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5 U.S.C. § 553: Patent Elephants in Process Mouseholes

THOMAS G. FIELD, JR.*

As the district court in *Tafas v. Duda (Tafas I)*¹ recounted, in 2006, the U.S. Patent and Trademark Office (USPTO) proposed to limit numbers of continuing patent applications, requests for continued examination, and claims that could be made as a matter of right.² In 2007, following notice and comment procedures that generated hundreds of comments, many critical, the USPTO published final rules consonant with those objectives.³

The district court in *Tafas I* issued a preliminary injunction⁴ and ultimately rejected those rules, saying “[b]ecause the USPTO’s rulemaking authority under 35 U.S.C. § 2(b)(2) does not extend to substantive rules, and because the Final Rules are substantive in nature, the Court finds that the Final Rules are void as ‘otherwise not in accordance with law’ and ‘in excess of statutory jurisdiction [and] authority.’”⁵

Had the rules been seen as procedural, the court would have been forced to address several other issues that are discussed below. In-

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1. 541 F. Supp. 2d 805 (E.D. Va. 2008), *appeal dismissed per stipulation sub nom. Tafas v. Kappos*, No. 2008-1352, 2009 WL 3806451 (Fed. Cir. Nov. 13, 2009). On October 8, 2009, the USPTO issued Press Release 09-21, stating: “We are grateful to GlaxoSmithKline for working with us to file [a] joint motion to both dismiss the appeal and vacate the district court’s decision.” Press Release, United States Patent and Trademark Office, USPTO Rescinds Controversial Patent Regulations Package Proposed by Previous Administration (Sept. 21, 2009), available at http://www.uspto.gov/news/09_21.jsp.

2. *Tafas I*, 541 F. Supp. 2d at 809.

3. *Id.*

4. *Id.* at 810.

5. *Id.* at 817 (alteration in original) (quoting 5 U.S.C. § 706(2) (2006)).

stead, it wrote “because the Court believes that one who judges least judges best, it will not reach the other issues raised by the parties, resting instead on the determination of a single dispositive issue,”⁶ i.e., that the rules are substantive and beyond the USPTO’s rulemaking authority.

That authority, previously contained in 35 U.S.C. §§ 6(a)⁷ and 31,⁸ is currently set out in § 2(b)(2).⁹ Subsections 2(b)(2)(A) and (D) clearly correspond respectively to those earlier provisions. What subparagraphs C, E, and F contribute is unclear, but only § 2(b)(2)(B) is of interest here.

The USPTO apparently argued that, because of reference to § 553, the rulemaking provision of the Administrative Procedure Act (APA),¹⁰ subsection B confers general authority to make rules.¹¹

6. *Id.* at 811.

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

8. *See* Sperry v. Florida *ex rel* Fla. Bar, 373 U.S. 379, 403–04 (1963).

9. (b) Specific powers.—The [USPTO] . . . (2) may establish regulations, not inconsistent with law, which—

(A) shall govern the conduct of proceedings in the [USPTO];

(B) shall be made in accordance with section 553 of title 5;

(C) shall facilitate and expedite the processing of patent applications, . . . subject to the provisions of section 122 relating to the confidential status of applications;

(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the [USPTO], and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the [USPTO];

(E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities . . . ; and

(F) provide for the development of a performance-based process . . . for evaluating cost-effectiveness and is consistent with the principles of impartiality and competitiveness

35 U.S.C. § 2(b)(2).

10. Courts sometimes refer to section numbers of the original Act, but the APA was repealed and enacted as positive law by the Act of Sept. 6, 1966, Pub. L. No. 89-554, 80 Stat. 378. It would have been helpful had original numbering been

The argument seems to be based on the idea that reference to § 553 would be unnecessary because § 553(b) exempts procedural rules.¹² Under that view, authors of 35 U.S.C. § 2(b)(2)(B) must have had substantive rules in mind.¹³ This would, however, ignore subsection D, which authorizes substantive standards to govern all who practice before the USPTO.¹⁴

Rules governing practice not being considered, the court pointed out that, with one arguable exception,¹⁵ courts have never acknowledged what might be seen as substantive rulemaking authority in the USPTO.¹⁶ Moreover, in *Merck*, the Federal Circuit denied it.¹⁷ Because the court in that case had no reason to consider the rules of practice, it was able to state:

