1a-27a.

The court first noted that the APA's "substantial evidence" standard for reviewing agency factual findings, 5 U.S.C. 706(2)(E), would "require that we review board decisions on their own reasoning." Pet. App. 3a. The court's "clear error" standard, by contrast, dictates affirmance "as long as we lack a definite and firm conviction that a mistake has been made"—a determination that "requires us to review board decisions on our reasoning." *Ibid.* Thus, in the court of appeals' view, its standard of review differed from those prescribed by the APA "both in character and [in] the amount of deference they contemplate." *Ibid.*

After discussing the history and general purposes of the APA (Pet. App. 4a-9a), the court noted that the Patent and Trademark Office had been the subject of

specific attention during the APA's drafting and enactment (*id.* at 7a-9a). Although it acknowledged that Congress had specifically contemplated exempting the work of the Patent Office from the purview of the Act, but ultimately did not do so, the court interpreted the history of the Act as "suggest[ing] that Congress drafted the APA to apply to agencies generally, but that * * * [it] did not intend the APA to alter the review of substantive Patent Office decisions" by the courts. *Id.* at 9a. The court construed 5 U.S.C. 559, which was drawn from the final Section of the APA as originally enacted and provides that the Act "do[es] not limit or repeal additional requirements imposed by statute or otherwise recognized by law," as "preserving those standards of judicial review that had evolved as a matter of common law [before the APA's enactment in 1946], rather than compelling that all such standards of review be displaced by the [APA]." Pet. App. 9a-10a.

The court then reviewed at some length the history of the patent laws, including the various mechanisms historically provided for administrative and judicial review of decisions to grant or deny patents. Pet. App. 11a-23a. On the basis of its review, the court observed that no patent statute has ever spoken explicitly to the standard of review to be used by courts in reviewing administrative decisions in patent cases, but that "the common law recognized several standards prior to 1947, including clear error and its close cousins." *Id.* at 22a-23a. On that basis, the court held that the "more searching clear error standard of review" that it has applied in lieu of the APA's "substantial evidence" standard "is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559." *Id.* at 23a.

The court found additional support for its holding in the principle of stare decisis. Pet. App. 23a-26a. Having concluded that there had been a "settled practice of reviewing factual findings of the board's patentability determinations for clear error," the court held that its "interpretation of section 559 * * * permit[ted]" it to continue that practice, "because no statute speaks directly to a required standard, and review for clear error was certainly recognized in the cases—though perhaps not exclusively or intentionally—before 1947." *Id.* at 25a.

The court added that use of a non-APA standard was "justif[ied]" by "the premises underlying review for clear error": "By making it clear that we review factual findings for clear error, and thereby review board decisions on our own reasoning, we hope the board understands that we are more likely to appreciate and adopt reasoning similar to its reasoning when it is both well articulated and sufficiently founded on findings of fact." Pet. App. 25a. The court thus hoped, through its choice of standard, to "encourage administrative records that more fully describe the metes and bounds of the patent grant than would a more deferential standard of review." *Ibid.* Finally, the court noted its belief that use of the "clearly erroneous" standard would "preserve the confidence of inventors who have relied on this standard in prosecuting their patents," "promote consistency between [the court's] review of the patentability decisions of the board and the district courts in infringement litigation," and "help avoid situations where board fact finding on matters such as anticipation or the factual inquiries underlying obviousness become virtually unreviewable." *Id.* at 26a.

Having concluded that "section 559 and *stare decisis* together justify our continued application of [a] height-

ened level of scrutiny to decisions by the board," the full court ratified the holding of the original panel that had applied such a standard and had reversed the Board's decision in this case. Pet. App. 27a.

SUMMARY OF ARGUMENT

The provisions of the Administrative Procedure Act now embodied in Title 5 of the United States Code provide a generally applicable framework for proceedings seeking judicial review of "agency action." By their terms, those provisions apply to the Federal Circuit's review of a decision by the Board of Patent Appeals and Interferences to reject a patent application. No patent statute specifies a standard of judicial review to be used in such a case; and this Court has made clear that, in the absence of any such specific statutory directive, the agency's decision is to be reviewed under the standards prescribed by the APA and now codified at 5 U.S.C. 706. Nothing in the APA authorizes the Federal Circuit to apply any level of scrutiny more stringent than the "substantial evidence" standard set out in 5 U.S.C. 706(2)(E).

The court of appeals sought to justify its adoption of a "more searching" standard of review in patent cases (Pet. App. 10a, 23a) on the ground that application of a "heightened" standard (*id.* at 27a) of the sort purportedly recognized by the common law before 1947 is an "additional requirement[] * * * otherwise recognized by law" within the meaning of what is now 5 U.S.C. 559. The language of Section 559—which originated as the final section of the original APA, dealing with matters of "construction and effect"—does not support that construction. First, one would not ordinarily think of a standard of judicial review as a "requirement" within the meaning of Section 559. Second, even if it were a

"requirement" for these purposes, the court of appeals' "clear error" standard would be an "inconsistent" requirement, not an "additional" one. Third, the statutory context counsels against the court of appeals' expansive construction of the "additional requirements" language. That language is more naturally read simply to preserve preexisting legal requirements with respect to matters not addressed by the APA itself, or to refer to informational, rulemaking, or hearing requirements that augment those specified in the APA's own core provisions. Neither of those constructions authorizes the adoption of a standard of judicial review different from that prescribed by the APA itself.

