No.

In the Supreme Court of the United States

OCTOBER TERM, 1997

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

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, AND STEVEN P. LIPNER

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

PETITION FOR A WRIT OF CERTIORARI

NANCY J. LINCK
Solicitor

ALBIN F. DROST
Deputy Solicitor

KAREN A. BUCHANAN
KENNETH R. CORSELLO
Assistant Solicitors

United States Patent and
Trademark Office
Arlington, Virginia 22215

SETH P. WAXMAN
Solicitor General
Counsel of Record

FRANK W. HUNGER
Assistant Attorney General

LAWRENCE G. WALLACE
Deputy Solicitor General

EDWARD C. DUMONT
Assistant to the Solicitor
General

WILLIAM KANTER
ALFRED MOLLIN
Attorneys

Department of Justice
Washington, D.C. 20530-0001
(202) 514–2217

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 the 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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The Solicitor General, on behalf of the Commissioner of Patents and Trademarks, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals sitting en banc (App., *infra*, 1a-27a) is reported at 142 F.3d 1447. The earlier opinion of a panel of that court (App., *infra*, 28a-34a) is reported at 111 F.3d 887. The opinions of the Board of Patent Appeals and Interferences (App., *infra*, 35a-47a) 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 jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

1. Section 559 of Title 5 of the United States Code (drawn from Section 12 of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 244) 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.

2. Section 701 of Title 5 of the United States Code (drawn from Sections 2 and 10 of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 237) 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[.]

3. Section 706 of Title 5 of the United States Code (drawn from Section 10(e) of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 243) provides as follows:

> **§ 706. Scope of review**
>
> To the extent necessary for decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court 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. Respondents applied for a patent, claiming that they had invented a method of improving security in computer systems that include both "trusted" and "untrusted" computing environments. See App., *infra*, 28a-29a & n.1. The application acknowledged that the 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." *Id.* at 30a. It also acknowledged that another existing program, FILER2, had taught the mechanism of "repeat[ing] back potentially dangerous user commands and request[ing] confirmation from the user prior to execution." *Ibid.* Respondents claimed a patentable invention in the idea of processing 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 *id.* at 29a.

After a preliminary narrowing of the claims at issue (see App., *infra*, 40a & n.2), an examiner employed by petitioner, the Commissioner of Patents and Trademarks (Commissioner), rejected respondents' patent application. See 35 U.S.C. 131-132. The examiner first determined that respondents' remaining claims were not stated with the specificity necessary to satisfy 35 U.S.C. 112. See App., *infra*, 41a. In any event, the examiner concluded (*ibid.*) that respondents were not entitled to a patent because, in the language of 35 U.S.C. 103, "the differences between the subject matter sought to be patented and the prior art [were] 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."

Respondents appealed the examiner's decision to the Board of Patent Appeals and Interferences (the Board). See 35 U.S.C. 134.[1] The Board rejected the examiner's conclusion that respondents' claims were not properly specified (App., *infra*, 42a-43a), but it sustained the examiner's refusal to issue a patent on the ground that the claimed invention was "obvious" within the mean-

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[1] The Board consists of petitioner, the Deputy Commissioner and Assistant Commissioners of Patents and Trademarks, and a number of patent "examiners-in-chief," who are "persons of competent legal knowledge and scientific ability * * * appointed to the competitive service." 35 U.S.C. 7(a). The Board ordinarily acts through panels of three members, as it did in this case. See 35 U.S.C. 7(b); App., *infra*, 35a. When deciding cases, the members of the Board are generally known as "Administrative Patent Judges." See 1156 Off. Gaz. Pat. Office 32 (1993); App., *infra*, 35a.

ing of 35 U.S.C. 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]." App., *infra*, 44a.

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. App., *infra*, 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. *Ibid.*[2]

2. 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. App., *infra*, 28a-34a. The court noted 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

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[2] At respondents' request, the Board reconsidered this portion of its decision. After doing so, however, it adhered to its original reasoning and conclusions. App., *infra*, 35a-38a.

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 court noted petitioner's argument that it "should review findings by the Board using a more deferential standard as required by the Administrative Procedure Act [(APA)], 5 U.S.C. § 706(2) (1994)." App., *infra*, 32a n.7. Although the panel opinion 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 a suggestion of en-banc rehearing could "appropriately" be made where, as in this case, the court had already determined that the Board's decision would be reversed under a non-APA standard of review. *Ibid.*

3. 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 this 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." App., *infra*, 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." App., *infra*, 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 (App., *infra*, 4a-7a), the court noted that the Patent and Trademark Office (PTO) had been the subject of specific attention during the APA's drafting and enactment (*id.* at 7a-8a). 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 8a-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], rather than compelling that all such standards of review be displaced by the [APA]." *Id.* at 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. App., *infra*, 9a-22a. 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. 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 22a-23a.

The court found additional support for its holding in the principle of stare decisis. App., *infra*, 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 is "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." *Id.* at 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] heightened 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. App., *infra*, 26a-27a.

