

The Changing Guard of Patent Law: Chevron Deference for the PTO

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THE CHANGING GUARD OF PATENT LAW: *CHEVRON*
DEFERENCE FOR THE PTO

MELISSA F. WASSERMAN*

Whereas Congress has increasingly turned to administrative agencies to regulate complex technical areas, the patent system has remarkably remained an outlier. In the patent arena, the judiciary—not a federal agency—is perceived to be the most important expositor of substantive patent law standards. Yet, as the criticism toward the patent system has grown, so too have the challenges to this unusual power dynamic. The calls for institutional reform culminated in late 2011 with the enactment of the historic Leahy-Smith America Invents Act (AIA). Although scholars have recognized that the AIA bestows a glut of new powers upon the United States Patent and Trademark Office (PTO), this Article contends that commentators have failed to recognize the extent to which the AIA alters the fundamental power dynamic between the judiciary and the PTO. By anointing the PTO as the primary interpreter of the core patentability standards, this Article posits that the AIA rejects over two hundred years of court dominance in patent policy.

Although the patent system has traditionally suffered from a lack of serious engagement with administrative law, applying administrative law principles to the AIA has tremendous implications for the

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roles of patent institutions and, as this Article argues, results in a normatively desirable outcome. The AIA, by making the PTO the primary expositor of the core provisions of the Patent Act, ushers the patent system into the modern administrative era—which has long recognized the deficiencies associated with judge-driven policy. Moreover, the incorporation of administrative law principles into the patent system has substantial implications for administrative law itself. As this Article attempts to reconcile the distinctive features of patent administration with existing administrative law jurisprudence, it provides insight into a prolonged circuit split on the proper approach to determining the triggering provisions for formal adjudication, as well as when a grant of formal adjudicatory authority carries with it the ability to speak with the force of law.

TABLE OF CONTENTS

INTRODUCTION 1962

I. *CHEVRON* AND THE HISTORICAL LACK OF
JUDICIAL DEFERENCE TO THE PTO 1967

 A. *Strong Judicial Deference and the
 Supreme Court* 1968

 B. *The Historical Lack of Deference Paid to the
 PTO's Legal Decisions* 1971

II. POSTGRANT REVIEW AND ADMINISTRATIVE LAW 1977

 A. *Formality and the Postgrant Review
 Proceedings* 1978

 1. *Opposing Presumptions* 1979

 2. *The Chevron Approach* 1984

 B. *Force-of-Law Prerequisite* 1989

 1. *Too Big to Delegate* 1994

 2. *Is the Lack of Substantive Rule Making Fatal?* 1998

 3. *Creation of the Federal Circuit* 2001

 C. *Rejecting the Dominant Chevron Approach* 2005

III. NORMATIVE CASE FOR DEFERENCE: COMPARATIVE
INSTITUTIONAL ANALYSIS 2007

 A. *Expertise* 2007

 B. *Capture and Institutional Bias* 2013

CONCLUSION 2018

INTRODUCTION

The modern administrative state is built on the premise that administrative bodies, as a result of their focus, manpower, and proficiency, will reach more effective decisions than their counterparts in the judiciary or legislature.¹ Thus, it is hardly surprising that Congress has increasingly chosen to delegate broad law-making authority to administrative agencies.² Today, administrative institutions assume primary interpretative authority over federal statutes that regulate fields ranging from the environment, to pharmaceutical drugs, to telecommunications. Yet, the patent system has remarkably remained an outlier, even though it shares the same technocratic attributes as legal arenas that are overwhelmingly dominated by agency policy making.

Although the Patent Act defines the patentability standards in broad and vague language, the United States Patent and Trademark Office (PTO or Agency) lacks robust substantive rule-making authority³ and receives *no* judicial deference for its legal interpretations of the Patent Act.⁴ As a result, the United States

1. See generally JAMES M. LANDIS, *THE ADMINISTRATIVE PROCESS* 6-46 (Greenwood Press 1974) (1938); Louis L. Jaffe, In Memoriam, *James Landis and the Administrative Process*, 78 HARV. L. REV. 319, 320-21, 327-28 (1964).

2. See *Mistretta v. United States*, 488 U.S. 361, 372 (1989) (“[I]n our increasingly complex society, replete with ever changing and more technical problems, Congress simply cannot do its job absent an ability to delegate power under broad general directives.”); see also Steven P. Croley, *Theories of Regulation: Incorporating the Administrative Process*, 98 COLUM. L. REV. 1, 3 (1998) (“In many profound ways, the innumerable activities of everyday life—working, traveling, transacting, recreating, indeed eating, drinking, and breathing—are affected by the work of federal administrative agencies.”).

3. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) (noting that the PTO lacks the ability to promulgate rules on the core patentability standards that carry the force of law).

4. See *infra* notes 58-76 and accompanying text. Although the PTO has begun to exert more influence in the development of patent law and policy, the lack of judicial deference paid to the Agency’s legal interpretations of the Patent Act sets it squarely apart from agencies that exercise wide discretion and are afforded strong judicial deference when regulating technological innovation, such as the Federal Trade Commission or the Federal Communications Commission. See, e.g., Clarisa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965, 1966-67 (2009) (“[T]he PTO has maneuvered since the early 1990s to occupy a more central position in making patent law and policy.”); see also Melissa F. Wasserman, *The PTO’s Asymmetric Incentives: Pressure to Expand Substantive Patent Law*, 72 OHIO ST. L.J. 379, 387-400 (2011) (arguing that the PTO plays a more

Court of Appeals for the Federal Circuit (Federal Circuit), which is vested with near-exclusive jurisdiction over patent appeals, is largely perceived to be “the most important expositor of the substantive law of patents in the United States.”⁵

Yet, as criticism toward the patent system has grown, so too have the challenges to this unusual power dynamic.⁶ An increasing number of commentators believe this lopsided institutional structure is the root cause of the patent system’s systemic failures.⁷ An even larger contingency of scholars support reforms that would shift greater power to the PTO.⁸ The cries for institutional reform

prominent role in substantive patent law than is traditionally acknowledged).

5. Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1757 (2011); see also Lee Petherbridge & R. Polk Wagner, *The Federal Circuit and Patentability: An Empirical Assessment of the Law of Obviousness*, 85 TEX. L. REV. 2051, 2053 (2007) (“[T]he Federal Circuit is unquestionably the most influential player in the U.S. patent system.”).

6. See generally JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 1-28 (2008); DAN L. BURK & MARK A. LEMLEY, THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT 1-6 (2009).

7. See, e.g., John M. Golden, *Patentable Subject Matter and Institutional Choice*, 89 TEX. L. REV. 1041, 1075 (2011) (noting that courts have struggled with patentable subject matter inquiries and that the state of jurisprudence could be improved by granting the PTO rule-making authority over patentable subject matter); Joseph Scott Miller, *Substance, Procedure, and the Divided Patent Power*, ADMIN. L. REV., Winter 2011, at 31 (arguing that the courts should take a more deferential approach in determining whether a rule is substantive or procedural, the result of which would leave the PTO with ample discretion to manage the prosecution process); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1040 (2003) (“The ostensibly discrete problems of our patent institutions stem from an initial mistake in institutional design.”); Sarah Tran, *Administrative Law, Patents, and Distorted Rules*, 80 GEO. WASH. L. REV. 831, 839-40 (2012) (arguing that the Federal Circuit’s overly narrow view of the PTO’s rule-making powers “has impeded innovation and the express goal of Article I of the U.S. Constitution to promote ‘the Progress of Science and useful Arts’” (quoting U.S. CONST. art. I, § 8, cl. 8)); Wasserman, *supra* note 4, at 420-29 (arguing that the structural relationship between the PTO and the Federal Circuit has inflated the boundaries of patentability).

8. Scholars have suggested reforms ranging from granting the PTO unlimited substantive rule-making authority, see Burstein, *supra* note 5, at 1751 (proposing that Congress should grant the PTO substantive rule-making authority so that the Agency would be able to pronounce legal rules on the core patentability standards that carry the force of law); Golden, *supra* note 7, at 1041 (“[T]he enterprise of regulating patentable subject matter should be primarily entrusted to the USPTO, rather than, as it is now, to the courts.”), to greater control over its own procedures, see Jonathan S. Masur, *Regulating Patents*, 2010 SUP. CT. REV. 275, 279 (arguing that Congress should reorient patent law’s institutional arrangements by granting the PTO substantive rule-making authority); Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office’s Troubled Quest for Managerial Control*, 157 U. PA. L. REV. 2051, 2056 (2009) (arguing that the PTO should have greater control over its procedural functions); Tran, *supra* note 7, at 839-41 (arguing that courts should read the

culminated in 2011 when Congress enacted the historic Leahy-Smith America Invents Act (AIA).⁹ The AIA provided the first major overhaul to the patent system in sixty years and undeniably increased the stature of the PTO by granting the Agency a host of new responsibilities, such as fee-setting authority¹⁰ and the ability to conduct new adjudicatory proceedings in which patent rights may be obtained or challenged.¹¹

This Article contends, however, that commentators have generally failed to recognize the extent to which the AIA alters the fundamental power dynamic between the Federal Circuit and the PTO. Although scholars acknowledge that the AIA bestows a glut of new powers upon the Agency,¹² they have nearly uniformly concluded that “Congress stopped short of allowing the PTO to interpret the core provisions of the Patent Act—those that affect the scope of what is patentable.”¹³ Though Stuart Benjamin and Arti Rai

PTO’s rule-making authority more expansively), to an increased role in determining patent validity, *see, e.g.*, Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 791 (2008) (noting that one reform to the patent system about which most scholars agree is the enactment of a robust postgrant review proceeding).

9. Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.). This Act has been described as “the most significant overhaul to our patent system, since the founding fathers first conceived of codifying a grand bargain between society and invention.” David Kappos, *Re-Inventing the US Patent System*, DIRECTOR’S F.: A BLOG FROM USPTO’S LEADERSHIP (Sept. 16, 2011, 5:45 PM), http://www.uspto.gov/blog/director/entry/re_inventing_the_us_patent.

10. AIA § 10, 125 Stat. at 316-20 (to be codified at 35 U.S.C. § 41) (fee-setting authority).

11. *Id.* § 6, 125 Stat. at 299-313 (to be codified at 35 U.S.C. §§ 311-319, 321-329) (postgrant review proceedings); *id.* § 12, 125 Stat. at 325-327 (to be codified at 35 U.S.C. § 257) (supplemental examination); *id.* § 18, 125 Stat. at 329 (to be codified at 35 U.S.C. § 321) (transitional program for covered business-method patents).

12. *See, e.g.*, Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 610, 626-40 (2012) (delineating the new powers the AIA affords the PTO).

13. Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 238 (2013); *see, e.g.*, Tran, *supra* note 12, at 643-44 (noting that while the AIA grants the PTO some additional rule-making authority, this new authority does not include the ability to make rules over core patentability requirements such as patentable subject matter, novelty, and obviousness); Mark A. Lemley, *Things You Should Care About in the New Patent Statute* (Stanford Pub. Law Working Paper No. 1,929,044, 2011), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1929044 (delineating the twenty most significant changes in the AIA but not mentioning a shift in interpretative authority to the PTO).

Moreover, even though there is a growing body of literature analyzing the postgrant review system—which this Article contends is the source of the PTO’s new interpretative authority—the vast majority of the scholarship has failed to recognize the potential for a shift

have observed that certain congressional bestowals of adjudicatory authority may entitle the PTO's legal interpretations of the Patent Act to strong judicial deference,¹⁴ this Article provides the first in-depth exploration of whether the actual powers granted by the AIA would result in the PTO becoming the primary interpreter of the core patentability requirements. This Article concludes that the AIA rejects over two hundred years of court dominance in patent policy by anointing the PTO as the chief expositor of substantive patent law standards.

In general, the patent system has historically suffered from a lack of serious engagement with administrative law,¹⁵ even though Supreme Court intervention in 1999 made clear that standard administrative law norms—including the Administrative Procedure

in the power dynamics of the patent system. *See, e.g.*, Michael A. Carrier, *Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act*, 45 U.C. DAVIS L. REV. 103, 103-06, 134-35 (2011); Bronwyn H. Hall & Dietmar Harhoff, *Post-Grant Reviews in the U.S. Patent System—Design Choices and Expected Impact*, 19 BERKELEY TECH. L.J. 989, 989-90, 1014-15 (2004); Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 3-7, 117-22 (1997); Gerald J. Mossinghoff & Vivan S. Kuo, *Post-Grant Review of Patents: Enhancing the Quality of the Fuel of Interest*, 43 IDEA: J.L. & TECH. 83, 83-87, 109-10 (2002).

14. *See* Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 327-28 (2007) ("The various postgrant review proceedings that have been proposed would be trial-type procedures on the record that bear the hallmarks of formal adjudication—most notably, a proceeding before an administrative judge at which the parties present evidence and cross-examination, with the judge's decision based on the record. Such proceedings would have sufficient formality to satisfy *Mead's* test for application of *Chevron* deference. Thus, if Congress created these procedures and said nothing more, *Chevron* deference would seem to apply to them." (footnotes omitted)); Arti K. Rai, Essay, *Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development*, 61 DUKE L.J. 1237, 1280 (2012) ("In fact, the executive branch could also use the postgrant-review authority conferred upon the PTO by the AIA to go one step further. As a doctrinal matter, under current Supreme Court precedent interpreting the contexts in which *Chevron* applies, the government could ask for *Chevron* deference toward decisions made in postgrant review proceedings.").

However, neither of these articles analyzed the language of the AIA, applied or acknowledged the three-way circuit split on when formal adjudications are triggered, or performed any analysis of when a grant of formal adjudicatory authority carries the ability to speak with the force of law.

15. *See, e.g.*, Benjamin & Rai, *supra* note 14, at 270 ("In contrast to commentators and practitioners in other technically complex areas ... the patent law community has tended to pay little attention to administrative law."); Adam Mossoff, *The Use and Abuse of IP at the Birth of the Administrative State*, 157 U. PA. L. REV. 2001, 2002 (2009) ("Throughout the twentieth century, administrative law and intellectual property law seemed as if they were hermetically sealed off from each other in both theory and practice.").

Act—apply to the PTO.¹⁶ Applying administrative law principles to the AIA provides that the PTO's legal interpretations of the Patent Act, as announced by its new adjudicatory proceedings, are entitled to the highly deferential standard of review articulated in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*¹⁷ As this Article argues, this deference is a normatively desirable outcome.¹⁸ Making the PTO the primary interpreter of the core patentability standards ushers the patent system into the modern administrative era, which has long recognized the deficiencies associated with judge-driven policy.¹⁹ This provides the institutional foundation for infusing economic policy into the patent system, enabling the tailoring of patentability standards to advance the system's constitutionally mandated goal: the promotion of innovation.

Additionally, the incorporation of administrative law principles into the patent system has substantial implications for administrative law. As this Article attempts to reconcile the distinctive features of patent administration with existing administrative law jurisprudence, it tests, and at times, brings into better focus, the contours of this doctrine. This exercise in reconciliation offers insight into a prolonged circuit split on the proper approach to determining the triggering provisions of formal adjudication and when a grant of formal adjudicatory authority carries the ability to speak with the force of law. Even though an agency's eligibility for *Chevron* deference turns on whether its actions carry the force of law, in the adjudicatory context the force-of-law concept has been largely undertheorized.²⁰

This Article proceeds as follows. Part I provides a brief summary of the Supreme Court's strong judicial deference doctrine and then chronicles why the PTO's patentability determinations have never been afforded *Chevron* deference. Part I concludes by introducing

16. See *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999) (rejecting the Federal Circuit's application of pre-APA standards to its review of PTO fact-finding).

17. 467 U.S. 837, 865-66 (1984).

18. See *infra* Part III.

19. Cass R. Sunstein, *Law and Administration After Chevron*, 90 COLUM. L. REV. 2071, 2079 (1990) ("For the twentieth century reformers, courts lacked the flexibility, powers of coordination, initiative, democratic accountability, and expertise necessary to deal with complex social problems.").

20. See *infra* Part II.B.

the Agency's new adjudicatory proceedings—specifically postgrant review and inter partes review.²¹ Part II analyzes how existing administrative law jurisprudence applies to these new proceedings and, from a doctrinal standpoint, concludes that the Federal Circuit should give *Chevron* deference to reasonable PTO validity determinations announced during postgrant or inter partes review. This conclusion rests on only two principles: first, that Congress intended the PTO's new adjudicatory powers to be effectuated through formal adjudication, and second, this grant of formal adjudicatory authority was accompanied with the ability to speak with the force of law.²² In making this latter argument, Part II begins by developing a conceptual framework to determine when a grant of formal adjudicatory authority would be sufficient to infer a delegation of interpretative authority, and then it turns to addressing conceivable counterarguments. Finally, this Part also provides insight into a twenty-five year circuit split on determining the triggering provision of formal procedures by furnishing a strong theoretical basis for rejecting the dominant approach.

Part III makes the normative justification for *Chevron* deference. This Part maintains that the PTO has a comparative institutional advantage over the Federal Circuit and also argues that the Federal Circuit does not emerge as a clear winner with respect to the comparative risk of interest group influence. Consequently, Part III concludes that this shift in the power dynamics between the PTO and the Federal Circuit is normatively desirable.

I. *CHEVRON* AND THE HISTORICAL LACK OF JUDICIAL DEFERENCE TO THE PTO

The PTO is a federal agency housed in the Department of Commerce, which fulfills its mission of fostering innovation and competition primarily through examining patent applications and determining which inventions warrant the grant of a patent.²³ The

21. AIA, Pub. L. No. 112-29, § 6, 125 Stat. 284, 299-313 (2011) (to be codified at 35 U.S.C. §§ 311-319, 321-329) (postgrant review proceedings).