The limited legislative history dealing specifically with the provision that is now Section 559 sheds little light on the question presented in this case. Two aspects of the statute's history that do not relate directly to Section 559 are, however, particularly illuminating for present purposes. First, the history demonstrates that Congress specifically considered the nature of patent proceedings and the role of the PTO, but enacted the APA without excepting the PTO from the judicial review provisions of the Act. Second, it is clear that those drafting legislation for the reform of administrative procedure expressly considered prescribing the "clearly erroneous" standard for review of agency factual determinations, but then rejected that idea. These aspects of the legislative record converge to support the conclusion that the court of appeals erred in interpreting Section 559 to permit application of the "clear error" standard in proceedings involving the PTO.

The non-statutory rationales articulated by respondents and the court of appeals in support of the judgment below are irrelevant in light of the clear terms of

the governing statute, and provide no persuasive justification for departing from the usual rules of APA review. Prior decisions of the court of appeals and its predecessors, on which it the court placed considerable reliance as a matter of stare decisis, did not adopt a clear standard of review different from that prescribed by the APA, and could not, in any event, have any preclusive effect in this Court; and there is no precedent in this Court on the standard of review that should be used in direct appeals from PTO decisions denying patent applications. To the extent that use of the APA's substantial-evidence standard on direct review is inconsistent with the use of a clear-error standard in reviewing factual findings made by district courts in patent cases, the inconsistency flows from the different nature of the proceedings and the different statutory provisions that govern review by the courts of appeals in each type of case. And the complex and specialized nature of patent proceedings, far from supporting the court of appeals' decision here, in fact makes doubly plain why it is inappropriate for an appellate court to apply "heightened scrutiny" to the factual determinations made by a quintessentially expert administrative agency.

Finally, in rendering its decision, the court of appeals candidly acknowledged that it would apply such a heightened standard of review for the stated purpose of preserving its ability "to review [PTO] board decisions on [the court's] own reasoning," rather than on the Board's. Pet. App. 3a. That acknowledgment reflects the court's recognition that under the APA it would, to the contrary, be required to review the Board's decisions on the Board's reasoning, an approach that "differ[s] both in character and [in] the amount of deference [it] contemplate[s]." *Ibid.* A court exceeds the proper

bounds of statutory review, however, when it interferes, to any greater extent than is specifically authorized by the APA (or some other applicable statute), with an administrative agency's discharge of the responsibilities that have been delegated to the agency by Congress. Congress has created a comprehensive scheme for the examination of patent applications, and the grant or denial of patents, by a specialized administrative agency. The expert judgments of that agency on matters within its jurisdiction should be subject to judicial review only within the specific and limited bounds prescribed by Congress for the review of administrative action under the APA.

ARGUMENT

THE STANDARDS OF REVIEW PRESCRIBED BY THE ADMINISTRATIVE PROCEDURE ACT APPLY TO THE FEDERAL CIRCUIT'S REVIEW OF DECISIONS OF THE BOARD OF PATENT APPEALS AND INTERFERENCES

A. The APA Applies By Its Terms To Review Of PTO Actions, Including Decisions Rendered By The Board

The provisions of the Administrative Procedure Act now embodied in Title 5 of the United States Code provide a generally applicable framework for proceedings seeking judicial review of "agency action." See 5 U.S.C. 702. The term "'agency action' includes the whole or a part of an agency * * * order, * * * relief, or the equivalent or denial thereof," and "relief" includes any agency "recognition of a claim, right, * * * [or] privilege * * * [or the] taking of other action on the application or petition of, and beneficial to, a person." 5 U.S.C. 551(11)(B) and (C), 551(13), 701(b)(2). With exceptions not relevant here, the term "agency"

includes "each authority of the Government of the United States, whether or not it is within or subject to review by another agency." 5 U.S.C. 701(b)(1). By their terms, these provisions apply to the Federal Circuit's review of a decision by the Board of Patent Appeals and Interferences to reject a patent application. See 35 U.S.C. 1 (establishing PTO within the Department of Commerce); 35 U.S.C. 7 (constituting Board); 35 U.S.C. 131-134 (administrative examination of applications and issuance or denial of patents); 35 U.S.C. 141-144 (review of Board decisions in the Federal Circuit); see also *Singer Co.* v. *P.R. Mallory & Co.*, 671 F.2d 232, 236 n.7 (7th Cir. 1982) (PTO falls within APA definition of "agency"); 5 U.S.C. 704 ("[a]gency action made reviewable by statute" is subject to judicial review); Pet. App. 2a, 8a-9a, 21a-22a, 26a (acknowledgment by the en banc court that the APA generally applies to the PTO); Resp. Br. in Opp. 8 n.3 (conceding that the PTO and the Board are generally subject to the APA).

The APA provides that "[t]he form of proceeding for judicial review is the special statutory review proceeding relevant to the subject matter in a court specified by statute." 5 U.S.C. 703. As we have explained (see p. 8, *supra*), 35 U.S.C. 141 specifically permits a patent applicant who is "dissatisfied" with a decision of the PTO's Board to seek review of that decision in the Federal Circuit. The statute further requires petitioner to certify the administrative record to that court and to submit a brief defending the Board's decision. 35 U.S.C. 143. The court then reviews that decision "on the record before the Patent and Trademark Office," and its ultimate decision is "entered of record in the [PTO]" and thereafter "govern[s] the further [administrative] proceedings in the case." 35 U.S.C. 144. It

would have been difficult for Congress to make any clearer provision for the sort of "special statutory review proceeding" to which 5 U.S.C. 703 refers.