REASONS FOR GRANTING THE PETITION

1. 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), (11)(C), and (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); App., *infra*, 2a, 8a-9a, 21a-22a, 26a (acknowledging in en banc opinion that APA generally applies to the PTO).

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. Under the patent laws, if a "dissatisfied" patent applicant seeks review of a Board decision in the Federal Circuit, the Commissioner must certify the administrative record to that court. 35 U.S.C. 141, 143. If, as is usually the case, there is no adverse private party, the Commissioner 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." 35 U.S.C. 143. The court then "review[s] the decision from which an appeal is taken on the record before the Patent and Trademark Office." 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.*[3]

As the court of appeals noted in this case (App., *infra*, 22a), "no patent statute speaks explicitly to the standard to be used when reviewing decisions of the board." The absence of such a specific standard does not, however, authorize a reviewing court to adopt whatever standard it deems appropriate under the circumstances. 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, 412-413 n.7 (1983); see also *Steadman* v. *SEC*, 450 U.S. 91, 95-97 & n.9 (1981); *Citizens to Preserve Overton Park, Inc.* 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 App., *infra*, 25a-26a.

Under the APA, the Federal Circuit may "set aside" the Board's "action, findings, and conclusions" if they

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[3] An applicant who is "dissatisfied" with the Board's decision but 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 "waive[d] [their] right to proceed under section 145" (35 U.S.C. 141), which is therefore not directly at issue in this case.

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 414 (quoting 5 U.S.C. 706(2)(A)-(D)). Because the Board's decisions are "reviewed on the record of an agency hearing provided by statute," they are also subject to the somewhat more searching "substantial evidence" standard of 5 U.S.C. 706(2)(E). See 35 U.S.C. 7(b), 134, 144; see also *American Paper Inst.*, 461 U.S. at 412 n.7 (distinguishing substantial-evidence review from "the more lenient arbitrary-and-capricious standard"). Nothing in the APA, however, authorizes the Federal Circuit to subject the Board's decisions to the "heightened level of scrutiny" (App., *infra*, 27a) that the court elected to apply in this case.

2. The court of appeals sought to justify its frank 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 App., *infra*, 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. App., *infra*, 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, 26a.

Section 559 cannot bear the weight that the court of appeals would place upon it. It is based on Section 12—the final section—of the original Act, then entitled "Construction and Effect." Administrative Procedure Act, Pub. L. No. 404, ch. 324, § 12, 60 Stat. 244. The language of that concluding provision[4] is perhaps most naturally read to refer only to matters not addressed by the APA itself ("*additional* requirements"). See H.R. Rep. No. 1980, 79th Cong., 2d Sess. 47 (1946) (Section 12 "merely provides formal matters of construction and effect. * * * Any *inconsistent* agency action or statute is in effect repealed." (emphasis added)). Alternatively, it might refer to "requirements"—such as pre-existing informational, rule-making, or hearing requirements—greater than 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. 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."); APA §§ 3-9, 60 Stat. 238-243; 5 U.S.C. 552-558 (current embodiment of same APA provisions). In either case, a standard of judicial review *different* from that specified in the APA itself is not an "additional requirement[]" within the meaning of what is now Section 559.[5]

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[4] The first sentence of Section 12 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." 60 Stat. 244.

[5] 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 command in [the relevant statute] to employ a particular standard

Nor, despite the court of appeals' novel analysis (see App., *infra*, 6a-9a), is there anything in the history or general purposes of the APA to suggest that what is now Section 559 was intended to preserve whatever standards of review courts, including the Federal Circuit's predecessors, were applying in reviewing administrative decisions before the adoption of the Act. To the contrary, 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." *Cousins* v. *Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (en banc) (Breyer, J.).[6] Thus, although Congress certainly looked to existing law when it framed the new,

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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.

[6] 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, 79th Cong., 2d Sess. 16 (1946) ("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.").

generally applicable review provisions of the APA (see, *e.g.*, App., *infra*, 6a-7a, 10a), there is no reason to think that it intended to preserve, rather than to eliminate, deviations from the norm it was prescribing. Moreover, so far as the PTO is concerned, what the legislative history demonstrates is 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 of the Act (now 5 U.S.C. 701-706). See App., *infra*, 7a-8a. The court of appeals erred in interpreting Section 559 to create an exception that Congress itself did not see fit to make.[7]

Finally, the Federal Circuit's strained interpretation of Section 559 contravenes the principle that a court exceeds the proper bounds of statutory review when it interferes, to any greater extent than 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

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[7] In addition, as the court of appeals itself recognized, "[i]t would be disingenuous to suggest that the courts employed a uniform standard of review [of Patent Office factual determinations] prior to 1947." App., *infra*, 11a; see also 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). Thus, even if Section 559 could properly be construed to preserve different and more stringent standards of judicial review that were clearly established at the time the APA was passed, such an exception would not apply to the Federal Circuit's review of decisions by the PTO.