22. Under *United States v. Mead Corp.*, 533 U.S. 218, 229-30 (2001), only formal adjudication and rule making are very good indicators that Congress intended to allow the agency to speak with the force of law.

23. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT,

Federal Circuit, which is vested with near-exclusive jurisdiction over patent appeals, reviews the Agency's validity decisions.²⁴ However, unlike most agencies, the PTO's legal interpretations of its enabling act—the Patent Act—are afforded no deference, much less strong judicial deference. This Section begins by summarizing the Supreme Court's strong judicial deference doctrine and then turns to chronicling why the PTO's patentability determinations have never been afforded *Chevron* deference. This Section concludes by introducing the Agency's new adjudicatory powers.

A. *Strong Judicial Deference and the Supreme Court*

Although the major developments of the strong deference doctrine in administrative law have been told many times before, this account highlights two themes of the Supreme Court's deference jurisprudence: first, the Court's emphasis that strong deference to an agency's statutory interpretations turns on an inquiry into congressional intent, and second, the Court's growing recognition that Congress can implicitly signal such intent.

Since the early decades of modern administrative law, the Supreme Court has emphasized that strong judicial deference to an agency's legal interpretations is mandated when Congress intends an agency to speak with the force of law. Thus, when Congress expressly delegates authority to an agency “to define a statutory term or prescribe a method of executing a statutory provision,”²⁵ the Court's jurisprudence has long called for substantial judicial deference.²⁶

In *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, the Court substantially expanded the sphere of mandatory judicial deference when it announced that courts must defer to an agency's

FISCAL YEAR 2009, at 8-9, available at <http://www.uspto.gov/about/stratplan/ar/2009/2009annualreport.pdf>. However, the Agency also serves as an advisor to the President and other agencies concerning intellectual property policy and provides training and capacity-building programs designed to foster respect for intellectual property among the trading partners of the United States. *Id.* at 22.

24. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 7 (1989).

25. *United States v. Vogel Fertilizer Co.*, 455 U.S. 16, 24 (1982) (quoting *Rowan Cos. v. United States*, 452 U.S. 247, 253 (1981)).

26. *Rowan*, 452 U.S. at 253.

reasonable interpretations when Congress expressly, as well as *implicitly*, delegates interpretive authority.²⁷ The *Chevron* decision made clear that when Congress is silent or leaves ambiguity in a statute that an agency is charged with administering, it satisfies the latter concern.²⁸ The Court's formulation of this mandatory deference is known as the famous two-step *Chevron* test. Under step one, the court asks whether the statute, when interpreted clearly and unambiguously, resolves the issue.²⁹ If the statute is unclear, the court proceeds to step two, under which it must defer to an agency's interpretation that is "based on a permissible construction of the statute."³⁰

Chevron's seemingly simple two-part formulation, however, generated considerable confusion in lower courts.³¹ Perhaps the largest source of disagreement is what has become known as the matter of "step zero": When should the *Chevron* framework apply?³² The Supreme Court in *United States v. Mead Corp.* provided much needed guidance when it offered a two-part test of its own for determining when an agency's interpretation is eligible for *Chevron* deference: whether Congress delegated interpretative authority, or the ability to speak with the "force of law," to the agency in question; and if so, whether the agency has "exercise[d] ... that authority."³³ The *Mead* Court further clarified that a congressional delegation of formal adjudicatory or rule-making power is generally sufficient to infer—more specifically, "a very good indicator" of—congressional intent to delegate interpretative authority to an agency.³⁴ The *Mead* decision left open the possibility that a grant of less formal mechanisms of agency action may, at times, also satisfy

27. 467 U.S. 837, 842-44 (1984).

28. *Id.*

29. *Id.* at 842.

30. *Id.* at 843.

31. See, e.g., John F. Duffy, *Administrative Common Law in Judicial Review*, 77 TEX. L. REV. 113, 203-07 (1998); Thomas W. Merrill & Kristin E. Hickman, *Chevron's Domain*, 89 GEO. L.J. 833, 835 (2001).

32. See, e.g., Cass R. Sunstein, *Chevron Step Zero*, 92 VA. L. REV. 187, 208 (2006) (noting that the major source of disagreement among the Justices involves whether *Chevron* is applicable at all).

33. 533 U.S. 218, 226-27 (2001).

34. *Id.* at 229-31.

the force-of-law requirement.³⁵ However, ensuing Supreme Court opinions have failed to provide substantial guidance on what types of informal procedures are sufficient to infer such a delegation.³⁶

Although subsequent case law refined the Court's strong judicial-deference doctrine, the basic architecture has remained intact. The key inquiry as to whether an agency's legal interpretation is afforded *Chevron* deference continues to be one of congressional intent: Did Congress mean for the agency to speak with the force of law? Furthermore, ensuing Supreme Court cases have not disturbed the principle that a grant of formal adjudicatory or rule-making power is generally sufficient to satisfy the force-of-law requirement.³⁷

35. *Id.* at 231. The *Mead* opinion also clarified that when *Chevron* deference does not govern, a lesser deference standard articulated in the 1944 case *Skidmore v. Swift & Co.*, 323 U.S. 134, 139-40 (1944), applies. *Mead*, 533 U.S. at 234-35. As a conceptual matter, the differences between the approach taken by *Skidmore* and *Chevron* deferences are substantial. *Skidmore* stated that the level of deference owed to an agency's legal interpretation should be evaluated upon "the degree of the agency's care, its consistency, formality, and relative expertness." *Id.* at 228 (footnotes omitted) (paraphrasing the factors enunciated in *Skidmore*). By contrast, courts applying *Chevron* defer to "a reasonable interpretation" of an ambiguous statute by the agency, regardless of its consistency with previous or subsequent statements. *Chevron*, 467 U.S. at 844. As this Article argues that the PTO's new adjudicatory powers must be effectuated through formal adjudication—one of the "safe harbors" of *Mead*—it will focus only upon whether these proceedings garner *Chevron* deference, not the lesser *Skidmore* deference. See *infra* Part II.

36. See Lisa Schultz Bressman, *How Mead Has Muddled Judicial Review of Agency Action*, 58 VAND. L. REV. 1443, 1445-46 (2005) ("[C]ourts [have] adopt[ed] inconsistent approaches to the issue of *Chevron* deference when an agency does not use notice-and-comment rulemaking or formal adjudication.").

37. See *id.* at 1457-58 & n.101; see also Benjamin & Rai, *supra* note 14, at 297 ("[T]he PTO generally engages in neither of the proceedings—informal rulemaking or formal adjudication—that the *Mead* Court indicated would clearly merit deference."); Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547, 1569 (2011) ("Under *Mead*, if an agency engages in formal adjudication, the *Chevron* framework is applicable."); Thomas W. Merrill & Kathryn Tongue Watts, *Agency Rules with the Force of Law: The Original Convention*, 116 HARV. L. REV. 467, 470 (2002) ("[L]egislative rulemaking [and] formal adjudication ... unquestionably have the force of law."); Adrian Vermeule, *Mead in the Trenches*, 71 GEO. WASH. L. REV. 347, 360 (2003) ("[U]nder *Mead*, agency action by means of rulemaking or formal adjudication will (almost) always receive deference.").

B. The Historical Lack of Deference Paid to the PTO's Legal Decisions

Like many other organic statutes, the Patent Act does not always speak to the precise issue at hand—that is, determining whether an invention merits an award of a patent often requires substantial interpretive discretion.³⁸ For example, take the doctrine of utility, which precludes patents on inventions that have no use.³⁹ The courts and the PTO have developed three distinct doctrines of utility—credible, specific, and substantial utility—and an invention must meet all three in order to be eligible for patenting.⁴⁰ Nevertheless, the utility doctrine is derived from a single word in the Patent Act: “useful.”⁴¹ Even though not every PTO validity determination may involve the interpretation of a pure legal standard, it will, at a minimum, involve the application of a legal standard to a factual finding. Because the highly deferential standard announced in *Chevron* applies both to pure questions of legal interpretation and to the interpretation involved in applying legal standards to facts,⁴² every PTO validity determination could theoretically warrant strong judicial deference.

The Federal Circuit has yet to afford the PTO's validity determinations any deference, much less the highly deferential standard announced in *Chevron*. To help understand why, it is fruitful to undergo a brief exposition of the two primary activities of agencies—rule making and adjudication—along with the levels of formality with which each can be effectuated. The Administrative Procedure Act (APA), which governs the way most agencies partake in rule

38. See Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 53 (2010).

39. 35 U.S.C. § 101 (2006).

40. See, e.g., Utility Examination Guidelines, 66 Fed. Reg. 1092, 1098-99 (Jan. 5, 2001) (delineating that credible, specific, and substantial utility must be met in order for an invention to be patentable). At one time, courts also required moral utility. See *Juicy Whip, Inc. v. Orange Bang, Inc.*, 185 F.3d 1364, 1367 (Fed. Cir. 1999) (eviscerating the moral utility doctrine).

41. 35 U.S.C. § 101 (“Whoever 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, subject to the conditions and requirements of this title.”).

42. Benjamin & Rai, *supra* note 14, at 297 (“Under the Supreme Court’s jurisprudence, *Chevron* applies both to pure questions of legal interpretation and to the interpretation involved in applying legal standards to factual findings.”).

making and adjudication, defines a rule as “an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy.”⁴³ Rule making is defined as the “process for formulating, amending, or repealing a rule.”⁴⁴ By contrast, adjudications are defined as matters other than rule making.⁴⁵ Thus, any agency decision that involves a final decision other than rule making, such as the decision to grant or deny a patent, constitutes an agency adjudication.⁴⁶

The APA sets up a “feast-or-famine” archetype for adjudicatory procedures.⁴⁷ Sections 554, 556, and 557 of the APA set forth an array of trial-type protections that govern formal adjudications.⁴⁸ These protections are generally equivalent to the safeguards available in a civil judicial trial. They include, for example, entitling parties to oral arguments,⁴⁹ conducting cross-examination of witnesses,⁵⁰ and making exceptions to prior rulings.⁵¹ Moreover, the APA requires a neutral hearing officer, who is prohibited from participating in *ex parte* communications,⁵² to preside over the case and submit written opinions that provide the legal and factual basis of the agency’s conclusions.⁵³ In contrast, if formality is not required, then the APA imposes only minimal procedures for adjudications.⁵⁴

43. 5 U.S.C. § 551(4) (2006).

44. *Id.* § 551(5).

45. *Id.* § 551(6)-(7).

46. *Id.*

47. GARY LAWSON, *FEDERAL ADMINISTRATIVE LAW* 206 (West 5th ed. 2009); *see* 5 U.S.C. § 553 (prescribing procedures for informal rule making); *id.* § 554 (relating to adjudications); *id.* §§ 556-57 (prescribing procedures for formal rule making and formal adjudications).

48. *See* 5 U.S.C. §§ 554, 556-557.

49. *Id.* § 556(d). While the majority of formal hearings require oral arguments, the APA has excepted oral arguments for hearings “determining claims for money or benefits or application for initial licenses.” *Id.*

50. *Id.* Section 556 requires cross-examination only “as may be required for a full and true disclosure of the facts.” *Id.*

51. *Id.* § 557(c).

52. *Id.* § 557(d)(1).

53. *Id.* § 557(c)(A)-(B). Additionally, the APA places the burden of proof on the proponent of the adjudicatory order and requires that the order be supported by reliable, probative, and substantial evidence. *Id.* § 556(d). Formal adjudication also requires the agency to provide notice of the hearing to the parties in the proceeding and afford an opportunity to participate in the hearing. *Id.* § 554.

54. Section 555 of the APA does provide some protections that apply to all APA proceedings, including limited rights to appear before an agency; limits on agency subpoena power; the right to retain copies of information submitted to an agency; the right to inspect

Thus, agency decisions made under “informal adjudication” are not afforded trial-like protections but instead often rely on the use of “inspections, conferences, and negotiations.”⁵⁵

The PTO, however, has not historically possessed the authority to engage in formal adjudication or rule making—the two formal procedures that *Mead* indicates would likely warrant deference.⁵⁶ Although *Mead* explicitly leaves open the possibility that *Chevron* deference could apply to agency actions that are informal in nature,⁵⁷ this Section purports to establish only that the PTO has not traditionally engaged in the formal procedures that denote the most straightforward cases under *Mead*.

Unlike most notable agencies, the PTO lacks significant substantive rule-making authority. Federal statutes give the Agency the authority to make rules that “govern the conduct of proceedings in the Office.”⁵⁸ The Federal Circuit has repeatedly interpreted this grant as primarily enabling the PTO to make rules on a variety of procedural matters.⁵⁹ Thus, the Agency does not possess the power to issue binding rules that carry the force of law on the core issues of patentability, like obviousness or novelty.

The PTO also conducts at least three statutorily authorized adjudications, although none bear the hallmarks of formal adjudication,⁶⁰ which could conceivably merit deference. First, Congress

copies of testimony transcripts; and the right to prompt written notice of the denial of any written petition, application, or request, including a brief explanation of the reasons for the denial. *Id.* § 555. As a result, agency procedures in “informal adjudications” are typically prescribed only under the agency’s enabling act, adopted by the agency itself, or required by constitutional due process. Melissa M. Berry, *Beyond Chevron’s Domain: Agency Interpretations of Statutory Procedural Provisions*, 30 SEATTLE U. L. REV. 541, 549 (2007).

55. U.S. ATTORNEY GEN.’S COMM. ON ADMIN. PROCEDURE, ADMINISTRATIVE PROCEDURES IN GOVERNMENT AGENCIES, S. DOC. NO. 77-8, at 5 (1st Sess. 1941).

56. See text accompanying *supra* note 34.

57. See *supra* notes 35-36 and accompanying text.

58. 35 U.S.C. § 2(b)(2)(A) (2006).

59. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996).

60. In addition to the three adjudications discussed in this Article, the PTO also conducted interference proceedings, which have been eliminated by the AIA. The primary purpose of interference proceedings was to determine which of two parties was the first to invent and thus deserving of a patent on the invention in question. Although interference proceedings had several of the signature characteristics of a trial-like proceeding, including limited discovery and limited oral arguments, it is less clear whether Congress intended such a proceeding to carry such formality. As Part II.A explains, a statute must typically utilize the term “hearing” or “on the record” to trigger formal adjudicatory procedures. The statutory

explicitly delegated to the PTO “all duties required by law respecting the granting and issuing of patents.”⁶¹ In order to obtain a patent, an inventor must file a patent application with the PTO and try to persuade an officer, known as a patent examiner, that her invention meets the patentability standards.⁶² A patent examiner’s initial validity determination proceeds largely through a series of negotiations between the patent applicant and the examiner, and thus is informal in nature.⁶³ As a result, when a party challenges the PTO’s decision to grant a patent during a declaratory judgment action or a counterclaim in a patent infringement suit, it is unexceptional that the Federal Circuit fails to strongly defer to the PTO’s legal interpretations of the Patent Act.⁶⁴

Second, the PTO has the power to adjudicate patent denials. If a patent examiner rejects a patent application for failing to meet one or more of the patentability requirements, then the patent applicant has a statutory right to pursue an appeal before the Patent Trial and Appeal Board (Board), formerly known as the Board of Patent Appeals and Interferences,⁶⁵ which is composed of administrative patent judges (APJs).⁶⁶ Although the process by which the Board reviews patent rejections is more formal than the PTO’s initial patentability decisions, it nonetheless fails to resemble trial-like

basis for Board review of interference proceedings fails to utilize these terms. 35 U.S.C. § 135(a) (noting that whenever an interference is declared the Board “shall determine questions of priority of the inventions and may determine questions of patentability”).

61. 35 U.S.C. § 6(a). The PTO “shall be responsible for the granting and issuing of patents and the registration of trademarks.” *Id.* § 2(a)(1).

62. *Id.* § 6.

63. See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317 (Fed. Cir. 2005) (en banc) (calling patent prosecution “an ongoing negotiation between the PTO and the applicant” over the scope of the invention).

64. The Federal Circuit is technically reviewing the district court’s review of the PTO’s legal interpretations of the Patent Act. Nevertheless, the Federal Circuit affords no judicial deference to the district court’s, and hence the PTO’s, conclusions of law. See *Golden Blount, Inc. v. Robert H. Peterson Co.*, 365 F.3d 1054, 1058 (Fed. Cir. 2004).

65. Note that section 7 of the AIA has restructured the Board of Patent Appeals and Interferences as the Patent Trial and Appeal Board. See *infra* note 108 and accompanying text.

66. 35 U.S.C. § 6. The Secretary of Commerce appoints APJs upon consultation with the Director of the PTO. Each APJ has a law degree, is admitted to practice law in at least one state bar, and holds at least a bachelor’s degree in science or engineering. JAMES MOORE ET AL., A VIEW BEHIND [sic] THE CURTAIN: THE BPAI DECISION MAKING PROCESS 2 (Apr. 7, 2010), http://usptols.org/uploads/A_View_Behind_the_Curtain__6_-UPDATE100408.pdf.

proceeding associated with formal adjudication.⁶⁷ Thus, it is not too surprising that the Federal Circuit has declined to afford *Chevron* deference to the PTO's legal determinations announced during patent denials, though the appellate court's adoption of de novo review is unusual.⁶⁸

Third, the PTO is statutorily authorized to conduct *ex parte* and *inter partes* reexamination,⁶⁹ wherein one asks the PTO to reconsider its decision to grant an already-issued patent.⁷⁰ These proceedings also lack the signature characteristics of formal adjudication, as they have been traditionally examinational rather than adjudicative in nature.⁷¹ Neither provides the procedural safeguards associated with civil trials, such as oral arguments,⁷² and unlike the PTO's review of patent denials, the arbitrator is a member of the PTO's examining corps, not an APJ.⁷³ One can appeal the result of

67. See, e.g., Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415, 1434 (1995). Little evidence exists to suggest that Congress intended this proceeding to be effectuated through formal adjudication. As discussed in Part II.A, a statute must typically utilize the term "hearing" or "on the record" to trigger formal adjudicatory procedures. The statutory basis for Board review of patent denials fails to utilize these terms. 35 U.S.C. § 6(b) ("The [Board] shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents.").