As the court of appeals noted in this case, "no patent statute speaks explicitly to the *standard* to be used when reviewing decisions of the board." Pet. App. 22a (emphasis added). The absence of a specified standard does not, however, authorize the Federal Circuit to adopt whatever standard of review it deems appropriate based on its own views of sound judicial, administrative, or patent policy. This Court has made clear that, "[i]n the absence of a specific command in [a relevant statute] to employ a particular standard of review" of administrative action, that action "must be reviewed solely under the * * * standard prescribed by the Administrative Procedure Act." *American Paper Inst.* v. *American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983); see also *Steadman* v. *SEC*, 450 U.S. 91, 95-97 & n.9 (1981); *Citizens to Preserve Overton Park* v. *Volpe*, 401 U.S. 402, 413-414 (1971); cf. *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978) (court may not impose, on policy grounds, rulemaking procedures beyond those required by the APA or another applicable statute); compare Pet. App. 25a-26a.

Under the APA, the Federal Circuit may "set aside" the Board's "action, findings, and conclusions" if they were "'arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law' or if [they] failed to meet statutory, procedural, or constitutional requirements." *Citizens to Preserve Overton Park*, 401 U.S. at 413-414 (quoting 5 U.S.C. 706(2)(A)-(D)). The PTO has, moreover, previously conceded that the Board's decisions are "reviewed on the record of an agency hearing provided by statute" within the meaning of 5 U.S.C.

706(2)(E), and are therefore subject to the somewhat more searching "substantial evidence" standard prescribed by that Section. See 35 U.S.C. 7(b), 134, 144 (court of appeals reviews Board's decision "on the record before the" PTO); see also *American Paper*, 461 U.S. at 412 n.7 (distinguishing substantial-evidence review from "the more lenient arbitrary-and-capricious standard"); *Farmers Union Cent. Exch., Inc.* v. *FERC*, 734 F.2d 1486, 1499 n.39 (D.C. Cir.) (discussing standard applicable when judicial review is limited to agency record but the agency is not required to hold a formal APA hearing), cert. denied, 469 U.S. 1034 (1984). Nothing in the APA, however, authorizes the Federal Circuit to subject the Board's decisions to the "heightened level of scrutiny" (Pet. App. 27a) that that court has elected to apply.

B. The "Additional Requirements" Language Of 5 U.S.C. 559 Does Not Authorize The Imposition Of A Non-APA Standard Of Judicial Review In Cases Challenging The Administrative Denial Of A Patent Application

The court of appeals sought to justify its adoption of a "more searching" standard of review in patent cases, "free[d]" from the otherwise applicable limits of the APA, on the ground that such a "heightened" standard is an "additional requirement[] * * * otherwise recognized by law" within the meaning of 5 U.S.C. 559. See Pet. App. 5a, 9a-10a, 22a-23a, 26a-27a. The court reasoned that, by providing that the APA would not "limit or repeal" such "additional requirements," Congress intended to "preserv[e] those standards of judicial review that had evolved as a matter of common law," to the extent they were more stringent than those provided in the new Act. *Id.* at 9a-10a. Because "the common law recognized several standards [of review in

patent cases] prior to 1947, including clear error and its close cousins," the court concluded that what is now Section 559 authorized it to continue to apply some such standard if it chose to do so. *Id.* at 22a-23a, 26a-27a.

Section 559 cannot bear the weight that the court of appeals sought to place upon it. It is based on Section 12 (the final section) of the original Act, entitled "Construction and Effect," the first sentence of which provided: "Nothing in this Act shall be held to diminish the constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law." Administrative Procedure Act, ch. 324, § 12, 60 Stat. 244 (1946) (*reprinted at* p. 2, *supra*). Nothing in the placement or general tenor of Section 12—other provisions of which deal with such matters as severance, effective dates, and the grant of general regulatory authority to comply with the Act—suggests that its preservation of existing "additional requirements" was intended to authorize important *exceptions* to the rules and standards explicitly prescribed by the Act itself.

Nor does the language from Section 12 that has been carried over into present-day Section 559 support the court of appeals' conclusion in this case. First, one would not ordinarily think of a standard of judicial review as a "requirement[]" within the meaning of Section 559. Unlike the information, rulemaking, and administrative adjudication provisions at the core of the APA, see 5 U.S.C. 552-557 (1994 & Supp. II 1996), a standard of judicial review does not obligate an agency (or a member of the public who seeks or opposes administrative action) to take any action or follow any particular procedure. While it is true that Section 706 prescribes particular standards to be used by courts in reviewing agency action—in some sense a statutory

"requirement," which the government seeks to enforce in this case—the APA was primarily concerned, as its name makes clear, with articulating uniform minimum "requirements" of *administrative* procedure. See APA §§ 3-9, 60 Stat. 238-243; 5 U.S.C. 552-558 (1994 & Supp. II 1996) (current embodiment of same APA provisions). The court of appeals' construction of the term "requirements" in Section 559 to include the standards of *judicial* review prescribed by Section 706 is at best strained.

Second, even if one assumes that the applicable standard of judicial review is a "requirement[]" for purposes of Section 559, the court of appeals' "clear error" standard would not be a requirement "additional" to the substantial-evidence standard prescribed by the APA. The word "additional" means "supplementary," and would typically refer to "added" obligations. In the context of judicial review, however, the court would equate the statutory term with "more rigorous." That analysis confuses an "additional" requirement with an *inconsistent* one. An "additional" requirement could, for example, presumably be "added" to a list of the "requirements" applicable to a given agency. If, however, such a list contained a "requirement" of "judicial review under a 'substantial evidence' standard," then one could not simply append to the list "and judicial review for 'clear error.'"[5] The substitution of one standard of review for the other does not come within the terms of Section 559.