[T]he broadest of the [USPTO's] rulemaking powers—35 U.S.C. § 6(a)—authorizes the Commissioner to promulgate regulations directed only to “the conduct of proceedings in the [USPTO]”; it does NOT grant the Commissioner the authority to issue substantive rules. Because Congress has not vested the Commissioner with any general substantive rulemaking power, the “Final Determination” at issue in this case cannot possibly have the “force and effect of law.” Thus, the rule of controlling deference set forth in *Chevron* does not apply. Such deference as we owe . . . [arises from

retained or modified in an obvious way, but it was not. Original sections 2 through 9 correspond to 5 U.S.C. §§ 551–558, but section 10 was subdivided to become 5 U.S.C. §§ 701–706. Compare Administrative Procedure Act §§ 2–10, ch. 324, 60 Stat. 237, 237–44 (1946), with 80 Stat. at 381–88, 392–93. Worse, section 12 is now 5 U.S.C. § 559, obscuring a command that the Act control absent longstanding practice or contrary requirements in statutes bearing more directly on the issue in question. Compare § 12, 60 Stat. at 244, with 80 Stat. at 388. The last seems to have contributed to the confusion partly resolved by *Dickinson v. Zurko*, 527 U.S. 150, 154–55 (1999).

11. See *Tafas I*, 541 F. Supp. 2d at 812.

12. See, e.g., *Fressola v. Manbeck*, Civ. A. No. 92-0939 (WBB), 1995 WL 656874, at *3 (D.D.C. Mar. 30, 1995).

13. *Tafas I*, 541 F. Supp. 2d at 812.

14. See 35 U.S.C. § 2(b)(2)(D).

15. See *In re Van Ornum*, 686 F.2d 937, 945 (C.C.P.A. 1982).

16. *Tafas I*, 541 F. Supp. 2d at 813.

17. 80 F.3d at 1550.

the USPTO's] power to persuade if lacking power to control.¹⁸

Thus, *Tafas I* found the idea of binding substantive rulemaking authority to represent a radical departure from precedent—as well as at odds with Congressional intent, which tends to deny such authority.¹⁹ The opinion stated:

The requirement of compliance with Section 553 cannot be read as creating substantive rulemaking authority by implication. *See Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001) (“Congress . . . does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions—it does not, one might say, hide elephants in mouseholes.”).²⁰

Rather than accept the idea that § 2(b) delegates substantive rulemaking authority, *Tafas I* interpreted the § 553 reference to signal that “the USPTO must engage in notice and comment rulemaking when promulgating rules it is otherwise empowered to make—namely, procedural rules.”²¹ Being equivalent to finding a much larger elephant in the same mousehole, that hypothesis has little to commend it.

Indeed, the USPTO's obligation to adopt procedural rules only after notice and comment was soon convincingly rejected by the Federal Circuit in *Cooper Technologies Co. v. Dudas*.²² The opinion noted: “By its own terms, section 553 does not require formal notice of proposed rulemaking for ‘interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice.’”²³ The significance of that statement is undercut, however, because the

18. *Id.* (citations omitted). As that language makes clear, the question is not so much whether the USPTO has the capacity to *make* its substantive views *known* as whether the courts must *defer* to them. *See, e.g.,* Thomas G. Field, Jr., *Chevron Deference to the USPTO at the Federal Circuit*, 11 FED. CIR. B.J. 773, 773 (2002) (discussing *Merck* and some later Federal Circuit opinions applying *Chevron*).

19. *Tafas I*, 541 F. Supp. 2d at 812.

20. *Id.*

21. *Id.*

22. 536 F.3d 1330, 1336–37 (Fed. Cir. 2008).

23. *Id.* at 1336 (quoting 5 U.S.C. § 553(b)(3)(A) (2006)).

USPTO had, in fact, used notice and comment procedures to promulgate the rule in issue.²⁴ A remaining challenge, that the rule had not been published in the Code of Federal Regulations, was found to have no effect on judicial deference.²⁵

The full impact of a key point seems yet to be realized, but all APA provisions, subject only to internal exceptions, appear to have bound the USPTO since its initial passage.²⁶ Indeed, that was inherent in remarks of then-Commissioner Ooms soon after the APA's passage.²⁷ Anticipating *Cooper Technologies*²⁸ by more than sixty years, he remarked: "It is extremely doubtful whether any of the rules formulated to govern either patent or trade-mark practice are other than 'interpretative rules, general statements of policy, [or rules of agency organization, procedure,] or practice.'"²⁹

Thus, by resort to the interpretive exception, the USPTO has so far managed to evade challenges to its failure to use notice and comment procedures for setting detailed standards concerning qualifications needed to sit for the USPTO's patent bar exam³⁰ authorized under § 2(b)(2)(D).³¹ Indeed, one might wonder what, subsection D aside, § 2(b)(2)³² adds to authority existing since at least passage of the APA. Under its then-terminal section:³³ "Each agency is granted the authority necessary to comply with the requirements of this subchapter through the issuance of rules or otherwise."³⁴

Reversing the central holding of the district court, *Tafas v. Doll* (*Tafas II*)³⁵ ruled that everything in question concerns "procedural

24. *Id.* at 1337.