68. *In re Kulling*, 897 F.2d 1147, 1149 (Fed. Cir. 1990) (stating, without any analysis, that the Court would review the PTO's decision to deny a patent due to nonobviousness de novo); see 35 U.S.C. § 134 (outlining when a party may seek a Board appeal); *id.* § 141 (permitting appeals of Board decisions to the Federal Circuit). An applicant can also undertake civil action in the District Court for the District of Columbia. Any appeals from the District Court of the District of Columbia involving patent denials can then be appealed to the Federal Circuit. *Id.* § 145 (permitting appeals of Board decisions to the U.S. District Court for the District of Columbia).

69. 35 U.S.C. §§ 301, 303.

70. *Id.*

71. These proceedings also suffer from severe limitations set on third-party participation, having narrow substantive grounds for review and strict estoppel provisions. Only *inter partes* reexamination allows for third-party participation on the merits of the patent's validity, and even then only in a limited manner: the third party has the right to file written comments addressing "issues raised by the Office action or the patent owner's response." 37 C.F.R. § 1.947 (2006); see also *id.* § 1.550(g) ("The active participation of the *ex parte* reexamination requester ends with the reply pursuant to § 1.535, and no further submissions on behalf of the reexamination requester will be acknowledged or considered.").

72. See 35 U.S.C. §§ 301, 303.

73. See 37 C.F.R. § 1.937(a) ("All *inter partes* reexamination proceedings ... will be conducted with special dispatch within the office."); see also *id.* § 1.550(a) (same with regard to *ex parte* proceedings).

a reexamination proceeding to the Board.⁷⁴ Similar to Board review of patent denials, the Board's process lacks the distinctive features associated with formal adjudication.⁷⁵ Akin to the PTO's patent denials, the Federal Circuit has held that the Agency's legal determinations announced during *ex parte* and *inter partes* reexamination proceedings are entitled to no deference.⁷⁶

The recently enacted Leahy-Smith America Invents Act provides the PTO with additional adjudicatory powers and concomitantly adds another pathway by which third parties can challenge the validity of an already-issued patent.⁷⁷ Among other things, the AIA significantly modified *inter partes* reexamination, renaming the transformed procedure "inter partes review,"⁷⁸ and created an entirely new postgrant opposition procedure called "post-grant

74. 35 U.S.C. § 134(b)-(c).

75. As Part II.A explains, a statute must typically utilize the term "hearing" or "on the record" to trigger formal adjudicatory procedures. The statutory basis for Board review of reexamination proceedings fails to utilize these terms. *Id.* § 134(b) (noting that a patent owner "may appeal from the final rejection of any claim by the primary examiner to the [Board]"); *id.* § 134(c) (noting that a third-party request "may appeal to the [Board] the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of the patent").

76. *See, e.g., In re DBC*, 545 F.3d 1373, 1377 (Fed. Cir. 2008) (stating that the Federal Circuit must review the PTO's legal decisions announced during reexamination proceedings *de novo*).

Interestingly, the Federal Circuit's holding that patent denials, reexamination proceedings, and interference proceedings do not constitute formal adjudications did not turn on the formality associated with the procedures but instead on the fact that a party to such a proceeding had the right to appeal the Board's decision either directly to the Federal Circuit or to U.S. District Court for the District of Columbia. Citing § 554(a)(1), which excludes agency adjudication from the requirements of trial-type procedures set forth in §§ 556 and 557 "when the subject matter of that adjudication is subject to subsequent trial *de novo*," the Federal Circuit reasoned that because a patent applicant can submit new evidence that was not before the PTO during the district court proceeding, the PTO's adjudications are not formal. *See Brand v. Miller*, 487 F.3d 862, 867-68 (Fed. Cir. 2007); *In re Gartside*, 203 F.3d 1305, 1313 (Fed. Cir. 2000); *see also* *Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012) (noting that applicants can submit new evidence in a proceeding for the U.S. District Court for the District of Columbia). Regardless of the merits of the Federal Circuit's reasoning, the new postgrant review proceeding and *inter partes* review allow appeal only to the Federal Circuit—not the U.S. District Court for the District of Columbia. AIA, Pub. L. No. 112-29, § 7(b), 125 Stat. 284, 314 (2011) (to be codified at 35 U.S.C. § 141(c)). It is well established that the Federal Circuit must review the PTO's decision on the same administrative record that was before the PTO. *Hyatt*, 132 S. Ct. at 1694 (noting there is "no opportunity for the applicant to offer new evidence [before the Federal Circuit]").

77. AIA, 125 Stat. 284 (to be codified in scattered sections of 35 U.S.C.).

78. *Id.* § 6(a), 125 Stat. at 299-304 (to be codified at 35 U.S.C. §§ 311-319).

review.”⁷⁹ Whereas *inter partes* and postgrant review differ in certain aspects,⁸⁰ they share a host of common features that set them squarely apart from their predecessors. The most revolutionary facet of the new and modified administrative hearings is the type of proceedings by which they must be effectuated. The AIA requires that both *inter partes* review and postgrant review take place in an adversarial, court-like proceeding, wherein parties are entitled to oral arguments and discovery.⁸¹ In addition, a panel of APJs, rather than the examining corps, conducts the initial review of the patent.⁸² The AIA is silent as to the deference owed to the PTO’s legal determinations announced during the *inter partes* and postgrant review. As the *inter partes* review and postgrant review generally share the same procedural requirements for effectuation, and it is the formality of these procedures that is critical to this Article’s argument, *inter partes* and postgrant review will hereinafter be referred to collectively as “postgrant review.”

II. POSTGRANT REVIEW AND ADMINISTRATIVE LAW

This Section argues that an application of administrative law principles to the new and modified postgrant review proceedings triggers *Chevron* deference for the PTO’s interpretation of ambigu-

79. *Id.* § 6(d), 125 Stat. at 305-11 (to be codified at 35 U.S.C. §§ 321-329).

80. For example, *inter partes* review becomes available only after nine months of patent grant or after the expiration of the postgrant review proceeding if one has been initiated, whereas the postgrant review procedure is available only within nine months of the grant of a patent. *Id.* § 6(a), 125 Stat. at 299 (to be codified at 35 U.S.C. § 311(c)(1)); *id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 321(c)). Moreover, the standard for instituting a postgrant review proceeding requires a showing that it is more likely than not that at least one claim will be found invalid, whereas to institute an *inter partes* review proceeding, the request must show that there is a reasonable likelihood that the request would prevail with respect to at least one claim. *Id.* § 6(a), 125 Stat. at 300 (to be codified at 35 U.S.C. § 314); *id.* § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 324). Perhaps the biggest difference is that in a postgrant review proceeding, like in district court, the petitioner can argue any ground of invalidity raised under 35 U.S.C. § 282(b), including novelty, obviousness, statutory subject matter, written description, enablement, or definiteness, AIA § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 321(b)), whereas in *inter partes* review proceedings, like *ex parte* and the preexisting *inter partes* reexamination proceedings, the PTO will consider only novelty or obviousness arguments based on patents or printed publications. *Id.* § 6(a), 125 Stat. at 299 (to be codified at 35 U.S.C. § 311(b)).

81. *See infra* note 101.

82. AIA § 7(a), 125 Stat. at 313 (to be codified at 35 U.S.C. § 6(a)-(b)(1)).

ous terms of the Patent Act announced during these proceedings. In making the case that the PTO should have primary interpretative authority over the key patentability requirements, this Section proceeds by focusing exclusively on the *Chevron* step zero inquiry: Did Congress intend for the PTO, which has the sole authority to adjudicate the validity of patent applications,⁸³ to have interpretative authority over the Patent Act? This Section concludes that Congress intended for the Agency to be the chief expositor of the core patentability standards. The conclusion rests on the establishment of only two principles. First, Congress intended the PTO to effectuate the postgrant review proceedings through formal adjudication. Second, this grant of formal adjudicatory power accompanied a delegation of interpretative authority. With respect to establishing the latter premise, this Section proceeds by developing a conceptual framework for determining when a grant of formal adjudicatory authority is sufficient to infer the ability to speak with the force of law and then turns to addressing conceivable counterarguments. Finally, this Section provides a theoretical basis for rejecting the dominant approach in the split among circuit courts on the proper method for determining the triggering provision of formal procedures.

A. Formality and the Postgrant Review Proceedings

To determine the level of formality that must accompany the postgrant review proceedings called for by the America Invents Act, the PTO must interpret the AIA in light of the Administrative Procedure Act (APA).⁸⁴ Section 554 of the APA states that the language “in every case of adjudication required by statute to be determined on the record after opportunity for an agency hearing,” triggers the formal procedures outlined in § 554 and §§ 556-557.⁸⁵ Thus, if the phrases “hearing” and “on the record” are both present in the AIA, formal adjudications are required.⁸⁶

83. 35 U.S.C. § 2(a)(1) (2006).

84. Pub. L. No. 79-404, 60 Stat. 237 (1946) (codified as amended in scattered sections of 5 U.S.C.).

85. 5 U.S.C. § 554 (2006).

86. See Berry, *supra* note 54, at 551-52 (“[N]o one would dispute that formal procedures should be required if the enabling statute includes ‘on the record’ language.”).

However, like many other statutes, the AIA utilizes the term “hearing” without the phrase “on the record.” Specifically, the AIA states that the postgrant review proceedings must provide “either party with the right to an oral hearing as part of the proceeding.”⁸⁷ Circuit courts have taken divergent approaches when confronted with such enabling statutes. Until 1984, the courts of appeals generally followed one of two approaches: presumption in favor of formal procedures⁸⁸ or presumption against them.⁸⁹ The Supreme Court’s *Chevron* decision resulted in a third approach in which courts defer to an agency’s reasonable interpretation of whether a hearing requires formal or informal adjudication.⁹⁰

Because the Federal Circuit has yet to face this issue, this Section briefly examines, and then applies, the three different approaches to the AIA taken by circuit courts with respect to the triggering provisions of formal adjudication.⁹¹ Since *Mead* cautions that only congressional conferrals of formal adjudicatory authority are generally sufficient to satisfy the force-of-law requirement,⁹² this Section also examines the extent to which each approach turns on the intent of Congress.

1. *Opposing Presumptions*

In *Seacoast Anti-Pollution League v. Costle*, the First Circuit established a presumption that, without congressional intent to the contrary, the statutory requirement of a hearing triggers the formal procedures in § 554 and §§ 556-557.⁹³ In *City of West Chicago v. U.S.*

87. AIA § 6(d), 125 Stat. at 309 (to be codified at 35 U.S.C. § 326(a)(10)).

88. *See, e.g., Seacoast Anti-Pollution League v. Costle*, 572 F.2d 872 (1st Cir. 1978), *superseded by rule*, *Dominion Energy Brayton Point, L.L.C. v. Johnson*, 443 F.3d 12 (1st Cir. 2006).

89. *See, e.g., City of W. Chi. v. U.S. Nuclear Regulatory Comm’n*, 701 F.2d 632, 641 (7th Cir. 1983).

90. *See Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984).

91. The Federal Circuit has yet to weigh in on this matter.

92. *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001).

93. 572 F.2d at 878. *Seacoast* involved the question of whether the statutory language “after opportunity for public hearing” required the Environmental Protection Agency to comply with the APA’s formal adjudicatory requirements in issuing a permit under the Clean Water Act. *Id.* at 875-76. The First Circuit asserted that the touchstone of its decision was the intent of Congress. *Id.* at 876. By drawing on the APA’s legislative history, the court reasoned that Congress intended agency decisions that involved “specific factual findings” affecting “the

Nuclear Regulatory Commission, the Seventh Circuit adopted the exact opposite presumption, noting that when the statute lacked the “on the record” language, clear congressional “intent to trigger the formal, on-the-record hearing provisions of the APA” must be present to require formal procedures.⁹⁴ While *Seacoast* and *West Chicago* established opposing presumptions that can be rebutted by evidence of congressional intent,⁹⁵ the majority of subsequent cases that purport to apply either opinion rarely, if ever, reason in the language of presumptions. Instead, these ensuing opinions almost exclusively focus on the intent of Congress, suggesting that the presumption for or against formal procedures is quite fragile.⁹⁶

rights of the specific applicant,” like the one at issue, to be governed by adversarial hearings, as formal procedures both increase the quality of the decisional process within the agency and enable more meaningful judicial review by creating a record. *Id.* at 876-77.

94. 701 F.2d at 641. At issue was whether the language “shall grant a hearing” in section 189(a) of the Atomic Energy Act required the Nuclear Regulatory Committee to provide a hearing that complied with the formal procedures of the APA in issuing a nuclear material license amendment. *Id.* Taking a more textualist approach, the court noted that although the words “on the record” were not a necessary prerequisite to finding formal procedures were required, when this language is absent, clear congressional “intent to trigger the formal, on-the-record hearing provisions of the APA” must be present to require formal procedures. *Id.* After reviewing the legislative history of the Atomic Energy Act, the court found no clear intention that formal hearings were required during amendments to material licenses. *Id.*

95. *See, e.g.,* LAWSON, *supra* note 47, at 240 (“*Seacoast* and *West Chicago* offer dueling presumptions.”).

96. *See, e.g.,* Five Points Rd. Joint Venture v. Johanns, 542 F.3d 1121, 1126 (7th Cir. 2008) (noting that the absence of the “on the record” requirement is not dispositive, but that “Congress need only ‘clearly indicate its intent to trigger the formal, on-the-record hearing provisions of the APA’” (quoting *W. Chi.*, 701 F.2d at 641)); Citizens Awareness Network, Inc. v. United States, 391 F.3d 338, 348 (1st Cir. 2004) (“[T]he degree of formality that a hearing must afford does not necessarily turn on the presence or absence of [the phrase ‘on the record’]. If ... the nature of the hearing that Congress intended to grant is clear, then that intention governs.”); Lane v. U.S. Dep’t of Agric., 120 F.3d 106, 108-09 (8th Cir. 1997) (stating that the absence of the “on the record” requirement is not dispositive, but that “Congress need only ‘clearly indicate its intent to trigger the formal, on-the-record hearing provision of the APA.’” (quoting *W. Chi.*, 701 F.2d at 641)); Friends of the Earth v. Reilly, 966 F.2d 690, 693 (D.C. Cir. 1992) (noting the absence of the “on the record” requirement is not dispositive but “[w]hat counts is whether the statute indicates that Congress intended to *require* full agency adherence to all section 554 procedures components.” (quoting *St. Louis Fuel & Supply Co. v. FERC*, 890 F.2d 446, 448-49 (D.C. Circuit 1989)) (internal quotation marks omitted)); *St. Louis Fuel*, 890 F.2d at 448-49 (finding that the absence of the “on the record” requirement is not dispositive, but “[w]hat counts is whether the statute indicates that Congress intended to *require* full agency adherence to all section 554 procedural components”); *Buttrey v. United States*, 690 F.2d 1170, 1174 (5th Cir. 1982) (noting that there are “many different kinds of ‘hearing,’ and resolution of the issue must turn on ‘the substantive nature of the hearing

Moreover, while courts generally agree on the type of evidence that is relevant in determining congressional intent—the text,⁹⁷ structure,⁹⁸ and legislative history⁹⁹ of the statute in question—they substantially vary on the sufficiency of evidence needed to evince the intent of Congress.¹⁰⁰ As a result, examining the type of hearing Congress intended with respect to the postgrant review proceedings is imperative to the application of either of the presumptive approaches.

Perhaps the strongest argument that Congress intended the postgrant review proceedings to be effectuated through formal procedures is found within the language of the AIA itself. The Act requires the PTO to allow oral arguments and discovery as part of the postgrant review proceedings.¹⁰¹ The requirement of oral

Congress intended to provide” (quoting *Seacoast*, 572 F.2d at 876).

97. See, e.g., *Five Points*, 542 F.3d at 1126 (noting that “the language of the text ... [including] the provision[s] for trial-type procedures” is indicative of congressional intent that formal procedures be used); *Portland Audubon Soc’y v. Endangered Species Comm.*, 984 F.2d 1534, 1541 (9th Cir. 1993) (holding that if “a statute provides that an adjudication be determined at least in part *based on* an agency hearing,” it is sufficient to trigger formal procedures).

98. See, e.g., *Five Points*, 542 F.3d at 1126.

99. See, e.g., *St. Louis Fuel*, 890 F.2d at 449 (finding that in floor statements Congress did “not grant quite as many procedural safeguards to the person subjected to agency action as does [sic] sections 554 and 556 of the Administrative Procedures Act” to be largely dispositive that Congress intended only informal procedures to be utilized (quoting 123 CONG. REC. 17,403 (1977))); *Buttrey*, 690 F.2d at 1175 (finding remarks by a senator in presenting the committee report that Congress “did not wish to create a burdensome bureaucracy in light of the fact that a system to issue permits already existed” as evidence that Congress intended only informal procedures to be utilized (quoting 118 CONG. REC. 33,699 (1972) (prepared remarks of Sen. Muskie))).

100. Although a few opinions appear to require a clear statement in the legislative history that Congress intended formal procedures to be adopted, the vast majority of cases find sufficient intent based on a less stringent substantiation. While *West Chicago* appears to require an authoritative statement in the legislative history to rebut the presumption, see *supra* note 94, most courts, even subsequent Seventh Circuit opinions, have not required such a high threshold. See, e.g., *Five Points*, 542 F.3d at 1126. For example, some courts have found that the judicial review of the Agency’s adjudication is required by statute or the nature of the substantive rights; see *infra* note 111, which supports a finding of formal procedures.