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[5] Compare, for example, a list stating that all agencies must publish or make available copies of all "final" opinions and orders (see 5 U.S.C. 552(a)(2)(A)), to which could be "added" a requirement that a particular agency also make available interim, tentative, or interlocutory recommendations, decisions, or orders.

Third, the immediate statutory context of the "additional requirements" language counsels against the court of appeals' expansive construction. The admonishment, for example, contained in the same sentence in the original Section 12, 60 Stat. 244, that nothing in the APA "shall be held to diminish the constitutional rights of any person," suggests more a desire to provide some hortatory reassurance that the public rights provided by the Act were not intended to diminish other rights than any intention to limit application of the plain terms of other provisions of the Act. The references, in subsequent sentences in the same Section, to "requirements" in the context of evidentiary matters and regulatory authority plainly refer to requirements made applicable to the administrative process by the Act, not to requirements imposed on reviewing courts. And the provision (*ibid.*) that "subsequent legislation" should not be held to "supersede or modify" the provisions of the Act unless it does so "expressly" indicates an intention that the rules and standards explicitly set out in the Act should establish a common and permanent framework for administrative action—not one subject to casual or inferred variation.

The express-modification requirement that remains in the last sentence of Section 559 further suggests that, even if a standard of judicial review could in some circumstances be an "additional requirement[]," the court of appeals would have erred in holding that the "clearly erroneous" standard it adopted was "recognized by law" within the meaning of Section 559. At a mimimum, a non-statutory "requirement[]" should not be deemed "recognized" for purposes of preservation unless it was so well established that it could fairly be compared with a requirement "imposed by statute" before the enactment of the APA, or one "expressly"

modifying or superseding it thereafter. Even the court of appeals acknowledged, however, that "[i]t would be disingenuous to suggest that the courts employed a uniform standard of review prior to 1947," and concluded only that "the common law recognized several standards prior to 1947, including clear error and its close cousins." Pet. App. 11a, 22a-23a; see also *id.* at 15a ("Asked to report one common law standard of review used by the courts vested with appellate jurisdiction over factual findings from the Patent Office, the cases author no clear answer. Their language is too ambiguous[.]"); D. Dunner et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* § 6.04, at 6-49 to 6-52 (1995) (discussing various standards employed by the former Court of Customs and Patent Appeals). Under those circumstances, even the court's construction of the term "additional requirements" should not have allowed it to conclude that the "clear error" standard was so clearly "recognized by law" as to override the contrary terms of the APA.

In sum, the court of appeals' construction of Section 559 overreads a minor and general provision of the Act in a way that contradicts a central and specific provision. The statutory language provides no warrant for that result. The "additional requirements" language of Section 559 would be more naturally read to preserve preexisting legal "requirements" with respect to matters not addressed by the APA itself—that is, to preclude any claim that the APA, once enacted, had so occupied the field of administrative law as to impliedly repeal any related requirement not included within its own terms.[6] Alternatively (or in addition), it might be

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[6] See H.R. Rep. No. 1980, 79th Cong., 2d Sess. 47 (1946) (Original Section 12 "merely provides formal matters of construction and

read to refer to informational, rulemaking, or hearing requirements greater than or supplementary to those specified in the APA's own core provisions, which were intended to specify a new "outline of minimum essential rights and procedures" governing agencies' own administrative operations.[7] That appears to be the construction implicitly adopted by this Court in *United States* v. *Florida East Coast Railway*, 410 U.S. 224, 238 (1973), which held that, although the Interstate Commerce Act did not require formal rulemaking proceedings of the sort that would be governed by the APA's hearing provisions (5 U.S.C. 556-557), the enactment of the APA did not displace the preexisting statutory requirement that the Interstate Commerce Commission act only "after [a] hearing" of a more limited sort.[8] Under neither of those plausible constructions, however, would a standard of judicial review *different* from that specified in the APA itself be considered an "additional requirement[]."[9]

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effect. * * * Any *inconsistent* agency action or statute is in effect repealed." (emphasis added)); *SEC* v. *Morgan, Lewis & Bockius*, 113 F. Supp. 85, 90-91 (E.D. Pa.) (rejecting argument that APA "covers the entire field of practice before federal administrative agencies" and thereby impliedly repealed a preexisting statutory provision requiring the filing of information statements by attorneys in certain cases), aff'd, 209 F.2d 44, 48 (3d Cir. 1953).

[7] H.R. Rep. No. 1980, *supra*, at 16; see also *ibid.* ("Agencies may fill in details [of the 'outline'], so long as they publish them.").

[8] *Florida East Coast Railway* is the only decision of which we are aware in which this Court has relied on the "additional requirements" language of Section 559.

[9] A non-APA standard of review specified by a particular statute would presumably govern in proceedings under that statute, whether it was more stringent or more lax than those set out in 5 U.S.C. 706. See, *e.g.*, *American Paper Inst.*, 461 U.S. at 412 n.7 (APA standard to be applied "[i]n the absence of a specific

C. The History And Purposes Of The APA Support A Straightforward Reading Of Section 559

There is little legislative history that deals specifically with Section 12 of the original APA, and what there is sheds little light on the question presented in this case. What history exists, however, supports a limited construction of the "additional requirements" language in Section 559.