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 involved could best be served"). Nor, where the APA prescribes the applicable standard, is a court free to decide that some other standard of proof 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). 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 persons who possess both "competent legal knowledge and scientific ability." 35 U.S.C. 7 (prescribing requirements for the appointment of examiners-in-chief), 282 (presumption of validity attaches to patent once it has been issued). It is, moreover, difficult to imagine any area in which the exercise of such administrative

expertise would be more critical than the determination of close factual questions relating directly to patentability, such as 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 subject matter pertains." 35 U.S.C. 103.[8]

The resolution of this case turns on just such a question. See App., *infra*, 1a-2a. Yet it is in this case, with respect to that question, that the Federal Circuit has reaffirmed its determination to subject the PTO's highly informed fact-finding to "heightened * * * scrutiny," beyond that authorized by the APA, for the stated purpose of preserving the court's ability "to review board [patenting] decisions on [the court's] own reasoning," rather than the Board's. *Id.* at 3a, 25a-27a. By thus aggrandizing the court of appeals' own role, the decision exceeds the proper bounds of judicial review. The decision's definitive adoption of an extra-statutory standard of review warrants review by this Court, which necessarily has greater detachment from the particular controversy about the respective roles of the agency and its reviewing court, as well as less reason for inhibition to depart from Federal Circuit precedent.

3. 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

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[8] The PTO informs us that, of the three members of the Board who rendered the 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.

U.S.C. 100 *et seq.*, including the requirement of non-obviousness at issue in this case (*id.* § 103), 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 sort 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 administrative action.

There should be no doubt about the importance of the Federal Circuit's decision in this case. As the court of appeals acknowledged, the outcome of the case before that court—which has exclusive jurisdiction in cases of this type, see 28 U.S.C. 1295(a)(4)—"turn[ed] on" the court's selection of a standard of review. App., *infra*, 2a. The types of factual and legal questions involved in this case are not unusual, and one may expect that the standard of review will likewise be important or determinative in many other cases in which the Board has resolved close factual questions against the applicant. (Where the Board resolves a close case in favor of issuing the patent, there is no appellate review.) Indeed, as Judge Michel of the Federal Circuit

has stated in a speech to members of the bar, "standards of review influence dispositions in the Federal Circuit far more than many advocates realize." See Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.3 (1995). Thus, like the burden of proof, which is similarly determinative at, but only at, the margin of close cases, the standard of judicial review will "rarely [be] without consequence and frequently may be dispositive." *Lavine* v. *Milne*, 424 U.S. 577, 585 (1976). And, like the burden of proof, the standard of review is an inherent aspect of *every* litigated case.

Moreover, the court's decision ultimately rested, not simply on its choice of standards, but on an interpretation of 5 U.S.C. 559 that, in the court's view, made that choice permissible. See App., *infra*, 9a-10a, 26a. That flawed construction of a widely applicable statute has the potential to unsettle the law with respect to judicial review of additional federal agencies subject to the APA, inviting other courts to inquire whether before 1947 they, too, may have used, albeit "perhaps not exclusively or intentionally" (*id.* at 25a), "heightened" standards of review that could now be revived should a court deem it desirable to do so.

Finally, it is significant that, in rendering its decision in this case, the court of appeals candidly acknowleged that it prefers to review the Board's decisions under a standard that allows it "to review board decisions on [the court's] own reasoning," rather than on the Board's. App., *infra*, 3a, 25a. The court recognizes that under the APA's normal standards of review 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]." *Id.* at 3a. The court's refusal to

countenance that result reveals the most fundamental error in this case.

Indeed, it is the broad choice between essentially deferential and essentially non-deferential review that the court of appeals faced, and made, in this case that most likely accounts for the extraordinary degree of interest that the court's choice of a standard of review has generated from the bench and bar. See 142 F.3d at 1448-1449 (listing amici before the en banc court).[9] In avowing its reasoning, the court of appeals has demonstrated an underlying approach to, and philosophy of, judicial review that is inconsistent with the letter and spirit of the APA. The court's en banc decision in this case accordingly warrants review by this Court.

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[9] See also, *e.g.*, Hon. Alan D. Lourie, *Speech to [American Intellectual Property Law Association], Jan. 22, 1998*, 55 Pat., Trademark & Copyright 243, 243 (BNA 1998) (discussing issue of judicial deference to the PTO, and noting that the court "had a standing room only courtroom" for the en banc argument in this case); Stoll, *A Clearly Erroneous Standard of Review*, 79 J. Pat. & Trademark Off. Soc'y 100 (Feb. 1997); Rennecker, *Ex parte Appellate Procedure in the Patent Office and the Federal Circuit's Respective Standards of Review*, 4 Tex. Intell. Prop. L.J. 335 (Spring 1996); Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. at 1467-1472.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

NANCY J. LINCK
Solicitor

ALBIN F. DROST
Deputy Solicitor

KAREN A. BUCHANAN
KENNETH R. CORSELLO
Assistant Solicitors

United States Patent and Trademark Office

SETH P. WAXMAN
Solicitor General
Counsel of Record

FRANK W. HUNGER
Assistant Attorney General

LAWRENCE G. WALLACE
Deputy Solicitor General

EDWARD C. DUMONT
Assistant to the Solicitor General

WILLIAM KANTER
ALFRED MOLLIN
Attorneys

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