101. AIA, Pub. L. No. 112-29, § 6(a), 125 Stat. 284, 302 (2011) (to be codified at 35 U.S.C. § 316(a)(5)) (noting that the Director shall promulgate regulations governing the conduct of inter partes review that set “forth standards and procedures for discovery of relevant evidence”); *id.* § 6(a), 125 Stat. at 302 (to be codified at § 316(a)(10)) (stating that the Director shall promulgate regulations governing inter partes review that provide “either party with the right to an oral hearing as part of the proceeding”); *id.* § 6(d), 125 Stat. at 308 (to be codified at 35 U.S.C. § 326(a)(5)) (noting that the Director shall promulgate regulations

arguments alone meets a number of the formal adjudicatory protections required by the APA.¹⁰² Further, the mandate of discovery for postgrant review proceedings goes beyond the more minimally prescribed protections in the APA for formal adjudications.¹⁰³ Because discovery is a hallmark of adversarial proceedings and the procedural protections set by the APA for formal adjudications are understood to mimic the protections afforded by trial-like proceedings,¹⁰⁴ it seems unlikely that Congress would require the PTO to adopt formal procedures that surpass the expectations of the APA while not also intending for the PTO to adopt the more nominal procedures outlined in the APA. In other words, it seems illogical that Congress would require discovery to be used during postgrant review proceedings only to take away any meaningful use of the procedure—for example, by not requiring the PTO to prohibit, as the APA requires for formal adjudications, *ex parte* communications regarding the merits during the decisional process.¹⁰⁵

Moreover, the AIA also calls for the PTO to promulgate regulations regarding other trial-type dealings, such as prescribing sanc-

governing the conduct of postgrant review that set “forth standards and procedures for discovery of relevant evidence”); *id.* § 6(d), 125 Stat. at 309 (to be codified at 35 U.S.C. § 326(a)(10)) (stating that the Director shall promulgate regulations governing postgrant review that provide “either party with the right to an oral hearing as part of the proceeding”).

102. For example, APA protections for formal adjudications, such as providing parties the opportunity to participate in the hearing and to submit evidence to support their case, are met simply by mandating oral arguments. 5 U.S.C. §§ 554(c), 556(d) (2006). In some formal hearings—that is, those “determining claims for money or benefits or application for initial licenses”—agencies do not have to allow oral arguments. *Id.* § 556(d). However, none of these exceptions apply to patent decisions.

103. *See id.* § 556 (stating that the APA does not explicitly require discovery in formal adjudication); *see also* *Citizens Awareness Network, Inc. v. United States*, 391 F.3d 338, 350 (1st Cir. 2004) (same). The scope of discovery is larger for postgrant review proceedings than *inter partes* review. *See AIA* § 6(a), (d), 125 Stat. at 302, 309 (to be codified at 35 U.S.C. §§ 316(a)(5), 326(a)(5)).

104. *United States v. Indep. Bulk Transp., Inc.*, 480 F. Supp. 474, 479 (S.D.N.Y. 1979) (“[T]he phrase ‘adjudication required by statute to be determined on the record after opportunity for an agency hearing’ in section 554 of the APA should be interpreted to mean ‘an adjudication required to be determined after opportunity for a trial, or for a trial-type hearing, or for a formal hearing.’” (quoting KENNETH CULP DAVIS, *ADMINISTRATIVE LAW TREATISE* § 10.7, at 329-30 (2d ed. 1978))); *see also* *United States v. Mead Corp.*, 533 U.S. 218, 243 (2001) (Scalia, J., dissenting) (“[F]ormal adjudication ... is modeled after the process used in trial courts.”).

105. 5 U.S.C. § 557(d).

tions for attorney misconduct¹⁰⁶ and providing protective orders governing the exchange of confidential information.¹⁰⁷ Even though these requirements do not necessarily involve expanding the protections afforded by the APA, they do provide further evidence that Congress envisioned that the postgrant review proceedings would be governed by adverse, trial-like adjudications. Finally, the fact that the statute renames the Patent Board of Appeals and Interferences, which is responsible for conducting the postgrant review proceedings, to the Patent Trial and Appeal Board, further evinces that Congress intended the postgrant review proceedings to be effectuated by adversarial hearings.¹⁰⁸

Beyond the language of the AIA, its legislative history clearly shows that Congress understood the Act to “convert[] *inter partes* reexamination from an examinational to an adjudicative proceeding”¹⁰⁹ while establishing a new procedure known as postgrant review that “would take place in a court-like proceeding.”¹¹⁰ The repeated reference to trial-like proceedings in the legislative history of the AIA further substantiates Congress’s intent for postgrant review proceedings to be afforded formal adjudicatory protections.¹¹¹

106. AIA § 6(a), (d), 125 Stat. at 302, 308-09 (to be codified at 35 U.S.C. §§ 316(a)(6), 326(a)(6)).

107. *Id.* § 6(a), (d), 125 Stat. at 302 (to be codified at 35 U.S.C. §§ 316(a)(7), 326(a)(7)).

108. *Id.* § 7(a), 125 Stat. at 313 (to be codified at 35 U.S.C. § 6); *see also* H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (“The Act renames the Patent Board the ‘Patent Trial and Appeal Board.’”). Additional evidence of the PTO’s belief can be found in the Agency’s repeated referral to the postgrant review proceedings as trials. *See, e.g.*, Rules of Practice for Trials Before the Patent Trial and Appeal Board, Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879, 6907 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. pts. 42, 90) [hereinafter Rules of Practice] (“A petition to institute a trial must be filed ... § 42.4 Notice of trial.... Institution of trial.”).

109. H.R. REP. NO. 112-98, pt. 1, at 46.

110. *Id.* at 68.

111. *See supra* note 108. Additionally, some courts are more likely to require formal procedures when specific factual findings with potential for “serious impact on private rights” are at issue in the adjudication, *see, e.g.*, Friends of the Earth v. Reilly, 966 F.2d 690, 693 (D.C. Cir. 1992) (“[I]t seems to us that it is the nature of the issues to be resolved in the withdrawal proceeding which is determinative.”); Seacoast Anti-Pollution League v. Costle, 572 F.2d 872, 876 (1st Cir. 1978), *superseded by rule*, Dominion Energy Brayton Point, L.L.C. v. Johnson, 443 F.3d 12 (1st Cir. 2006) (“[P]roceedings ... conducted in order ‘to adjudicate disputed facts in particular cases’ ... [are] exactly the kind of quasi-judicial proceedings for which the adjudicatory procedures of the APA were intended.” (quoting Marathon Oil Co. v. EPA, 564 F.2d 1253, 1262 (9th Cir. 1997))), and when judicial review of the agency’s adjudication is required by statute, *see, e.g.*, Seacoast, 572 F.2d at 876 n.6 (“[W]e consider it

If the Federal Circuit follows or the Supreme Court chooses to endorse *Seacoast*, the AIA language calling for a “hearing” will trigger formal adjudication, as there is little evidence that Congress intended for the PTO to utilize informal proceedings. However, if courts endorse *West Chicago*, whether a formal adjudication is triggered becomes a much closer call because the strength of the presumption—or the sufficiency of evidence necessary to provide congressional intent—will be largely determinative. Courts that adopt a strong presumption or require a high threshold of congressional intent may conclude that informal procedures are sufficient. However, courts that adopt a weak presumption or a low threshold of congressional intent are likely to hold that the PTO must effectuate the postgrant review proceedings through formal adjudication, as there is ample evidence to suggest that Congress intended formal procedures to be used. As congressional intent is the touchstone of the presumptive approaches, a court that determines that the PTO must utilize formal adjudicatory procedures to effectuate the postgrant review proceedings under either of these approaches is necessarily also concluding that Congress intended that the PTO implement postgrant review proceedings through formal adjudication.

2. *The Chevron Approach*

While deciding the issue for the first time since 1984, the D.C. Circuit established a third approach, which has become the dominant framework,¹¹² when it applied the *Chevron* two-step test to an

significant that [the statute in question] provides for judicial review.”); *U.S. Steel Corp. v. Train*, 556 F.2d 822, 833 (7th Cir. 1977), *abandoned by City of W. Chi. v. U.S. Nuclear Regulatory Comm’n*, 701 F.2d 632 (7th Cir. 1983) (noting that judicial review weighs toward finding formal procedures). Both of these indicators are present with respect to the postgrant review proceedings. The AIA allows a dissatisfied party to a postgrant review proceeding to appeal the Agency’s decision to the Federal Circuit. AIA § 7(c), 125 Stat. at 313 (to be codified at 35 U.S.C. § 141(c)) (“A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board ... may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.”). The AIA also makes clear that the invalidation of a patent can have a serious impact on private rights. *See id.*

112. For example, the First Circuit has subsequently followed the approach of the D.C. Circuit. *See Dominion Energy*, 443 F.3d at 17-18 (holding that *Chevron*, not *Seacoast*, governs).

agency's interpretation of the word "hearing."¹¹³ The D.C. Circuit noted that the statutory hearing provision, without more, was ambiguous.¹¹⁴ Instead of using the inherent ambiguity as the basis for a judicial presumption for or against a formal, trial-type proceeding, the court deferred to the expertise of administrative officials in designing a hearing process that best fit the decision that an agency was congressionally authorized to make.¹¹⁵

If the Federal Circuit chooses to follow the D.C. Circuit's approach, under step one of *Chevron*, it will consider "whether Congress has directly spoken to the precise question at issue,"¹¹⁶ or whether the statutory hearing provision in the AIA is ambiguous. To answer this question, the Federal Circuit will consider the "text, structure, purpose, and history" of the AIA, as well as the AIA's relationship to other statutes.¹¹⁷ As discussed, both the statutory language and the legislative history of the AIA support the notion that Congress intended formal procedures to be utilized.¹¹⁸ Nonetheless, for the purposes of the *Chevron* analysis it is helpful to consider the possibility that the Federal Circuit may find the statutory hearing provision in the AIA ambiguous.

In *Chevron* step two, the reviewing court must determine whether the PTO's interpretation of the provision is "based on a permissible construction" or "reasonable construction" of the AIA.¹¹⁹ The PTO recently proposed regulations for conduct involving postgrant review

113. *Chemical Waste Management, Inc. v. EPA*, involved a challenge to the Environmental Protection Agency's (EPA) procedural rules for administrative enforcement proceedings against hazardous waste facilities. 873 F.2d 1477, 1478 (D.C. Cir. 1989). The EPA had interpreted its enabling statute, which called for an opportunity for public hearing without utilizing "on the record" language, to require formal procedures. *Id.* at 1481. Congress amended EPA's enabling act to create new EPA proceedings. The amendments, however, required the hearing provision in the original statute to be applicable to the new proceedings. The EPA adopted informal proceedings for a subset of these new proceedings. Applying the *Chevron* framework, the court held that the EPA's informal procedures satisfied the statutory hearing requirement. *Id.* at 1482.

114. *Id.* at 1482.

115. *Id.*

116. *Chevron U.S.A. Inc. v. Nat'l Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984).

117. *Gen. Dynamics Land Sys., Inc. v. Cline*, 540 U.S. 581, 600 (2004).

118. See *supra* notes 101-11 and accompanying text.

119. See *Chevron*, 467 U.S. at 840, 843 ("[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.").

proceedings that provide for trial-type protections afforded under formal adjudication, including the APA requirements of § 554 and §§ 556-557.¹²⁰ Although the Supreme Court has never definitively

120. For example, the regulations require the Agency to do the following: (1) provide notice of any postgrant review proceedings, *compare* APA, 5 U.S.C. § 554(b) (2006), *with* Rules of Practice, 77 Fed. Reg. 6879, 6907, 6909 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. pts. 42, 90) (“§ 42.4 Notice of trial” and “§ 42.21 Notice of basis for relief”); (2) prohibit *ex parte* communications regarding the merits during the decisional process, *compare* 5 U.S.C. § 557(d), *with* Rules of Practice, 77 Fed. Reg. at 6908 (“§ 42.5(d) *Ex parte* communications. Communication regarding a specific proceeding with a Board member ... is not permitted unless both parties have an opportunity to be involved in the communication.”); (3) allow, in certain circumstances, the right to conduct cross-examination, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice, 77 Fed. Reg. at 6911 (“§ 42.53(c)(2) Cross-examination should ordinarily take place after any supplemental evidence relating to the direct testimony has been filed.”); (4) permit parties to seek a rehearing of the initial three-judge panel decision, *compare* 5 U.S.C. § 557(b), *with* Rules of Practice, 77 Fed. Reg. at 6913 (“§ 42.71(c) *Rehearing*. A party dissatisfied with a decision may file a request for rehearing.”); (5) afford parties an opportunity to participate in those proceedings, *compare* 5 U.S.C. § 554(c), *with* Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041, 7059 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“§ 42.101 ... A person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”), *and* Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7079 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“§ 42.201 ... A person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent.”); (6) place the burden of proof on the moving party to establish that she is entitled to the requested relief, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice, 77 Fed. Reg. at 6909 (“§ 42.20(c) ... The moving party has the burden of proof to establish that it is entitled to the requested relief.”); and (7) ensure that parties to the formal adjudications are entitled to present their case by documentary evidence, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice, 77 Fed. Reg. at 6909-10 (“§ 42.21 Notice of basis for relief” and “§ 42.22 Content of petitions and motions”).

Typically the hearing officers in a formal adjudication are administrative law judges. *See* 5 U.S.C. § 556(b) (requiring that the head of the agency, one or more members of the collegial body that heads an agency, or administrative law judges serve as hearing officers in a formal proceeding). The America Invents Act requires that a panel of three APJs, who are defined as “persons of competent legal knowledge and scientific ability,” AIA, Pub. L. No. 112-29, § 7(a), 125 Stat. 284, 313 (2011) (to be codified at 35 U.S.C. 6(a)), not administrative law judges, preside over the proceeding. Rules of Practice, 77 Fed. Reg. at 6907 (“§ 42.2 Definitions ... *Panel* means at least three members of the Board ... [and] *Board* means ... a panel of the Board or a member or employee acting with the authority of the Board.”). In general, administrative patent judges enjoy less independence in their decision making than do administrative law judges. *See* Judith Resnik, *The Role of the Judge in the Twenty-First Century: Whither and Whether Adjudication?*, 86 B.U. L. REV. 1101, 1145-46 (2006). However, not all formal adjudications must be presided over by one of the three hearing officers outlined in § 556(b) if the organic statute specifically designated another board or employee to preside. Section 556(b) states, “This subchapter does not supersede the conduct of specified classes of proceedings, in whole or in part, by or before boards or other employees specially provided for by or designated under statute.” The America Invents Act does explicitly require that “[t]he Patent Trial and Appeal Board shall ... conduct each post-grant review instituted under this

defined when an agency's interpretation would be reasonable, it has stated that in order to uphold an agency's interpretation, a court need not determine if the agency's construction was the best interpretation of a statute or the interpretation that the court would have chosen.¹²¹ Beyond this guidance, however, the *Chevron* step two analysis is not well defined. The Federal Circuit appears to oscillate between, and sometimes apply both of, the two most prevalent types of analysis: examination of statutory materials to evince legislative intent¹²² and evaluation of the agency's reasoning process.¹²³ If the Federal Circuit adopts the former analysis, it will likely find the PTO's interpretation reasonable. After all, as discussed above, both the language and the legislative history of the AIA support the notion that Congress intended the postgrant review

chapter." § 6(d), 125 Stat. at 309 (to be codified at 35 U.S.C. § 326(c)); *see also id.* § 6(a), 125 Stat. at 303 (to be codified at 35 U.S.C. § 316(c)) ("The Patent Trial and Appeal Board shall ... conduct each inter partes review instituted under this chapter."). Thus, the PTO's regulations requiring that the hearing officers of postgrant review be APJs also conforms with APA requirements for formal adjudication.

Beyond the APA's mandated protections, the PTO regulations also set forth general policies regarding other trial-type procedures, at least some of which are mandated by the AIA, such as sanctions against a party for misconduct, *compare* Rules of Practice, 77 Fed. Reg. at 6909 ("§ 42.12 Sanctions"), *with* AIA § 6(a), (d), 125 Stat. at 302, 308-09 (to be codified at 35 U.S.C. §§ 316(a)(6), 326(a)(6)), compelling testimony and production, Rules of Practice, 77 Fed. Reg. at 6910 ("§ 42.52 Compelling testimony and production"), and expert testimony, *id.* at 6912 ("§ 42.65 Expert testimony; tests and data").

121. *Chevron*, 467 U.S. at 843 n.11 ("The court need not conclude that the agency construction was the only one it permissibly could have adopted to uphold the construction, or even the reading the court would have reached if the question initially had arisen in a judicial proceeding."); *see also* Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs., 545 U.S. 967, 982-83 (2005) ("Only a judicial precedent holding that the statute unambiguously forecloses the agency's interpretation, and therefore contains no gap for the agency to fill, displaces a conflicting agency construction.").

122. *See, e.g.*, *Amber-Messick v. United States*, 483 F.3d 1316, 1324 (Fed. Cir.) (considering legislative history of the Act in question to determine if the Agency's interpretation was reasonable), *cert. denied*, 552 U.S. 1038 (2007). Commentators have argued that considering statutory materials in step two is awkward at best and unsatisfactory at worst, as the Federal Circuit is largely repeating the analysis under step one at step two. *See, e.g.*, Ronald M. Levin, *The Anatomy of Chevron: Step Two Reconsidered*, 72 CHI.-KENT L. REV. 1253, 1276 (1997).