The House Judiciary Committee's report on the final bill explains, for example, that Section 12

> merely provides formal matters of construction and effect. Except as it expands or defers the prior sections of the bill, it supplies mainly the time of taking effect of the several provisions of the bill. Otherwise the earlier provisions are operative according to their terms. Any inconsistent agency action or statute is in effect repealed. No agency action taken or refused would be lawful except as done in full compliance with all applicable provisions of the bill and subject to the judicial review provided. No agreed waiver of its provisions would suffice unless entirely voluntary and without any manner or form of coercion.

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command in [the relevant statute] to employ a particular standard of review"). That result does not depend, however, on Section 559's "additional requirements" language. Such a provision would embody, not an "additional requirement[]" of review, but an inconsistent direction concerning the manner in which review should be conducted. The inconsistency would be resolved in accordance with ordinary principles of statutory construction, including the principle that a more specific enactment normally controls rather than a more general one—according due weight to Section 559's separate instruction that a later enactment should not be held to "supersede or modify" the APA "except to the extent that it does so expressly." 5 U.S.C. 559.

H.R. Rep. No. 1980, *supra*, at 47; see also *id.* at 28 (diagram). The Attorney General similarly advised Congress, during its consideration of the legislation, that "[t]he first sentence of section 12 [was] intended simply to indicate that the act will be interpreted as supplementing constitutional and legal requirements imposed by existing law." U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act*, App. B, at 139 (1947) (reprinting letter and attachment submitted to Congress). These and similar scattered statements tend primarily to confirm that Section 12 was viewed as a technical provision, confirming the survival of preexisting rights *not inconsistent* with the new Act, but not designed as a substantive limitation that would keep the substantive provisions of the Act —including those relating to judicial review—from being "operative according to their terms." H.R. Rep. No. 1980, *supra*, at 47.[10]

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[10] See also *Attorney General's Manual*, *supra*, at 7 ("No chapter as such is being devoted to either section 2 (definitions) or to section 12 (construction and effect) for the reason that by themselves they have little meaning except in connection with the functional aspects of the Act."); *Administrative Procedure Act: Legislative History*, S. Doc. No. 248, 79th Cong., 2d Sess. 335 (1946) (reprinting article inserted in congressional record during floor debate, summarizing proposed legislation: "[T]he concluding section of the proposed act, includes the usual provisions respecting the construction and effect of the act and certain other technical matters."); *id.* at 324 (floor statement of Senator McCarran, summarizing the bill: "Section 12 relates to the construction and effect of the bill. It provides that nothing in the bill is to diminish constitutional rights or limit or repeal additional requirements of law."); *id.* at 371 (floor statement of Congressman Walter, summarizing the bill: "The final section of the bill provides that nothing in it is to diminish constitutional or other legal rights, that requirements of evidence and procedure are to apply equally to agencies

The court of appeals relied to some extent (see Pet. App. 6a-7a, 10a) on the proposition that the judicial-review provisions of the APA were intended more to "restate" the law of judical review than to enact radical modifications. That is true as a general matter. See *Attorney General's Manual*, *supra*, App. B, at 136 ("This section, in general, declares the existing law concerning judicial review."); see also *id.* at 9, 107-109, App. B, at 138. That qualification concerning what Congress was attempting to achieve with respect to judicial review is not in any way inconsistent, however, with its overarching goals of enhancing the uniformity and certainty of administrative law. See, *e.g*, *Cousins* v. *Secretary, U.S. Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (en banc) (Breyer, J.) (an important general purpose of the APA was to "supplant a variety of pre-existing methods for obtaining [judicial] review that differed from one agency to another").[11]

By its nature, a "restatement" tends to codify *general* practice, while eliding deviations from the norm. When, as here, the restatement is statutory, its effect is to

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and private persons," etc.); *id.* at 43 (Senate Judiciary Committee print, 1945); *id.* at 215-216 (Senate Judiciary Committee report).

[11] See also *Cousins*, 880 F.2d at 606, quoting S. Rep. No. 442, 76th Cong., 1st. Sess. 9-10 (1939) (relating to an earlier version of the legislation that became the APA) ('unfortunately,' existing statutes d[id] not provide for 'a uniform method and scope of judicial review'"); cf. H.R. Rep. No. 1980, *supra*, at 16 ("The bill is meant to be operative 'across the board' in accordance with its terms, or not at all. Where one agency has been able to demonstrate that it should be exempted, all like agencies have been exempted in general terms. (See [the definitional provision now at 5 U.S.C. 551(1)]). Where one agency has shown that some particular operation should be exempted from any particular requirement, the same function in all agencies has been exempted. No agency has been favored by special treatment.").

eliminate anomalies, not to preserve them. Thus, notwithstanding the novel analysis advanced by the court of appeals in this case (see Pet. App. 4a-10a), nothing in the history or general purposes of the APA suggests that Congress intended the first sentence of what is now Section 559 to preserve whatever standards of review courts, including the Federal Circuit's predecessors, may have been applying in reviewing administrative decisions before the adoption of the Act. Cf. pp. 24-25, *supra* (noting lack of any unified standard applied by courts in patent cases before enactment of the APA). Any such construction would attribute to Congress a willingness to have its concluding provision on "construction" effectively undo the generalizing, rationalizing, and unifying work it had accomplished, with respect to judicial review, through the substantive provisions of what is now Section 706.

Two aspects of the legislative history that do not relate directly to the original Section 12 are, nonetheless, especially illuminating for present purposes. First, the legislative history demonstrates that Congress specifically considered the nature of patent proceedings and the role of the PTO, but enacted the APA without excepting the PTO from the judicial-review provisions of Section 10, 60 Stat. 243 (now 5 U.S.C. 701-706). See Pet. App. 7a-8a; H.R. Doc. No. 986, 76th Cong., 3d Sess. 16 (1940) (patent and trademark matters excepted from coverage under Walter-Logan bill, discussed below). That fact significantly undercuts the court of appeals' argument that Congress somehow intended to preserve whatever particular common-law standards may have applied to pre-APA judicial review of Patent Office proceedings.

Second, it is clear from the extensive legislative proceedings leading up to enactment of the APA that

those drafting the legislation expressly considered prescribing the "clearly erroneous" standard for review of agencies' factual determinations, but then rejected that idea. The Walter-Logan bill, an important precursor of the APA that was passed by Congress but vetoed by the President (pending the report of an Executive Branch committee), "originally * * * provided that an order might be set aside if the findings of fact were clearly erroneous." 86 Cong. Rec. 13,676 (1940) (statement of Sen. King). As a primary proponent of the legislation explained, however:

> This language was criticized on the ground that it would permit courts to review the evidence and substitute their own independent views of the facts for the findings reached by the bureau. To meet this criticism the Committee on the Judiciary of the Senate has stricken the quoted words from the bill, for those sponsoring this legislation recognize that the administrative agencies are the primary fact-finding bodies.

Ibid.; see generally S. Rep. No. 752, 79th Cong., 1st Sess. 3-4, 6-7 (1945) (discussing history of Walter-Logan bill as precursor to APA). Like the decision not to except the PTO from the scope of the APA generally, the decision to reject "clear error" as the general statutory standard of review supports the conclusion that the court of appeals erred in interpreting Section 559 to permit application of that standard solely in proceedings involving the PTO.

D. The Policy Arguments Advanced By Respondents And The Court Of Appeals Do Not Justify Any Departure From The Standard Of Review Prescribed By The APA

Respondents and the court of appeals have articulated a number of non-statutory rationales for the decision below in this case. Even if those arguments were relevant in the face of the clear terms of the governing statute, they would provide no persuasive justification for departing from the usual rules of APA review.

1. The court of appeals relied heavily on principles of stare decisis. Pet. App. 23a-26a. As the court elsewhere acknowledged, however, the prior decisions on which it relied did not adopt any clear standard of review different from that prescribed by the APA. See Pet. App. 15a-17a, 22a-23a; see also pp. 24-25, *supra*. Moreover, even a court's significant interest in adhering to its own prior decisions (and those of its predecessor courts) would seldom justify refusal to apply a statute in accordance with its terms; and, in any event, none of the prior decisions on which the court of appeals relied can have any preclusive effect in this Court.[12]

There is no precedent in this Court on the standard of review that should be used in direct appeals from PTO decisions denying patent applications. Respondents have previously argued (Br. in Opp. 7-8) that the Federal Circuit's "clear error" standard descends from

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[12] Cf. *Metropolitan Stevedore Co.* v. *Rambo*, 515 U.S. 291, 299-300 (1995) ("Rambo criticizes petitioner's reading of [a statute] because it sweeps away an accumulation of more than 50 years of dicta. Far from counseling hesitation, however, we think this step long overdue. '[A]ge is no antidote to clear inconsistency with a statute.'" (quoting *Brown* v. *Gardner*, 513 U.S. 115, 122 (1994)).

Morgan v. *Daniels*, 153 U.S. 120 (1894). As we explained in our reply at the petition stage (at 3-4), however, *Morgan* does not support the use of a nondeferential standard on judicial review, otherwise governed by the APA, of a PTO determination concerning patentability. To the contrary, the *Morgan* Court stressed that the matter before it was "more than a mere appeal," involving instead "an application to the court to set aside the action of * * * the executive department[] * * * charged with the administration of the patent system," based on a dispute over "a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises." 153 U.S. at 124. Under those circumstances, the Court noted, it "might well be argued" that the PTO's decision should be *final* as to matters of fact, "were it not for the terms of [the governing] statute." *Ibid.*

At the time, the applicable statute provided that a dissatisfied applicant might "have remedy by [filing a] bill in equity," on which the district court might "adjudge that such applicant is entitled, according to law, to receive a patent * * *, as the facts in the case [might] appear." *Morgan*, 153 U.S. at 121 (reporter's statement of the case); see also Pet. App. 13a. By the time the APA was enacted a half-century later, the law applicable to review of PTO decisions had changed: In 1927, Congress allowed applicants to choose whether to file a "bill in equity" or, instead, to seek review in the court of appeals. See Pet. App. 14a-15a. That choice remains under present law, and it is the second option—now review in the Federal Circuit—rather than the first—an action in district court—that is at issue here. See note 2, *supra*; compare 35 U.S.C. 141 (appellate review) with 35 U.S.C. 145 (district court action, tracking language considered in *Morgan*). Thus,

even if one could fairly separate *Morgan*'s statements that an administrative factfinding could be overturned only on the basis of evidence that "carries thorough conviction" or produces a "clear conviction," 153 U.S. at 125, 129, from their context and equate them with the term "clearly erroneous" as presently understood, there would be no reason to think that this Court intended that standard to apply in a case of this sort, in which appellate review on the administrative record is now governed by the terms of the APA.