123. *See, e.g.*, *Wheatland Tube Co. v. United States*, 495 F.3d 1355, 1360 (Fed. Cir. 2007) (considering the process utilized by an agency during its decision making to determine if the agency's interpretation was reasonable). Commentators have noted that considering the reasonableness of the agency's decisional process in *Chevron* step two *supra* tends to merge with review under the arbitrary and capricious standard. *See, e.g.*, Levin, *supra* note 122, at 1267-69.

proceedings to be effectuated through formal adjudication.¹²⁴ If the Federal Circuit considers the PTO's reasoning process, then it is difficult to state definitively whether the PTO would pass *Chevron* step two, as the Agency has not specifically stated its motives for adopting formal procedures. Nevertheless, this Article has argued that effectuating postgrant review through formal adjudication is both reasonable and logically coherent.¹²⁵ Thus, as long as the PTO defends its choice to implement formal procedures by pointing to such reasoned decision making, the Agency's decision should be upheld.

Importantly, a court that adopts the dominant *Chevron* approach, and holds both that the term "hearing" in the AIA is ambiguous and that the PTO's decision to adopt formal adjudicatory procedures is reasonable, is also necessarily concluding that Congress intended to delegate interpretative authority to the PTO to determine the level of formality that should accompany the postgrant review proceedings. The latter delegation is larger than a grant of formal adjudicatory powers alone. Thus, a court that applies the *Chevron* framework and holds the use of formal procedures permissible is also determining that Congress intended the postgrant review proceedings to be effectuated by formal adjudication.

Finally, it should be noted that the PTO could choose to adopt more formal proceedings than Congress intended. Thus, if the Federal Circuit held that Congress did not intend for postgrant review to be effectuated through formal adjudication, the Agency may nevertheless adopt formal proceedings if it believes such procedures are prudent. In such a circumstance, the PTO's utilization of formal adjudication would not be sufficient to conclude that the Agency was granted force-of-law authority. As discussed above, the key inquiry to a force-of-law determination is the intent of Congress. As a result, the determining factor is whether Congress intended an agency to have formal adjudicatory powers, not whether an agency elects to utilize more formal procedures than Congress required.

In summary, it appears that only if courts adopt the approach of a presumption against formal procedures along with a high thresh-

124. See *supra* notes 101-11 and accompanying text.

125. See *supra* notes 101-11 and accompanying text.

hold for overturning the presumption, will they conclude that Congress did not require the Agency to utilize formal procedures in effectuating the postgrant review proceedings. If courts choose either to follow (1) the *Chevron* approach, (2) the presumption for formal procedures, or (3) the presumption against formal procedures but nonetheless choose to adopt a weak presumption, then the courts will conclude that Congress intended the PTO to adopt formal procedures when implementing the postgrant review proceedings. As a result, this Section concludes that a court will likely find that Congress desired the postgrant review proceedings to be effectuated through formal adjudication.

B. Force-of-Law Prerequisite

This Section examines whether the congressional conferral of formal adjudicatory powers to the PTO is sufficient to infer that the Agency has the ability to speak with the “force of law.”¹²⁶ The Section begins by developing a conceptual framework to determine when a grant of formal adjudicatory authority would be sufficient to infer a delegation of interpretative authority. The Section then turns to explore conceivable counterarguments.

At first glance, the application of the force-of-law concept to the PTO’s postgrant review proceedings appears to be relatively straightforward. The *Mead* Court was quite explicit that a congressional conferral of formal adjudicatory authority and exercise thereof generally satisfy the force-of-law requirement.¹²⁷ Thus, if a court determines that Congress intended the postgrant review proceedings to be effectuated through formal adjudication, the PTO’s interpretations of ambiguous terms of the Patent Act announced during postgrant review proceedings should be entitled to *Chevron* deference. Of course, *Mead* states that a congressional conferral of formal adjudicatory authority is a “very good indicator” that Congress intended to delegate legislative power to an agency, not

126. *United States v. Mead Corp.*, 533 U.S. 218, 221 (2001); *see also supra* notes 33-36 and accompanying text.

127. *Mead*, 533 U.S. at 229-30 (“We have recognized a very good indicator of delegation meriting *Chevron* treatment in express congressional authorizations to engage in the process of rulemaking or adjudication that produces regulations or rulings for which deference is claimed.”).

that it is dispositive of the intent of Congress.¹²⁸ If a subset of grants of formal adjudicatory authority exists that is insufficient to trigger the application of the *Chevron* framework, just what are the characteristics of these inadequate grants?

To date, the force-of-law requirement, especially in the context of formal adjudications, has suffered from a lack of judicial guidance and scholarly attention.¹²⁹ One exception is the scholarship of Thomas Merrill and Kristin Hickman, who have argued in favor of equating the force-of-law requirement with the power to render *binding* formal adjudication.¹³⁰ Merrill and Hickman admit that their approach fails to explain Supreme Court precedent, thus the binding requirement is, at best, a significant indicator of congressional delegation.¹³¹ Nevertheless, to the extent Merrill and Hickman's rule demarcates the types of formal adjudication that are sufficient but not necessary to meet the delegation of interpretative authority, it still provides valuable insight when applied to the PTO context. The PTO's legal decisions on the validity of a patent during a post-grant review proceeding are binding on all individuals who were parties to the hearing.¹³² Thus, under Merrill and Hickman's more

128. *Id.* at 229.

129. See Kristin E. Hickman, *The Need for Mead: Rejecting Tax Exceptionalism in Judicial Deferences*, 90 MINN. L. REV. 1537, 1601 (2006) ("The 'force of law' concept [is] a vague concept for which the Court has provided only minimal guidance."). Scholars and courts tend to conclude that a grant of formal adjudicatory power is accompanied with force-of-law authority. See, e.g., Benjamin & Rai, *supra* note 14, at 328; Kumar, *supra* note 37, at 1569; Rai, *supra* note 14, at 1280. Scholars have developed the concept in the context of rule making a bit more. See, e.g., Kristin E. Hickman, *Unpacking the Force of Law*, 66 VAND. L. REV. 465, 470-72 (2013) [hereinafter Hickman, *Unpacking*]; Thomas W. Merrill, *The Mead Doctrine: Rules and Standards, Meta-Rules and Meta-Standards*, 54 ADMIN. L. REV. 807, 827-30 (2002); Merrill & Watts, *supra* note 37, at 472.

130. Merrill & Hickman, *supra* note 31, at 890 ("An agency is charged with administering a statute only if it has been given delegated power to bind persons outside the agency with the force of law."). Merrill and Hickman posit that any type of adjudication—not just formal adjudication—with binding effect is sufficient to meet the force-of-law requirement. *Id.*

131. The Court has routinely extended *Chevron* deference to the National Labor Relations Board's (NLRB) legal positions adopted during formal adjudication, even though the NLRB is not empowered to issue orders that immediately bind the parties. See, e.g., *NLRB v. Curtin Matheson Scientific, Inc.*, 494 U.S. 775, 786-87 (1990); *Beth Israel Hosp. v. NLRB*, 437 U.S. 483, 500 (1978); *NLRB v. Hearst Publ'ns, Inc.*, 322 U.S. 111, 131 (1944); Merrill & Hickman, *supra* note 31, at 892 ("Thus, it appears that the force-of-law criterion is arguably underinclusive [in the context of the NLRB].").

132. 35 U.S.C. § 303(c) (2006).

stringent conceptualization of the force-of-law requirement, the *Chevron* framework would be applicable to the PTO.

Along a similar vein, Thomas Merrill suggested that a key variable in determining whether a grant of formal adjudication carries the power to speak with the force of law is the presence or absence of congressionally imposed sanctions or other adverse consequences for individuals who violate a policy announced during an agency's adjudication.¹³³ Similar to the binding requirement, Merrill readily admits that courts have failed to follow this approach consistently.¹³⁴ However, to the extent that penalties or other adverse consequences represent a sufficient but not necessary condition to infer a congressional delegation of power to act with the force of law, their application to the PTO is fruitful. Patent applicants who fail to heed the PTO's legal decisions announced during postgrant review will suffer a denial of their patent application.¹³⁵ Thus, again, an application of the adverse-consequence or penalty indicator provides for *Chevron* deference to the PTO's legal determinations announced during postgrant review.

Although the binding and penalty indicators are conceptually appealing, the fact that contemporary courts have not always acted consistently with these approaches suggests that further exploration of the force-of-law concept is warranted.¹³⁶ From a fundamental perspective, granting an agency formal adjudicatory authority that carries the power to speak with the force of law necessarily means that Congress intended the agency to make law and policy—or generalized determinations that may affect the rights of many—during its adjudications.¹³⁷ To date, the Supreme Court has near uniformly equated a grant of formal adjudicatory authority with the ability to speak with the force of law. In one of the few, possibly only, times the Supreme Court has found a conferral of formal adjudicatory

133. See Merrill, *supra* note 129, at 827-30.

134. *Id.* at 831-32 (noting that although both the Food and Drug Administration and the NLRB “have grants of rulemaking authority that include no provision for sanctions or other adverse consequences for rule violations,” these agencies’ rules are afforded *Chevron* deference).

135. Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7079 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42).

136. See *supra* note 134 and accompanying text.

137. See Merrill, *supra* note 129, at 827-29; *supra* note 37 and accompanying text.

powers to an agency insufficient to infer a delegation of interpretative authority, the Court faced resolving a dispute among two agencies regarding the interpretation of the Occupational Safety and Health Act (OSH Act) of 1970. More specifically, *Martin v. Occupational Safety & Health Review Commission* involved a split-enforcement model, wherein one agency, the Secretary of Labor, had rule-making authority and another agency, the Health Review Commission, had formal adjudicatory powers.¹³⁸ In concluding that the Health Review Commission lacked interpretative authority over the OSH Act, the Court emphasized that Congress intended the Health Review Commission to possess only the ability to make “findings of fact” and apply already-determined law “to those facts in making a decision.”¹³⁹ According to the Court, Congress intended the Commission to be viewed as nothing more than a “neutral arbiter.”¹⁴⁰

The Court’s conception that an agency charged only with fact-finding in individualized disputes lacks the ability to speak with the force of law suggests that the key inquiry in determining whether an agency has legislative power turns on Congress’s intent when it prescribed formal adjudication procedures: whether Congress intended the agency to act simply as a highly stylized adjudicator—deciding fact-intensive issues between parties—or whether it also intended the agency to make policy or law that affects the rights of many people. Under this conceptualization of a delegation of interpretative authority, strong evidence exists that Congress intended the PTO to speak with the force of law when it granted the Agency the power to partake in postgrant review.¹⁴¹ Congress did not view

138. 499 U.S. 144, 155 (1991).

139. The Court gave substantial weight to the fact that Congress granted rule-making authority to the Secretary and concluded that the Secretary, not the Commission, possessed interpretative authority over the OSH Act. *Id.* at 152-53. However, as discussed *infra* Part II.B.2, the Court has made clear that *Chevron* deference is not limited only to agencies that possess rule-making authority.

A number of lower courts that have held that the adjudicatory agency in a split-enforcement model lacks policy-making power also emphasized that the adjudicatory agency’s powers were limited to fact-finding only. *See, e.g.,* *Brennan v. Gilles & Cotting, Inc.*, 504 F.2d 1255, 1262 (4th Cir. 1974) (noting that when an agency has a grant of formal adjudicatory power but lacks a policy-making function, it means “the agency was charged only with fact finding”).

140. *Martin*, 499 U.S. at 155.

141. I use the term postgrant review in this paragraph—and only in this paragraph—not

postgrant review proceedings solely as an apparatus for determining individualized, factual disputes. Instead, the AIA envisioned the exact opposite. The AIA specifically states that postgrant review proceedings are to be used to decide “novel or unsettled legal question[s] that [are] important to other patents or patent applications”¹⁴²—or in other words, used to announce rules that govern a group of individuals. This statutory language provides strong support that Congress intended postgrant review to be accompanied with a policy-making or law-making ability.

This conclusion is further substantiated by the fact that the statutory basis for invalidating a patent during a postgrant review proceeding is substantially larger than the pre-AIA reexamination proceedings. While pre-AIA reexamination proceedings—and inter partes review—limited the grounds that could be raised to questions of novelty or nonobviousness on the basis of prior art consisting of patents and printed publications,¹⁴³ the new postgrant review allows challenges to be made on any grounds “relating to invalidity of the patent.”¹⁴⁴ Therefore, challengers utilizing the new postgrant review proceedings will be able to raise broad legal and policy issues regarding all of the patentability requirements. Allowing the PTO to decide all contours of patentability during the postgrant review also supports the notion that Congress intended the agency to play a larger policy-making function. Thus, the statutory language of the AIA, including its expansion in statutory basis for challenging patents, supports the conclusion that Congress viewed postgrant review proceedings as a law-making vehicle by which the PTO could announce patent law and policy determinations that affect the rights of many and carry the force of law.

Up until this point, this Section has focused on developing a theoretical framework for when a grant of formal adjudicatory authority satisfies the force-of-law requirement. Nevertheless, because courts overwhelmingly interpret *Mead* as establishing the norm that a congressional conferral of formal adjudicatory authority generally

to encompass inter partes review but only to include postgrant review.

142. AIA, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 307 (2011) (to be codified at 35 U.S.C. § 324(b)). This is true only for postgrant review. This additional language is not found in the sections of the AIA directed at inter partes review.

143. See *supra* note 80.

144. AIA § 6(d), 125 Stat. at 306 (to be codified at 35 U.S.C. § 321(b)).

satisfies the force-of-law requirement,¹⁴⁵ a query into whether the PTO should be an exception to this norm is fruitful. In answering this question, it is important to note that although scholars have amply criticized the *Chevron* and *Mead* decisions,¹⁴⁶ these cases articulated the legal framework that represents the current administrative law norms. As a result, patent exceptionalism to administrative law is justified only to the extent it is premised on the specific context of the patent system and not solely on the rehashing of arguments against the legal framework offered by *Chevron* and its progeny.

The rest of this Section addresses context-specific counterarguments as to why the PTO should be an exception to the norm that a grant of formal adjudicatory power carries with it interpretative authority. This Subsection concludes that conceivable counterarguments—such as the so-called major question exception, the fact that the PTO lacks robust substantive rule-making authority, and the existence of the Federal Circuit—are insufficient to justify such a departure. As a result, this Subsection ultimately concludes that the congressional conferral of formal adjudicatory authority to the PTO satisfies the force-of-law requirement.

1. *Too Big to Delegate*

Perhaps the strongest argument against granting *Chevron* deference to the PTO is the so-called major question exception to the *Chevron* framework. Under this exception, courts deem certain issues too significant to support an inference of congressional delegation based on statutory ambiguity.¹⁴⁷ In other words, courts,

145. *United States v. Mead*, 533 U.S. 218, 229 (2001).

146. *See, e.g.*, Cynthia R. Farina, *Statutory Interpretation and the Balance of Power in the Administrative State*, 89 COLUM. L. REV. 452, 456 (1989) (calling *Chevron* “a siren’s song, seductive but treacherous”); Jonathan T. Molot, *The Judicial Perspective in the Administrative State: Reconciling Modern Doctrines of Deference with the Judiciary’s Structural Role*, 53 STAN. L. REV. 1, 68-81 (2000) (arguing that *Chevron* deference undermines the role of the judiciary in our constitutional structure); Cass R. Sunstein, *Interpreting Statutes in the Regulatory State*, 103 HARV. L. REV. 405, 445-46 (1989) (arguing that *Chevron* is based on the legal fiction that ambiguity should be equated to delegation).

147. *See, e.g.*, *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 159 (2000) (“In extraordinary cases, however, there may be reason to hesitate before concluding that Congress has intended such an implicit delegation.”).

in “extraordinary cases,” have declined to uphold an implicit congressional delegation that satisfies the force-of-law directive, especially when such a delegation would represent a substantial change in the structure of an institutional system.¹⁴⁸

At first blush, the too-big-to-delegate doctrine appears to lend considerable support to denying *Chevron* deference to the PTO. Because the Agency’s substantive interpretations of the Patent Act are currently afforded no judicial deference,¹⁴⁹ granting *Chevron* deference to the PTO’s legal interpretations announced during postgrant review proceedings would represent a substantial change in the dynamics of the patent system.¹⁵⁰ Identifying the primary guardian of the patentability standards is likely a question of paramount import. Thus, one could argue that if Congress wanted the PTO to have interpretative authority, then it would have signaled its intent explicitly. For example, Congress could have specifically stated in the AIA that the PTO’s statutory interpretations of the Patent Act produced in postgrant review proceedings are entitled to strong judicial deference.

However, a closer examination of the major question exception suggests that its extension to the PTO context is suspect on at least two grounds. First, the series of Supreme Court cases that are frequently cited as applying the too-big-to-delegate doctrine do not turn exclusively on this criterion. Importantly, in each of the cases the Court performed a particularized analysis that gave substantial weight to compounding or additional factors that were also present. For example, in *FDA v. Brown & Williamson Tobacco Corp.*, the Court held that a grant of substantive rule-making authority coupled with ambiguity in the term “drug” in the Food, Drug, and Cosmetic Act (FDCA) was insufficient to infer that Congress delegated to the Food and Drug Administration (FDA) jurisdiction over tobacco products.¹⁵¹ Whereas the Court noted that the FDA had “asserted jurisdiction to regulate an industry constituting a significant portion of the American economy,”¹⁵² it gave substantial

148. *See id.* at 150.

149. *See supra* notes 58-76 and accompanying text.

150. *See* Wasserman, *supra* note 4, at 430 (noting that before the AIA, legal decisions by the PTO were afforded no deference).

151. 529 U.S. at 125-26, 131-33.