2. The court of appeals argued, in passing (Pet. App. 26a), that application of the "clear error" standard in reviewing the Board's denial of patent claims would "promote consistency between our review of the patentability decisions of the board and [of] the district courts in infringement litigation." Respondents have similarly contended (Br. in Opp. 21-22) that observance of the APA in reviewing Board decisions would lead to an "anomaly," because factual determinations made by the Board would be subject to direct review by the court of appeals under the "substantial evidence" standard, whereas if a disappointed patent applicant instead sought review in the district court under the special mechanism provided by 35 U.S.C. 145, that court's factual findings would later be reviewed (respondents contend) for "clear error."

Both these arguments fail to take account, at a minimum, of the salient difference between judicial review of an administrative decision by a court of appeals on the basis of the agency record, as under 35 U.S.C. 141, and appellate review of a district court judgment entered after evidentiary proceedings in that court (possibly including a jury trial on infringement), as under 35 U.S.C. 145 or 281 and 28 U.S.C. 1338(a) and 1295(a)(1). As this Court has recognized, applicable

statutory and constitutional provisions simply provide different standards for the review of factual determinations in those different settings. Compare 5 U.S.C. 706(2)(E) (APA review on the administrative record) with Fed. R. Civ. P. 52(a) (district court findings) and U.S. Const. Amend. VII (jury findings); see *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948) (reversal of district court's factual findings under a "clearly erroneous" standard is permissible "[s]ince judicial review of findings of trial courts does not have the statutory or constitutional limitations on judicial review of findings by administrative agencies or by a jury") (footnotes omitted).[13] Dissatisfaction with any

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[13] We note that a disappointed patent applicant's civil action against petitioner under 35 U.S.C. 145 is perhaps better viewed as an alternative mode of judicial review of an administrative decision, rather than as an entirely independent action. On that analysis, the action is a "special statutory review proceeding" within the meaning of 5 U.S.C. 703, and that proceeding is subject to the judicial review provisions of the APA. Under 5 U.S.C. 706(2)(E) and (F), the applicable standard of review of agency factual determinations depends on whether review is "on the record of an agency hearing provided by statute," as it is in the Federal Circuit itself under 35 U.S.C. 144, or whether some or all of the facts are instead "subject to trial de novo by the reviewing [district] court." See 35 U.S.C. 145 (in alternative civil action challenging denial of patent, "[t]he court may adjudge that such applicant is entitled to receive a patent for his invention * * * as the facts in the case may appear"). That issue is beyond the scope of the question presented in this case, but neither answer would change the analysis here. If the district court in a Section 145 case applies the "substantial evidence" standard, then the Federal Circuit will review the application of that standard, and no possible "anomaly" arises from the application of the same standard on direct review of a PTO decision. If the district court tries some or all of the facts de novo, then its findings will presumably be reviewed for clear

resulting "inconsistency" or "anomaly" is a matter to be brought to the attention of Congress, not a ground for failing to adhere to one of two congressional commands—particularly where that failure creates the far greater, and unjustified, anomaly of subjecting the determinations of one federal agency to a different standard of judicial review than that applied to those of every other agency whose decisions are similarly subject to APA review.[14]

3. Respondents argue that the Federal Circuit is correct to engage in a "meticulous review" of the Board's patent-denial decisions, involving a "[c]lose examination of PTO fact-finding" that is "more demanding" than that called for (or permitted) by the APA, in part because patentability determinations are complex, fact-intensive, and highly specialized. Br. in Opp. 7-8, 19-20. While that characterization of the nature of patent proceedings is correct, it does not support the court of appeals' decision. To the contrary, it is difficult to imagine any area in which the exercise of administrative expertise would be more critical than the determination of close factual questions relating directly to patentability, such as the question at issue in this case —what the "prior art" relating to a particular claimed subject matter would have revealed or suggested to "a person having ordinary skill in the art to which said

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error—but that result would be unremarkable for the reasons given in the text.

[14] "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." *An Interview with Circuit Judge S. Jay Plager*, 5 J. Proprietary Rts. 2, 5 (1993), quoted in Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.1 (1995).

subject matter pertains." 35 U.S.C. 103(a) (Supp. II 1996).

Respondents' argument that the PTO "does not have a better view of the facts than the Federal Circuit" (Br. in Opp. 20) ignores both the nature of the factual questions often (and here) at issue and the relative technical expertise of PTO examiners and federal judges. As we have explained (see pp. 6 and 8, *supra*), the PTO personnel assigned to review particular patent applications are selected in important part on the basis of their expertise in relevant technical areas. The PTO informs us, for example, that of the three members of the Board who rendered the final administrative decisions in this case, one holds a degree in electrical engineering, one holds a degree in electronics and has had extensive career experience in computer technology, and one holds an advanced degree in computer science and two in electrical engineering.