152. *Id.* at 159.

weight to the existence of six tobacco-specific statutes that were enacted after the FDCA.¹⁵³ The Court noted these subsequently enacted statutes not only failed to grant the FDA jurisdiction to regulate tobacco products, but “[i]n adopting each statute, Congress ... acted against the backdrop of the FDA’s consistent and repeated statements that it lacked authority under the FDCA to regulate tobacco.”¹⁵⁴

Similarly, in *Gonzales v. Oregon*, the Court found that a grant of rule-making authority coupled with statutory ambiguity in the Controlled Substances Act (CSA) was insufficient to show that Congress delegated interpretative authority to the Attorney General to restrict the use of controlled substances for physician-assisted suicide.¹⁵⁵ While the Court noted the magnitude of the question at stake—“Americans are engaged in an earnest and profound debate about the morality, legality, and practicality of physician-assisted suicide”¹⁵⁶—the Court emphasized the existence of a number of additional factors that weighed against an inference based on statutory ambiguity. For example, the Court stated that the language of the statutory provision granting rule-making authority to the Attorney General supported the delegation of a limited scope of authority over the federal drug laws—that is, authority limited to registration and marketing of controlled substances.¹⁵⁷ The Court further remarked that the structure of the CSA, which required the Attorney General to obtain medical advice from the Secretary of Health and Human Services, as well as the Attorney General’s overall lack of experience—both with the regulation of physician-assisted suicide and the restriction of controlled substances—also negated such an inference.¹⁵⁸ Thus, similar to *Brown & Williamson*, the Court’s decision did not turn solely on the presence of a so-called major question.

153. *Id.* at 140, 143-44.

154. *Id.* at 144.

155. 546 U.S. 243, 274-75 (2006).

156. *Id.* at 249 (quoting *Washington v. Glucksburg*, 521 U.S. 702, 735 (1997)).

157. *Id.* at 259 (“The Attorney General is authorized to promulgate rules and regulations and to charge reasonable fees relating to the registration and control of the manufacture, distribution, and dispensing of controlled substances and to listed chemicals.” (quoting 21 U.S.C. § 821 (2000 & Supp. V))).

158. *Id.* at 266 (citing *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S. 144, 153 (1991)).

Importantly, none of the compounding or additional factors discussed in *Brown & Williamson* or *Gonzales* are present in the PTO context. No statutes were subsequently enacted, nor did any institutional developments occur, that suggest Congress did not intend to give the PTO primary authority over the interpretations of the patentability requirements in the Patent Act. In fact, the sole source of the PTO's interpretative authority stems from a recently enacted statute that provides the first major overhaul of the patent system in over sixty years.¹⁵⁹ Unlike the Attorney General, the PTO has extensive historical familiarity with the patentability standards. The Agency makes close to 500,000 patentability decisions a year, and thus, the PTO is faced with making difficult substantive patent law determinations on a daily basis.¹⁶⁰

Even assuming that the dispositive factor in *Brown & Williamson* and *Gonzales* was that Congress did not intend to “alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes”¹⁶¹—Congress's conferral of formal adjudicatory power to the PTO is neither vague nor ancillary. First, because the AIA specifically states that postgrant review proceedings are to be utilized to decide “novel or unsettled legal question[s] that [are] important to other patents or patent applications,”¹⁶² it hardly seems that anything was hidden in a mousehole. In contrast, Congress appears to have explicitly recognized that the PTO's postgrant review proceedings accompanied a grant of law-making power. Second, unlike the implicit delegations at issue in *Brown & Williamson*—the meaning of the word “drug” in the FDCA¹⁶³—and *Gonzales*—the meaning of the phrase “legitimate medical purpose” in the CSA¹⁶⁴—the postgrant review proceedings were a foundational aspect of the recently enacted AIA. The PTO's new and modified proceedings

159. See *supra* Part I.B, II.A.

160. See *U.S. Patent Statistics Chart Calendar Years 1963-2012*, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last modified Mar. 19, 2013, 8:59 PM).

161. *Whitman v. Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001).

162. AIA, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 307 (2011) (to be codified at 35 U.S.C. § 324(b)). This is true only for postgrant review. This additional language is not found in the sections of the AIA directed at inter partes review.

163. *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 125 (2000).

164. *Gonzales v. Oregon*, 546 U.S. 243, 257 (2006).

occupied close to a quarter of the pages of the AIA¹⁶⁵ and are also accompanied by substantial legislative history discussing the contours of the proceedings.¹⁶⁶ Thus, the postgrant review proceedings are much more synonymous with elephants than they are with mouseholes.¹⁶⁷

Further, unlike the FDCA or the CSA, which were enacted well before the *Chevron* decision, Congress conferred formal adjudicatory authority to the PTO over eleven years *after* the *Mead* opinion. When Congress enacted the AIA, a conferral of substantive rule-making or formal adjudicatory authority was generally understood as sufficient to support an inference of an agency's ability to speak with the force of law.

2. *Is the Lack of Substantive Rule Making Fatal?*

Even though it is abundantly clear that agencies that possess both rule-making authority and formal adjudicatory powers can choose to speak with the force of law primarily through case-by-case adjudication,¹⁶⁸ the PTO possesses only the latter.¹⁶⁹ Moreover, the AIA declined to grant the PTO the robust substantive rule-making powers that had been proposed in earlier versions of the legislation.¹⁷⁰ One could argue that the PTO's lack of expansive rule-

165. AIA § 6, 125 Stat. at 299-313 (to be codified at 35 U.S.C. §§ 311-319, 321-329) (directing fourteen out of the fifty-nine pages of the Act towards inter partes and postgrant review).

166. See *supra* notes 109-11 and accompanying text.

167. See Megan M. La Belle, *Patent Law as Public Law*, 20 GEO. MASON L. REV. 41, 58 (2012) (noting that the postgrant review proceeding for challenging patent validity is "a primary feature" of the AIA).

168. Both the NLRB and the Federal Trade Commission (FTC) are known for heavily relying on formal adjudication to make policy. For the NLRB, see, for example, Mark H. Grunewald, *The NLRB's First Rulemaking: An Exercise in Pragmatism*, 41 DUKE L.J. 274, 274 (1991) ("Despite having been granted both rulemaking and adjudicatory power in its statutory charter more than half a century ago, the [NLRB] has chosen to formulate policy almost exclusively through the process of adjudication." (footnotes omitted)). For the FTC, see, for example, Paul R. Verkuil, *The Purposes and Limits of Independent Agencies*, 1988 DUKE L.J. 257, 263 ("Adjudication was the primary function of ... the Interstate Commerce Commission (ICC), and it was a substantial part of the business of the [FTC] as well.").

169. See *supra* notes 58-59 and accompanying text.

170. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 11 ("In addition to the authority conferred by other provisions of this title, the Director may promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions

making authority renders its legislative interpretations announced during postgrant review proceedings ineligible for *Chevron* deference. The Court's early *Chevron* jurisprudence left commentators and lower courts split on this very issue.¹⁷¹ The Federal Circuit weighed in on the debate in 1997, holding that substantive rule-making powers were a prerequisite for an agency's eligibility for *Chevron* deference.¹⁷² Whereas the Federal Circuit's decision may have been justified in light of the Court's jurisprudence at that time,¹⁷³ its reasoning is simply indefensible in light of subsequent Court precedent—most noticeably *Mead*.

Nothing in the *Mead* opinion, or ensuing Supreme Court opinions, supports the conclusion that only agencies with robust substantive rule-making authority are eligible for *Chevron* deference. In fact the *Mead* Court stated the exact opposite:

We have recognized a very good indicator of delegation meriting *Chevron* treatment in express congressional authorizations to engage in the process of rulemaking *or* adjudication that produces regulations or rulings for which deference is claimed. It is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of such force. Thus, the overwhelming number of our cases applying *Chevron* deference have reviewed the fruits of notice-and-comment rulemaking *or* formal adjudication.¹⁷⁴

of this title or any other law applicable to the United States Patent and Trademark Office or that the Director determines necessary to govern the operation and organization of the Office.”).

171. Merrill & Hickman, *supra* note 31, at 849 & n.83 (noting that courts were divided initially on whether agencies that lack legislative rule making are eligible for *Chevron* deference).

172. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) (noting that only agencies with legislative rule-making authority may be eligible for *Chevron* deference); *see also* Merrill & Hickman, *supra* note 31, at 849 n.83 (noting that the Federal Circuit has held “that [only] agencies without rulemaking authority are ineligible for *Chevron* deference”).

173. *See* Benjamin & Rai, *supra* note 14, at 299 n.157 (“The Federal Circuit had held earlier [in *Merck*] (consistent with Supreme Court precedent) that because the PTO did not have substantive rulemaking authority, *Chevron* deference did not apply to PTO regulations.”).

174. *United States v. Mead Corp.*, 533 U.S. 218, 229-30 (2001) (emphasis added) (footnotes omitted) (citations omitted).

Moreover, the Court's justification as to why formal procedures are generally sufficient to infer a delegation—that such procedures “foster ... fairness and deliberation”¹⁷⁵—arguably supports the conclusion that a grant of formal adjudication is just as likely as a grant of rule-making authority to satisfy the force-of-law requirement. At a minimum, the APA requirements of the trial procedures for formal adjudication foster as much transparency and normative values of accountability as the procedures that govern rule making.¹⁷⁶ Moreover, from a theoretical viewpoint, the trial-like protections that formal adjudication requires replicate many of the aspects of the judicial process more generally.¹⁷⁷ To the extent that society accepts that courts make binding law on a case-by-case basis because of the relative transparency and procedural protections of the judicial process, then the same should hold for formal adjudication.¹⁷⁸ This is not to say that the Court's emphasis on procedure has been universally praised.¹⁷⁹ However, critiques of the Court's procedure-based deference paradigm are directed at the general framework of *Chevron*, and they fail to provide a sufficient justification as to why the PTO should be treated as an exception.¹⁸⁰

175. *Id.* at 230.

176. See Hickman, *Unpacking*, *supra* note 129, at 520.

177. See *supra* notes 101-11, 120 and accompanying text.

178. Hickman, *Unpacking*, *supra* note 129, at 520.

179. See, e.g., David J. Barron & Elena Kagan, *Chevron's Nondelegation Doctrine*, 2001 SUP. CT. REV. 201, 204 (discussing the costs of focusing too much on APA procedures in determining whether *Chevron* deference applies).

180. Additionally, one could conceivably argue that certain structural aspects of the postgrant review proceedings suggest that Congress did not intend the PTO to speak with the force of law. Although this Article has argued that the enlarged basis for challenging a patent during a postgrant review proceeding supports a contention that Congress intended the Agency to be the primary interpreter of the Patent Act, one may posit that the time limitations associated with the new adjudicatory proceeding—a third party can only challenge an already-granted patent within nine months of its issuance—suggest the opposite. AIA, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 306 (2011) (to be codified at 35 U.S.C. § 321(b)). However, this time limitation is for postgrant review only, not inter partes review. Although it seems likely the Agency would be able to shape all aspects of substantive patent law standards during postgrant review, it is possible that certain strands of the patentability requirements, such as the enablement of after-arising technology, may elude PTO review within this nine-month window. See generally Kevin Emerson Collins, *Enable After-Arising Technology*, 34 IOWA J. CORP. L. 1083 (2009). Nevertheless, such time limits are ubiquitous in formal adjudicatory settings, especially within agencies that process applications or permits. For example, initial supplemental security income determinations made by the Social Security Administration can only be challenged in a formal adjudicatory proceeding within a specific time period. *Understanding Supplemental Social Security Income: Appeals Process*,

3. *Creation of the Federal Circuit*

Another possible argument against the application of general administrative law norms to the PTO is the creation of the Federal Circuit in 1982 by the Federal Courts Improvement Act (FCIA).¹⁸¹ The Federal Circuit's formation was driven largely by concerns over circuit courts arriving at inconsistent decisions about invalidity and infringement, which thus encouraged rampant forum shopping among them.¹⁸² Congress gave the Federal Circuit virtually exclusive jurisdiction over all patent appeals, creating a specialized court for reviewing patent decisions in order to bring more uniformity to the law.¹⁸³

At least two arguments exist for why the existence of the Federal Circuit casts doubt on granting *Chevron* deference to the PTO's validity determinations. First, the Federal Circuit is an expert court, and expertise is at least one of the animating principles of the *Chevron* opinion for granting strong judicial deference to an agency's legal interpretations.¹⁸⁴ To the extent the Federal Circuit possesses sufficient proficiency in patent law or innovation policy, the normative justification for applying the *Chevron* framework to the PTO is diminished. Second, one could argue that the FCIA signaled congressional intent for the Federal Circuit to be the primary interpreter of the Patent Act and that explicit delegation overcomes the later-enacted AIA's implicit delegation of interpretative authority

U.S. SOC. SECURITY ADMIN. (2013), <http://www.ssa.gov/ssi/text-appeals-ussi.htm> (noting that appeals must be filed within 60 days of the initial determination). Although the Social Security Administration possesses rule-making authority that allows the Agency to partake in law making over an arguably larger range of issues, for many years the Agency made law primarily through case-by-case adjudication. Thus, it seems unlikely that Congress intended the time limits associated with postgrant review to suggest the PTO lacked force-of-law authority.

181. Federal Courts Improvement Act (FCIA) of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified in scattered sections of 28 U.S.C.).

182. H.R. REP. NO. 97-312, at 20 (1981) (noting that "undue forum-shopping and unsettling inconsistency in adjudications" resulted from having patent cases appealed to the regional appellate courts).

183. The recent AIA further solidifies the Federal Circuit's jurisdiction over patent appeals by repealing the Supreme Court decision in *Homes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 831-32 (2002), which held that a patent law counterclaim does not serve as the basis for Federal Circuit jurisdiction because the well-pleaded-complaint rule governs. AIA § 19, 125 Stat. at 331-33 (amending 28 U.S.C. §§ 1295(a)(1), 1338(a) (2006)).

184. *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 865 (1984).

to the PTO.¹⁸⁵ Although the AIA was enacted after the FCIA, the FCIA can arguably be read as specifically speaking to who should be the primary interpreter of the patentability standards,¹⁸⁶ and thus it could affect the interpretation of the AIA. However, upon closer inspection, a number of reasons exist as to why altering the application of basic administrative law principles based solely on the existence of the Federal Circuit is misguided.

First, in its seminal decision *Dickinson v. Zurko*, the Supreme Court largely rejected the notion that the application of administrative law norms to the PTO should be modified due to the Federal Circuit's expertise.¹⁸⁷ In *Zurko*, the Court held that the APA provided the proper standard for reviewing the PTO's factual determinations, reversing the Federal Circuit's view that a less deferential standard of "clearly erroneous" governed.¹⁸⁸ The Court went on to reprimand the Federal Circuit for its endorsement of patent law exceptionalism, stating that "[t]he APA was meant to bring uniformity to a field full of variation and diversity," and that unjustified departures from administrative law norms frustrated this very purpose.¹⁸⁹ Although the Court acknowledged the expertise of the Federal Circuit, it nevertheless rejected the notion that such expertise justified a departure from current administrative law principles.¹⁹⁰

Second, although the FCIA signaled congressional intent for the Federal Circuit to be the primary interpreter of the Patent Act, several reasons support being wary of the idea that this explicit delegation trumps a *subsequent* implicit delegation of interpretative authority to the PTO. To begin, nothing in *Chevron* or its progeny support the claim that if Congress wants the PTO's legal decisions to receive *Chevron* deference, it must explicitly state as much. In fact, as discussed above, requiring explicit delegations is counter to

185. The Supreme Court has established that "the meaning of one statute may be affected by other Acts, particularly where Congress has spoken subsequently and more specifically to the topic at hand." *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000).

186. See Richard H. Seamon, *The Provenance of the Federal Courts Improvement Act of 1982*, 71 GEO. WASH. L. REV. 543, 583-84 (2003) (discussing the purposes of the FCIA).

187. 527 U.S. 150, 165 (1999).

188. *Id.*

189. *Id.* at 155.

190. *Id.* at 163-65 (stating that its judges will properly review PTO fact-finding "through the lens of patent-related experience" because "the Federal Circuit is a specialized court").

the very heart of *Chevron*—the innovative aspect of which was the extension of strong judicial deference to implicit delegations.¹⁹¹ Moreover, this argument must be rejected to the extent that it is based on the premise that Congress does not intend to delegate interpretative authority to an agency every time it confers formal adjudicatory authority. Even though commentators have lamented that the *Chevron* framework is largely based on a legal fiction, this critique is not specific to the PTO but takes aim at the Court's deference paradigm more generally.¹⁹² It is also highly unlikely that Congress “unambiguously expressed intent” in the FCIA to subsequently prevent strong deference to the PTO, as Congress enacted the FCIA two years before the Supreme Court announced the legal framework of *Chevron*, a decision that greatly expanded the instances in which courts owed agencies strong judicial deference.¹⁹³

Importantly, the underlying goal of the FCIA, to bring uniformity to patent law,¹⁹⁴ will not be disturbed by granting *Chevron* deference to the PTO's interpretations of ambiguous terms of the Patent Act. Because the PTO's legal determinations announced during post-grant review proceedings will carry the force of law, the Agency, just like the Federal Circuit did before, will be announcing substantive patent law standards that govern the entire nation. Moreover, a uniform body of patentability standards will be developed regardless of whether the courts or the Agency decide an unsettled legal question first. However, that body of law is more likely to be announced by the PTO than the courts. To help illustrate why, imagine that the issue of whether genes constitute patentable subject matter is unsettled. If the PTO decides this legal issue in a postgrant review proceeding before a district court is faced with such a decision, the

191. See *supra* notes 27-37 and accompanying text.

192. See, e.g., Duffy, *supra* note 31, at 193-99 (arguing that the APA supports the notion that Congress likely intended courts to exercise independent judgment on interpretative questions); Farina, *supra* note 146, at 471 (arguing that Congress's use of “equally expansive language in statutory schemes committed to judicial oversight ... seem[s] to undermine any notion” that agencies are preferred over courts to “interpret[] broad statutory mandates”). But see Lisa Schultz Bressman, Essay, *Reclaiming the Legal Fiction of Congressional Delegation*, 97 VA. L. REV. 2009, 2034-39 (2011) (marshalling evidence that calls into question whether Congress thinks about the delegation of interpretative authority when it writes statutes). Notably, most critiques take aim at inferring implicit delegations based on statutory ambiguity, not implicit delegations based on conferrals of formal adjudication or rule making.

193. *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984).

194. See *supra* note 182 and accompanying text.

Federal Circuit will likely uphold the Agency's decision under *Chevron* deference.¹⁹⁵ A district court that is later faced with the issue of whether genes constitute patentable subject matter will be bound by the Federal Circuit decision, as will later Federal Circuit panels. The PTO's viewpoint, assuming it conflicts with the lower court's decision, is still likely to prevail even if a district court decides the issue first and the Federal Circuit upholds the lower court decision. The Federal Circuit, under *National Cable & Telecommunications Ass'n v. Brand X Internet Services*, is obligated to uphold the PTO's interpretation of an ambiguous term even in the face of contrary judicial precedent.¹⁹⁶ As a result, granting the PTO primary interpretative authority over the core patentability standards will result in a uniform standard that governs the entire nation—the standard, however, is likely to be the one announced by the PTO, not the Federal Circuit.

Finally, it should be noted that although the PTO's role in crafting substantive patent law would be greatly elevated in this new paradigm, the Federal Circuit would continue to play a critical role in the development of patent law in at least three ways. First, the Federal Circuit would review the fruits of the PTO's postgrant review proceedings. In this role, the appellate court would continue to shape substantive patent law by determining both whether the relevant language of the Patent Act was ambiguous and, if so, whether the PTO's interpretation of that language was reasonable. Second, the court would also continue to play a significant role interpreting patent law during validity disputes and review of patent denials, although that role would be more circumscribed than it is presently. If, for example, litigants raise an issue that had been directly addressed by the PTO during a postgrant review proceeding and that interpretation had been upheld by the Federal Circuit, the appellate court would apply the PTO's determination without further interpretation. However, if a party raises a challenge to the validity of a patent that implicates an ambiguity in the PTO's interpretation or raises a question of first impression, the Federal Circuit would continue to decide in the first instance what

195. The Patent Act is ambiguous with respect to whether genes should be patentable, and the Agency's decision is likely to be reasonable. Accordingly, the Federal Circuit will uphold the PTO's decision regarding the patentability of genes.

196. 545 U.S. 967, 982-83 (2005).

the appropriate legal standard should be.¹⁹⁷ Third, the Federal Circuit would remain the primary interpreter of the sections of the Patent Act that are directed towards infringement and damages—standards the PTO would not address during a validity determination.

In sum, because Congress intended the postgrant review proceedings to be effectuated through formal adjudications and the ordinary principles of administrative law apply to the PTO, the *Chevron* step zero inquiry has been satisfied. Thus, the PTO's reasonable legislative interpretation of ambiguous terms of the Patent Act announced during postgrant review proceedings should be afforded *Chevron* deference.

C. Rejecting the Dominant Chevron Approach

Up to this point, this Section has not taken a position on which, if any, is the most desirable of the three approaches adopted by courts in determining the triggering provision of formal procedures. This Section addresses this normative question and provides a strong theoretical basis for rejecting the dominant *Chevron* approach. Imagine that the Federal Circuit applies *Chevron* deference to the PTO's decision, that the word "hearing" in the AIA requires the postgrant review proceedings to be effectuated through formal adjudication, and that it finds that a congressional conferral of formal adjudicatory powers is sufficient to satisfy the force-of-law requirement. The implication would be that the appellate court would give *Chevron* deference to the PTO's decision on whether its interpretations of the Patent Act should get *Chevron* deference. This piggybacking of *Chevron* appears to be in direct conflict with the Court's repeated statements that the applicability of the *Chevron* framework turns on the intent of Congress.¹⁹⁸ Although the adoption of formal procedures would not be without cost to the Agency—the administrative burden and the financial resources used by formal adjudications are substantially more than their informal counterparts¹⁹⁹—the potential payoff for adopting formal adjudicatory

197. See Dreyfuss, *supra* note 24, at 1-4.

198. See *supra* Part I.A.

199. See Berry, *supra* note 54, at 544 (highlighting the agency preference for "procedural efficiency" over "procedural formality," and that, "[g]iven the opportunity, agencies will

procedures—the possibility of obtaining *Chevron* deference for its legal interpretations of ambiguous terms in the Patent Act²⁰⁰—is substantial. As a result, the PTO will likely sacrifice the flexibility associated with informal procedures in an attempt to garner the ability to speak with the force of law. Because the decision of whether an agency’s own legal decisions should be entitled to *Chevron* deference is so conspicuously draped in self-interest, it seems almost unfathomable that Congress intended to delegate such authority to an agency.²⁰¹ Thus, this Article provides a compelling theoretical foundation for rejecting the *Chevron* approach to deciding the triggering provision of formal adjudications when, at least, the agency in question, like the PTO, did not previously possess the ability to speak with the force of law.²⁰²

usually choose informal procedures over formal ones”).

200. See *supra* Part II.A.

201. Merrill & Hickman, *supra* note 31, at 910-11 (“[I]t has never been maintained that Congress would want courts to give *Chevron* deference to an agency’s determination that it is entitled to *Chevron* deference.”). This is especially true in light of the fact that the PTO has shown a growing interest in elevating its role in the market for patent law, see Long, *supra* note 4, at 1966 (“For a while now, the PTO has been vying to gain more influence in the market for supplying legal rules and norms.”), including by seeking substantive rule-making authority, Letter from Gary Locke, Sec’y of Commerce, U.S. Dep’t of Commerce, to Senator Patrick J. Leahy, Chairman, Comm. on the Judiciary and Senator Jeffrey B. Sessions, III, Ranking Member, Comm. on the Judiciary (Oct. 5, 2009), available at <http://www.judiciary.senate.gov/resources/documents/111Documents.cfm>.

Moreover, courts have refused to apply deference to agency interpretations of statutory provisions that establish the right of judicial review largely out of concerns of agency self-interest—that agencies might be inclined to shelter their decisions from judicial review. See *Murphy Exploration & Prod. Co. v. U.S. Dep’t of the Interior*, 252 F.3d 473, 478-80 (D.C. Cir. 2001) (noting that *Chevron* does not apply to the provisions of a statute establishing rights of judicial review); see also LAWSON, *supra* note 47, at 464 (suggesting that it is unlikely that a court would give *Chevron* deference to agency interpretations of provisions providing for judicial review).

202. Interestingly, several scholars have argued that implied delegation and agency self-interest weigh against the application of *Chevron* to determine the triggering provisions of formal procedures. See, e.g., Berry, *supra* note 54, at 582-83; William S. Jordan, III, *Chevron and Hearing Rights: An Unintended Combination*, 61 ADMIN. L. REV. 249, 282-321 (2009); John F. Stanley, Note, *The “Magic Words” of § 554: A New Test for Formal Adjudication Under the Administrative Procedure Act*, 56 HASTINGS L.J. 1067, 1090 (2005) (arguing that *Skidmore* deference should be applied to an agency’s interpretation of “hearing” in § 554(a)). These scholars have been primarily occupied with the troubling observation that given a choice, agencies almost unilaterally elect informal over formal procedures, and thus, agencies sacrifice fairness and legitimacy in order to escape the burden and expense associated with formal adjudications. See, e.g., Berry, *supra* note 54, at 544. By failing to consider the implications for an agency, like the PTO, which lacks substantive rule-making procedures for

III. NORMATIVE CASE FOR DEFERENCE: COMPARATIVE INSTITUTIONAL ANALYSIS

This Article has thus far predominantly focused on the analytical question of how existing administrative law principles should apply to the judicial review of the PTO's legal interpretations. The previous Part showed first that Congress intended the PTO's postgrant review proceedings to be effectuated through formal adjudication, and second, that this grant of formal adjudicatory power was accompanied by the ability to speak with the force of law. Although this descriptive and analytical account is sufficient to guide courts, it does not address the normative question of how the institutional relationship between the PTO and the Federal Circuit should be structured. This Part begins this normative inquiry, taking as its baseline the principal goal of the patent system—the promotion of innovation.²⁰³ To guide this analysis, I draw on the large and growing body of literature on the topic of comparative institutional analysis.²⁰⁴ This Part does not purport to elucidate the ideal institutional arrangement between courts and agencies. Instead, the following discussion compares the relative strengths and weaknesses of the Federal Circuit and the PTO with respect to the two canonical institutional design considerations: expertise and avoidance of capture or bias.

A. *Expertise*

Scholars generally accept that the standards of patentability are fundamentally policy questions that need to be decided on the basis

electing *more* formal procedures, the current scholarship has largely overlooked an even more salient reason for why the *Chevron* approach should not be applied to determine whether provisions of formal procedures are triggered: the ability of an agency to adopt formal procedures and then assert that its legal determinations are entitled to *Chevron* deference.

203. U.S. CONST. art. I, § 8, cl. 8.

204. See, e.g., GUIDO CALABRESI, A COMMON LAW FOR THE AGE OF STATUTES (1982); HENRY M. HART, JR. & ALBERT M. SACKS, THE LEGAL PROCESS: BASIC PROBLEMS IN THE MAKING AND APPLICATION OF LAW (William N. Eskridge, Jr. & Philip P. Frickey eds., 1994); DONALD L. HOROWITZ, THE COURTS AND SOCIAL POLICY 22-67 (1977); Cass R. Sunstein & Adrian Vermeule, *Interpretation and Institutions*, 101 MICH. L. REV. 885 (2003).

of sound economic and technological insight.²⁰⁵ For example, consider patentable subject matter, which delineates the types of inventions that may be subject to patent protection. Section 101 of the Patent Act is quite broad, setting forth the subject matter that can be patented as “process[es], machine[s], manufacture[s], or composition[s] of matter.”²⁰⁶ Early on, the Supreme Court carved out abstract ideas, natural phenomena, and laws of nature from patent eligible subject matter. As the Supreme Court explained, these principles represent “the basic tools of scientific and technological work,”²⁰⁷ and they are “part of the storehouse of knowledge of all men[,] ... free to all men and reserved exclusively to none.”²⁰⁸ Thus, decisions on whether new inventions, such as genes, which may or may not fall within an exception, should be patent eligible are largely being driven by policy concerns of whether social welfare is enhanced or decreased by extending patents to these inventions.

As a result, there is near-universal agreement that the institution charged with creating sound patent policy needs access both to economic and to technological data, as well as sufficient expertise to analyze and interpret this information.²⁰⁹ Although one of the hallmarks of the comparative institutional literature is that agencies possess superior information-gathering procedures and technical expertise than courts,²¹⁰ the specialization of the Federal Circuit casts doubt on whether this norm should extend to the patent system. In fact, a number of scholars have argued that the Federal Circuit is the best institution to develop patent policy, in part because of the court’s expertise.²¹¹ Even taking into consideration the Federal Circuit’s specialization, this Section concludes that the PTO is more likely than the appellate court to possess the prerequi-

205. See, e.g., Rai, *supra* note 7, at 1037.

206. 35 U.S.C. § 101 (2006).

207. *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

208. *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948).

209. Burstein, *supra* note 5, at 1777-78 (“Patent policy in particular requires the application of technological and economic analysis to a set of legal tools ... set forth in the patent statute.”); Rai, *supra* note 14, at 1262 (“[E]xpertise in both economics and technology is a highly desirable attribute for any institution creating patent policy.”).

210. See Jaffe, *supra* note 1, at 324; Sunstein, *supra* note 19, at 2079.

211. See, e.g., BURK & LEMLEY, *supra* note 6, at 106-07 (arguing that the Federal Circuit should more actively tailor patent law to take into account differences in technological innovation).

site characteristics necessary to adjust the patentability standards towards an optimal innovation level.

To begin, the PTO, in general, enjoys superior mechanisms of gathering information necessary to make informed patent policy decisions. The agency conducts hearings,²¹² partakes in research studies,²¹³ and works closely with other expert federal agencies.²¹⁴ The PTO also engages in rule-making procedures, even when it is not legally obligated to do so, that are specifically designed to encourage interested parties to communicate relevant viewpoints and information to the Agency.²¹⁵ The PTO could expand this host of information-gathering techniques and rely upon them more heavily to collect the technological and economic data necessary to craft substantive patent law standards that promote innovation.

By contrast, like all appellate courts, the Federal Circuit is largely confined to the record developed by interested parties.²¹⁶ While it is true that litigants present expert witnesses that provide courts with scientific and technical information that may be critical to their decisional process, it is generally thought that these witnesses are biased towards their retaining party. The result is that in almost every case, the decision maker sees a “battle of the experts,” which likely diminishes the value of information garnered from such witnesses.²¹⁷ Moreover, it seems unlikely that individual parties,

212. The PTO has held public hearings on issues as diverse as the identification of prior art during the examination of a patent application, software patents, biotechnology, the twenty-year patent term, and provisional applications. *Public Hearings*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/web/offices/com/hearings/index.html> (last modified Aug. 1, 2007, 8:15 PM).

213. The PTO is studying a host of patent-policy issues as part of its fulfillment of its AIA requirements, including international protection for small businesses, prior-user rights, genetic testing, effects of first-to-file on small businesses, patent litigation, misconduct before the Office, satellite offices, virtual marking, and the implementation of the AIA. *AIA Studies and Reports*, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/aia_implementation/aia_studies_reports.jsp (last modified Jan. 4, 2013, 3:42 PM).

214. Rai, *supra* note 14, at 1249-62 (delineating the role of agency actors other than the PTO in shaping substantive patent law).

215. See, e.g., Guidelines for Examination of Patent Applications Under the 35 U.S.C. 112, ¶1, “Written Description” Requirement, 66 Fed. Reg. 1099 (Jan. 5, 2001).

216. See, e.g., Kenneth Culp Davis, *Judicial, Legislative, and Administrative Lawmaking: A Proposed Research Service for the Supreme Court*, 71 MINN. L. REV. 1, 10-17 (1986).

217. Cf. Adam Liptak, *From One Footnote, a Debate over the Tangles of Law, Science and Money*, N.Y. TIMES, Nov. 25, 2008, at A16 (“The legal system and the scientific method ... co-exist in a way that is really hard on truth.” (quoting Professor William R. Freudenburg)).

with arguably narrow interests in upholding or invalidating a patent, will even provide the court with the type of information necessary to make informed policy decisions, such as data on how broader or narrower patentability standards affect social welfare.²¹⁸

Although courts have some ad hoc mechanisms to increase their access to information, these approaches are poor substitutes for the information-gathering powers of agencies.²¹⁹ For example, while the Federal Circuit routinely considers amicus curiae briefs, the appellate court is still dependent on the amici submitting the right information necessary to adjust the standards of patentability to promote innovation. If such information is not submitted, the Federal Circuit cannot, unlike the PTO, order its own fact findings to make up for the deficiency.²²⁰

However, even assuming that the Federal Circuit had the same access to technological and economic data as the PTO, little reason exists to believe its ability to analyze and understand this information is superior to that of the PTO. Only a handful of the Federal Circuit judges hold scientific degrees.²²¹ Even considering that the majority of law clerks have a scientific background, the court's technical expertise is still quite limited. By contrast, the PTO employs close to 7000 patent examiners, all of whom have been scientifically trained.²²² In fact, many of the patent examiners hold advanced scientific degrees in the precise areas in which they work.²²³ Although patent examiners may not on a day-to-day basis partici-

218. Kevin Emerson Collins, *Even More Complex After All These Years: What the Complexity of the "How?" Question of Tailoring Claim Scope Has to Say About the "Who?" Question*, 1 IP THEORY 35, 39 (2010).

219. See, e.g., Burstein, *supra* note 5, at 1786-87.

220. *Id.* at 1787.

221. Judge Newman and Judge Lourie hold Ph.D.s in chemistry, *Judges*, U.S. CT. OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/judges> (last visited Mar. 31, 2013), Judge Moore holds an M.S. in science, *Kimberly A. Moore, Circuit Judge*, U.S. CT. OF APPEALS FOR THE FED. CIR., <http://cafc.uscourts.gov/judges/kimberly-a-moore-circuit-judge.html> (last visited Mar. 31, 2013), and Judge Linn holds a bachelor's degree in electrical engineering, *Richard Linn, Circuit Judge*, U.S. CT. OF APPEALS FOR THE FED. CIR., <http://cafc.uscourts.gov/judges/richard-linn-circuit-judge.html> (last visited Mar. 31, 2013).

222. See, e.g., U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT, FISCAL YEAR 2011, at 10 (2011), available at <http://www.uspto.gov/about/stratplan/ar/USPTOFY2011PAR.pdf> (noting that at the end of the fiscal year of 2011, the PTO employed 6780 patent examiners).

223. *Patent Examiner Positions*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/web/offices/pac/exam.htm> (last modified Nov. 16, 2003, 7:21 AM).

pate in the development of guidelines or other documents that represent the PTO's viewpoint on patent policy, they are at the disposal of the Agency when needed.²²⁴

The Federal Circuit fares even worse when its economic proficiency is considered. None of the Federal Circuit judges or their technical personnel are trained in economics.²²⁵ Thus, even if economic data was provided to the court through some means, the judges are highly unlikely to be able to evaluate the merits of such studies. They will not, for example, be able to determine methodological shortcomings of the empirical investigations, such as selection effects or data-gathering bias. Nor are they likely to be able to fully appreciate the limitations on the conclusions that can be made from these studies—that is, whether the study demonstrates only a correlation or whether casual inferences may be drawn.