By way of contrast, the Federal Circuit, although generally considered a relatively specialized court, has exclusive or primary appellate jurisdiction over a variety of matters, including not only patent cases but also government contract cases, takings claims, federal employment controversies, and international trade cases (see 28 U.S.C. 1295), as well as internal revenue cases. Its judges are thus familiar with patent litigation, but are not necessarily experts in patent law; and they will seldom if ever possess the sort of expertise that the PTO's examiners-in-chief are statutorily required to possess in the various technical fields (such as chemistry, biology, physics, mechanical or electrical engineering) in which an inventor may claim to have made a non-"obvious" advance over the prior art. See 35 U.S.C. 7(a) (examiners-in-chief to be "persons of

competent legal knowledge and scientific ability").[15] Thus, far from supporting the position adopted by the court of appeals, the complex and technical nature of patent proceedings makes doubly plain why it is inappropriate for an appellate court to engage in more-rigorous-than-usual review of the factual determinations made by a quintessentially expert administrative agency. *Baltimore Gas & Elec. Co.* v. *Natural Resources Defense Council, Inc.*, 462 U.S. 87, 103 (1983) (when reviewing an agency's determination "within its area of special expertise, at the frontiers of science[,] * * * a reviewing court must generally be at its most deferential.").[16]

E. The Federal Circuit's Adherence To An Extra-Statutory Standard Of Review Exceeds The Proper Bounds Of Judicial Review

The court of appeals' final "policy" rationale for its decision in this case merits separate treatment because it embodies the court's central error. In rendering its decision, the court candidly acknowledged that it would subject the PTO's factual determinations to "heightened * * * scrutiny," beyond that authorized by the APA, for the stated purpose of preserving the court's

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[15] Compare *Atari, Inc.* v. *JS & A Group, Inc.*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) ("In specifying that the President nominate [Federal Circuit] judges 'from a broad range of qualified individuals' (Federal Courts Improvement Act of 1982, P.L. No. 97-164, § 168(2), 96 Stat. 25, 51 (1982)), Congress sought in the statute itself to 'clearly send a message to the President that he should avoid undue specialization' in this court."), overruled in part on other grounds, *Nobelpharma AB* v. *Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), cert. denied, 119 S. Ct. 178 (1998).

[16] See also, *e.g.*, *National Muffler Dealers Ass'n* v. *United States*, 440 U.S.472, 477 (1979); *Aluminum Co. of America* v. *Central Lincoln Peoples' Util. Dist.*, 467 U.S. 380, 390 (1984).

ability "to review [PTO] board decisions on [the court's] own reasoning," rather than on the Board's. Pet. App. 3a, 25a-27a; see Resp. Br. in Opp. 8, 21. That acknowledgment reflects the court's recognition that under the APA it would, to the contrary, be required to "review board decisions on their own reasoning," an approach that "differ[s] both in character and [in] the amount of deference [it] contemplate[s]." Pet. App. 3a; see also Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.3 (1995) (quoting a speech delivered by Judge Michel of the Federal Circuit: "One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize."). But the court's desire to enhance its own role conflicts impermissibly with choices Congress made when it adopted the APA.

A court exceeds the proper bounds of statutory review when it interferes, to any greater extent than is specifically authorized by the APA (or by some other applicable statute), with an administrative agency's discharge of the responsibilities that have been delegated to it by Congress. As noted above, this Court has made clear that a reviewing court is not authorized to direct an agency to adopt supplemental procedures beyond those required by the APA. *Vermont Yankee*, 435 U.S. at 543-549; see *id.* at 544 (citing *FCC* v. *Schreiber*, 381 U.S. 279 (1965), "where the District Court * * * devised procedures to be followed by the agency on the basis of its conception of how the public and private interest[s] involved could best be served"). Nor, where the APA prescribes an applicable standard of proof, is a court free to decide that some other standard should apply in an administrative proceeding, despite the traditional judicial role in resolving such questions in the absence of a statutory directive. *Steadman*, 450

U.S. at 95-97 & n.9. Similarly, it is "a simple but fundamental rule of administrative law" that, although a reviewing court may police the statutory boundaries within which Congress has authorized an agency to act, it may not substitute its discretion for that of the agency with respect to matters that fall within the legislative delegation. *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947).

In the case of the PTO, Congress has created a comprehensive statutory scheme for the submission of patent applications to a specialized agency, the examination of those applications by qualified personnel, and the administrative grant or denial of patents. See 35 U.S.C. 111-122 (applications), 131-135 (examination); see also pp. 6-8, *supra*. The statute itself makes clear that Congress intended to place the administration of the patent system, which by definition involves the evaluation of claimed advances at the border of scientific and technical knowledge, largely in the hands of a specialized agency that possesses both "competent legal knowledge and scientific ability." See 35 U.S.C. 7(a) (prescribing requirements for the appointment of examiners-in-chief), 282 (1994 & Supp. II 1996) (presumption of validity attaches to patent once it has been issued). The Federal Circuit's use of a standard of judicial review different from, and more intrusive than, that authorized by the APA directly modifies that congressional decision.

Proper administration of the patent system plays an important role in the continuing technological, and hence economic, development of the Nation. When properly issued in accordance with the stringent statutory requirements established by Congress, see 35 U.S.C. 100 *et seq.*, including the requirement of nonobviousness at issue in this case, patents "promote the

Progress of Science and useful Arts" (U.S. Const. Art. I, § 8, Cl. 8). Just as surely, however, when improperly issued they retard that progress, stifle technological and economic competition, and may be invalidated, if at all, only through protracted and expensive litigation. See generally 35 U.S.C. 271 *et seq.* (infringement and remedies). The decision *not* to issue a patent—the only patenting decision that will ordinarily be reviewable at the instance of a "dissatisfied" applicant, see 35 U.S.C. 141, 145—will frequently depend, as it did in this case, on the determination of close and highly technical factual questions. It is therefore critical that the expert judgment of the PTO's Board of Patent Appeals and Interferences, charged by Congress with the final administrative responsibility for determining whether a patent should issue (see 35 U.S.C. 7(b), 134), should be subject to judicial review and "correction" only within the limited bounds prescribed by Congress for the review of any such administrative action.

CONCLUSION

The decision of the court of appeals should be reversed.

Respectfully submitted.

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