Further, even though the court's jurisprudence has been routinely criticized for being formalistic and failing to consider policy,²²⁶ the court has shown little interest in developing an innovation policy expertise.²²⁷ The appellate court's hesitancy to embrace an explicit policy-making function is, in some ways, understandable. Unequivocal policy pronouncements are somewhat antithetical to judicial decision-making norms. Yet, at the same time, it is difficult to understand the court's role, especially when deciding the meaning of an ambiguous term of the Patent Act, as not involving a policy determination. As noted earlier, the heart of the gene-patent debate is whether society would be better off with or without patents on genes.

Notably, in contrast to courts, agencies are expressly charged with making policy and weighing the costs and benefits of compet-

224. Thus, the group of policy experts at the PTO has continuous access to a vast wealth of scientific expertise to help elucidate the underlying technological issues animating the policy decision at hand.

225. See, e.g., *supra* note 221.

226. See, e.g., Rai, *supra* note 7, at 1103-10; John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 773-75 (2003).

227. Many of its judges flatly refute that the Federal Circuit engages in any sort of policy making. Colleen V. Chien, *Patent Amicus Briefs: What the Courts' Friends Can Teach Us About the Patent System*, 1 U.C. IRVINE L. REV. 397, 398 & n.6 (2011) (“[Federal Circuit] judges insist that they do not ‘make policy’ but instead decide disputes between parties.”); Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 803 & n.70 (2010).

ing outcomes. Such explicit authority enables agencies to more fully embrace a policy-making role of making discretionary judgments based on a range of competing options. Even with such intellectual freedom, the PTO has historically lacked robust economic expertise that is needed to make informed policy decisions.²²⁸ Unlike other agencies that specialize in technological innovation, the PTO has never employed a large number of policy-oriented thinkers or economists. Importantly, the Agency has recently made strides to rectify this shortcoming. In 2010 the PTO created an Office of the Chief Economist.²²⁹ This Office had an immediate impact on the Agency's decision making.²³⁰ Although ample room still exists to improve the PTO's personnel and infrastructure so that the Agency can make sound economic judgments, the creation of the Office of the Chief Economist represents an important victory—a recognition by the PTO and the executive branch of the import of expertise in innovation policy in patent law decision making.

Moreover, the enactment of the AIA makes future reforms to the PTO considerably more likely.²³¹ Perhaps most significantly, the AIA granted the PTO fee-setting authority, which enables the chronically underfunded Agency to raise revenue to support a robust innovation policy group.²³² Thus, although the PTO's current structure is not optimal for promoting innovation policy by tailoring patentability standards, the Agency has the potential to change into one that does. In contrast, little hope exists that the Federal Circuit will ever possess the requisite expertise or institutional design needed to achieve the underlying goals of the patent system.

228. Rai, *supra* note 7, at 1132-33.

229. *Office of Chief Economist*, U.S. PAT. & TRADEMARK OFF., <http://www.uspto.gov/ip/officechiefecon> (last visited Mar. 31, 2013).

230. For example, the PTO's recent rules regarding its fees were based on economic modeling. U.S. PATENT & TRADEMARK OFFICE, DETAILED APPENDICES: PATENT FEE PROPOSAL (2012), available at http://www.uspto.gov/aia_implementation/fee_setting_-_ppac_hearing_appendices_7feb12.pdf.

231. AIA, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316-20 (2011) (to be codified in scattered sections of 35 U.S.C.).

232. *Id.* The AIA also mandates that the PTO take into account explicit policy concerns—for example, “national economy or national competitiveness”—when prioritizing examinations for important technologies. *Id.* § 25, 125 Stat. at 337-38. The Agency will almost necessarily need to expand its policy-making apparatus to the extent it is going to properly effectuate the new statute.

B. Capture and Institutional Bias

Even though expertise may give rise to distinctive advantages with respect to institutional competence, specialization has an associated drawback—the potential of “capture.” An institution’s repeated interaction with particular groups holding narrow interests may result in at least two pathologies. First, an institution may develop “tunnel vision,” pursuing its own technocratic worldview without sufficient regard for larger normative concerns.²³³ Second, a narrow set of rights holders may directly capture an institution’s viewpoints. The latter concern stems from the logic that concentrated, well-financed groups are more likely than diffuse, less organized entities to influence decision makers.²³⁴ The result in either situation is that the institution will systematically make decisions that favor the interest of a narrow set of constituencies over those of the general public.

The concerns associated with capture theory are most frequently attributed to agencies that have repeated interactions with their regulatory constituents that could lead to distortions in agency decision making. More recently, scholars astutely observed that the adjudicative process is also susceptible to the influence of interest groups and expanded the applications of the theory to the judiciary as well.²³⁵ Of course, beyond capture concerns, other institutional structures may exist that also systematically bias the organization’s decision making. Although these influences may not be directly related to expertise, any bias in an institution’s decisional process is concerning—whether the institution is a court or an agency.

Like many agencies, the PTO is not immune from charges of capture or institutional bias. The Agency has traditionally been

233. See, e.g., STEPHEN BREYER, *BREAKING THE VICIOUS CIRCLE: TOWARD EFFECTIVE RISK REGULATION* 11-19 (1993).

234. See MANCUR OLSON, *THE LOGIC OF COLLECTIVE ACTION: PUBLIC GOOD AND THE THEORY OF GROUPS* 53-57, 132-34 (1971); Einer R. Elhauge, *Does Interest Group Theory Justify More Intrusive Judicial Review?*, 101 *YALE L.J.* 31, 32 (1991).

235. Elhauge, *supra* note 234, at 67-68 (“[T]he same interest groups that have an organizational advantage in collecting resources to influence legislators and agencies generally also have an organizational advantage in collecting resources to influence the courts.”); Marc Galanter, *Why the “Haves” Come Out Ahead: Speculations on the Limits of Legal Change*, 9 *LAW & SOC’Y REV.* 95, 97-104 (1974) (noting that repeat players have advantages over parties that utilize the judiciary less frequently).

structured to favor patent grants. My previous work has shown that the PTO's historical fee structure likely biased the PTO towards issuing patents because the Agency garnered over half of its patent operating budget through fees it could collect only if it granted patents.²³⁶ Moreover, widespread agreement among scholars exists that the historical examiner compensation system favored allowance.²³⁷ Notably, all that is being asked of the PTO is to grant patents. The patent prosecution process occurs *ex parte*; no third party is present to argue that a patent should not be issued. These constant one-way demands to issue patents raise concerns that the Agency may develop tunnel vision. In fact, the Agency's past rhetoric that its mission includes "help[ing] customers get patents" reveals a culture that appears to be unduly influenced by the interests of patentees.²³⁸

However, the PTO has made strides to overcome this pathology. The Agency recently revamped its examiner compensation system, among other things, to diminish incentives to grant patents.²³⁹ Recent empirical work by Mark Lemley and Bhaven Sampat finds a correlation between the length of patent examiner experience and an examiner's propensity to grant a patent, and suggests that the incentives facing examiners are much more complicated than they were typically perceived.²⁴⁰

The passage of the AIA should further help alleviate some concerns of capture or bias. Because Congress granted the PTO fee-setting authority, the Agency has taken steps, at least to some extent, to decrease its reliance on patent issuance fees.²⁴¹ The

236. Michael D. Frakes & Melissa F. Wasserman, *Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO's Granting Patterns*, 66 VAND. L. REV. 67 (2013).

237. See, e.g., Long, *supra* note 4, at 1990-91 ("Internal PTO practices create a bias in favor of granting patents."); Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 607 (1999) ("Consequently, the only way to earn bonus points with confidence is to allow a patent application.").

238. U.S. PATENT & TRADEMARK OFFICE, *Patent Business, in* CORPORATE PLAN—2001, at 23 (2001), available at <http://www.uspto.gov/web/offices/com/corpplan/pt04.pdf>.

239. Wasserman, *supra* note 4, at 419 & n.150.

240. Mark A. Lemley & Bhaven Sampat, *Examiner Characteristics and Patent Office Outcomes*, 94 REV. ECON. & STAT. 817 (2012) (finding that more-experienced examiners are more likely to grant patents than less-experienced examiners).

241. U.S. PATENT & TRADEMARK OFFICE, ATTACHMENT 1: TABLE OF PATENT FEE CHANGES 2 (2012), available at http://www.uspto.gov/aia_implementation/fee_setting_-

enactment of robust postgrant review proceedings should broaden the Agency's perspective, as the PTO will now routinely interact with constituents that are arguing to narrow the scope of patent law. Additionally, the low-cost design of the postgrant review proceedings will hopefully enable substantial participation from public interest groups, whose primary focus is the protection of the public domain.²⁴² The result should be increased awareness, promoting innovation not only by granting patent but also by protecting the public domain. Nevertheless, like all agencies, capture remains a point of concern with the PTO.

Agency capture, however, represents a substantial objection to extending *Chevron* deference to the PTO only to the extent that the judicial alternative is superior. The specialization of the Federal Circuit has led some commentators to suggest that the appellate court is prone to the same institutional pathologies of tunnel vision and bias of which they have accused the PTO.²⁴³ The Federal Circuit hears disproportionately from the patent bar and has increasingly begun to draw its technical staff—most notably its clerks—from patent law firms.²⁴⁴ Although intellectual property law firms represent both plaintiffs and defendants in patent litigation, they are generally likely to benefit from broad patent rights, especially with respect to patentable subject matter.²⁴⁵ As Arti Rai recently noted, empirical data on amicus briefs supports this contention: patent bar associations file amicus briefs in favor of patentees at a significantly

_ppac_hearing_attachment_1-table_of_patent_fee_changes_7feb12.pdf (stating that the PTO's new fee schedule decreases issuance fees by 53 percent). Notably, the new fee structure increases renewal fees. Empirical studies are needed to determine the extent to which the new fee structure creates any distortions in the agency's decision making, including a granting bias.

242. See H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (describing the postgrant review proceedings "as providing quick and cost effective alternatives to litigation").

243. See, e.g., Kumar, *supra* note 37, at 1608 ("[T]he Federal Circuit has the disadvantage of having been structured from the beginning to meet the needs of patent interest groups."); Rai, *supra* note 7, at 1110 (discussing tunnel vision in the Federal Circuit); see also Dreyfuss, *supra* note 24, at 3 ("[J]udges ... are susceptible to 'capture' by the bar that regularly practices before them."); Long, *supra* note 4, at 1971 ("Judges in specialized courts may come to identify a little too closely with the areas of law in which they specialize.").

244. In contrast to fifteen years ago, I have seen that the Federal Circuit now hires the overwhelming majority of its clerks from law firms rather than from law schools.

245. See, e.g., Rai, *supra* note 14, at 1271 ("Although patent lawyers may represent both plaintiffs and defendants in cases, associations of patent lawyers are often perceived as being quite pro-patentee."); Rai, *supra* note 7, at 1110 & n.340.

higher rate than the government or high-tech companies.²⁴⁶ More directly, the court's patent law jurisprudence has exhibited some symptoms that are consistent with bias. Several commentators have noted that Federal Circuit precedent has trended towards strengthening patent rights.²⁴⁷ Empirical evidence also suggests that the Federal Circuit has propatentee tendencies.²⁴⁸ The Supreme Court's renewed interest in the development of substantive patent law and its repeated reversal of Federal Circuit jurisprudence is also suggestive of tunnel vision.²⁴⁹ Definitively proving capture of an agency or a court is difficult, if not impossible. Some scholars have certainly taken issue with the notion that the patent bar has captured the Federal Circuit.²⁵⁰ Nevertheless, the possibility that the Federal Circuit's decision-making process is unduly influenced by factions, at the very least, gives pause to dismissing the concept of the PTO playing a larger role in patent policy based on agency capture alone.²⁵¹

246. See Chien, *supra* note 227, at 423-24 nn.155-56 (noting that Bar/IP associations file in support of patentees 55 percent of the time, whereas high-tech companies file in support of the patentee only 5 percent of the time, and the government files in support of the patentee only 28 percent of the time).

247. See, e.g., Dreyfuss, *supra* note 8, at 789 (“[O]bservers of the patent system have voiced increasingly vociferous complaints about the state of patent jurisprudence, and by extension about the Federal Circuit.”).

248. See, e.g., ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 104-06 (2004) (noting that the Federal Circuit is significantly more likely to find patents valid and infringed upon than were its predecessors, the regional appellate courts); John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205-06 (1998) (noting that the overall rate of district courts determining validity in a manner favorable to patentees is higher after the creation of the Federal Circuit than it was before).

249. See, e.g., Dreyfuss, *supra* note 227, at 792-93 (chronicling the Supreme Court's reversal of the Federal Circuit).

250. See, e.g., John Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 683 (2009) (“[T]he notion that the Federal Circuit may be systematically promoting pro-patent or pro-litigation policy because of its intellectual capture by the patent bar seems substantially implausible.”); Rai, *supra* note 7, at 1110-14.

251. Finally, little reason exists to believe that the PTO is more prone to capture than other federal agencies that have long enjoyed substantial powers to craft policy and make law. At least with the patent system, the two most influential and well-organized constituents tend to hold divergent viewpoints on many of the significant issues in patent law. See Long, *supra* note 4, at 1992-93 (“[T]he major interest groups with something at stake in patent law—the pharmaceutical industry and the software industry—have generally proven to be well-

Beyond concerns of capture or of an institutional bias to allow patents, granting the PTO primary interpretive authority over the core patentability standards may give rise to a fear that the Agency's policy decisions will be overly influenced by its production function—that is, its growing backlog of unreviewed patent applications.²⁵² Michael Abramowicz and John Duffy have noted that “PTO officials might become too focused on the agency's own workload problems” to fully account for the nuances of the policy issues at stake.²⁵³ As a result, Abramowicz and Duffy conclude that the Agency may favor bright line rules that can be quickly applied in an effort to speed up the processing of patent applications but may also prevent the fine tuning needed to optimize innovation policy.²⁵⁴

Again, however, a concern that the PTO may be overly concerned with the administration of substantive patent law represents a significant opposition to extending *Chevron* deference to the Agency only to the extent this pathology is absent in Federal Circuit decision making. The appellate court, however, has also been charged with favoring bright line, formulistic rules that may be oversimplifying the policy interests at stake in the development of substantive patent law. Numerous scholars have noted the Federal Circuit's penchant for easy-to-apply rules.²⁵⁵ Moreover, the Supreme Court's pattern of repeatedly overturning the Federal Circuit's bright line rules, while concurrently emphasizing the need for more flexible standards, provides further evidence that the appellate court may be giving too much weight to the administration of its pronouncements.²⁵⁶ Thus, concerns that the Agency's substantive law determi-

organized and balanced on opposite sides of many key issues in patent law and policy.”).

252. U.S. PATENT & TRADEMARK OFFICE, *supra* note 222, at 23 fig. 8 (noting the PTO currently has a backlog of 660,000 patent applications awaiting substantive review).

253. Michael Abramowicz & John F. Duffy, *Ending the Patenting Monopoly*, 157 U. PA. L. REV. 1541, 1561-62 (2009).

254. *Id.*

255. *See, e.g.*, Dreyfuss, *supra* note 8, at 795-96 (noting that Federal Circuit jurisprudence displays an overconcern for precision at the expense of accuracy); Rai, *supra* note 7, at 1115 (noting that “there can be no serious dispute that the Federal Circuit's jurisprudence is formalist in its orientation”); Thomas, *supra* note 226, at 774 (noting that the Federal Circuit patent jurisprudence “runs a common thread: the drift toward simple rules”).

256. *See, e.g.*, *Bilski v. Kappos*, 130 S. Ct. 3218 (2010) (rejecting the Federal Circuit's machine-or-transformation test for patentable subject matter and adopting a more flexible approach), *rev'g* 545 F.3d 943 (Fed. Cir. 2008); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (rejecting the Federal Circuit's rigid teaching-suggestion-motivation test for

nations may be influenced by its production function alone do not appear to represent a significant obstacle to granting the PTO *Chevron* deference.

In sum, the PTO possesses superior pathways to acquire technological and economic data, as well as the expertise to evaluate and analyze this information to craft substantive patent law standards to promote innovation. Even though neither the Federal Circuit nor the PTO has historically shown strength in policy making, the PTO has recently made significant strides to correct this deficiency. Moreover, although agencies in general are more likely to be captured by organized interests, the fact that the Federal Circuit has exhibited symptoms consistent with tunnel vision at times suggests that this concern is not significant enough to outweigh the PTO's associated benefits of expertise. Thus, this Section ultimately concludes that both expertise and the avoidance of capture support the Federal Circuit granting *Chevron* deference to the PTO.

CONCLUSION

This Article has argued that the AIA rejects over two hundred years of court dominance in patent policy by granting the PTO, for the first time, the power to interpret the core patentability standards with the force of law. While an application of administrative law principles to the AIA has substantial implications for the roles of patent institutions, it also, as the Article argues, produces a normatively desirable result. Making the PTO the primary interpreter of the core patentability standards ushers the patent system into the modern administrative era, which has long recognized the deficiencies associated with judge-driven policy. This Article, however, leaves for future research whether enabling the PTO to speak

nonobviousness and adopting a more flexible approach), *rev'g* 119 Fed. App'x 282 (Fed. Cir. 2005); *Merck KGaA v. Integra Lifescis. I, Ltd.*, 545 U.S. 193 (2005) (rejecting the Federal Circuit's contention that the statutory use exception applies only to generic drugs and adopting a more flexible approach), *vacating* 331 F.3d 860 (Fed. Cir. 2003); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002) (rejecting the Federal Circuit's view that narrowing amendments made during the prosecution of a patent were a complete bar to the doctrine of equivalents and adopting a more flexible approach), *vacating* 234 F.3d 558 (Fed. Cir. 2000).

2013]

THE CHANGING GUARD OF PATENT LAW

2019

with the force of law only through case-by-case adjudication, rather than by robust substantive rule-making authority, is ideal.