25. *Id.*

26. *See* Dickinson v. Zurko, 527 U.S. 150, 154 (1999).

27. Casper W. Ooms, *The United States Patent Office and the Administrative Procedure Act*, 38 TRADEMARK REP. 149, 153 (1948).

28. *Cooper Techs.*, 536 F.3d at 1336.

29. Ooms, *supra* note 27, at 153.

30. *See, e.g.*, Premysler v. Lehman, 71 F.3d 387, 390 (Fed. Cir. 1995).

31. *See also* 5 U.S.C. § 500(e) (2006).

32. 35 U.S.C. § 2(b)(2).

33. *See* Administrative Procedure Act, ch. 324, § 12, 60 Stat. 237, 244 (1946).

34. 5 U.S.C. § 559.

35. 559 F.3d 1345 (Fed. Cir. 2009), *vacated and reh'g en banc granted*, 328 F. App'x 658 (Fed. Cir. 2009), *and appeal dismissed per stipulation sub nom.* *Tafas v. Kappos*, No. 2008-1352, 2009 WL 3806451 (Fed. Cir. Nov. 13, 2009).

rules that are within the scope of the USPTO's rulemaking authority.³⁶ Judge Bryson's concurring opinion stated, however, "I do not think it necessary, or particularly helpful, to consider whether those regulations would be deemed 'substantive,' 'interpretive,' or 'procedural' either under [the APA], or under statutory schemes applicable to other agencies."³⁷ Why that should be so is unclear, but it is disquieting.

Moreover, Judge Rader, beyond agreeing that one rule is invalid, dissented.³⁸ He began, "in my view, the Final Rules are substantive, not procedural."³⁹ Yet, partly echoing Judge Bryson, he wrote: "In the unique context of this case, it makes no sense to classify a rule as 'procedural' or 'interpretative.' Either of those labels leads to the same conclusion—that the rule is non-substantive."⁴⁰ His final observation seems not only to dismiss the idea that non-substantive rules can be both procedural and interpretive, something that is true of the rule at issue in *Cooper Technologies*,⁴¹ for example, but also casts doubt on the commitment to his initial point.

Beyond finding the USPTO's contested rules to be procedural and thus not facially invalid,⁴² *Tafas II* left many questions open:

This opinion does not decide any of the following issues: whether any of the Final Rules, either on their face or as applied in any specific circumstances, are arbitrary and capricious; whether any of the Final Rules conflict with the Patent Act in ways not specifically addressed in this opinion; whether all USPTO rulemaking is subject to notice and comment rulemaking under 5 U.S.C. § 553; whether any of

36. *Id.* at 1364.

37. *Id.* at 1366 (Bryson, J., concurring).

38. *Id.* at 1368 (Rader, J., concurring in part and dissenting in part).

39. *Id.*

40. *Id.* at 1368–69.

41. *See* 536 F.3d 1330, 1336 ("The Patent Office's interpretation of section 4608 thus plainly 'govern[s] the conduct of proceedings in the Office' within the meaning of § 2(b)(2)(A).") (alteration in original).

42. One rule was, however, found invalid as inconsistent with the statute. *See Tafas II*, 559 F.3d at 1360–61 ("Because the statute is clear and unambiguous with respect to this issue, the USPTO's reliance on *Chevron* and *Brand X* is unavailing.").

the Final Rules are impermissibly vague; and whether the Final Rules are impermissibly retroactive.⁴³

Such issues are open because the district court, having found the rules to be substantive and in excess of statutory authority, did not need to address them.⁴⁴ The USPTO's authority to adopt procedural rules, however, seems beyond question. Not only is it specifically provided in 35 U.S.C. § 2(b)(2)(A), but, as mentioned, it could be seen as created by a key APA provision.⁴⁵

Still, even procedural rules must be consistent with the Constitution, the APA, and organic legislation.⁴⁶ Moreover, they cannot apply retroactively absent explicit, constitutional statutory authority,⁴⁷ so such issues are open as is the question of whether the rules are reasonable. With regard to the last, however, review is limited:

When a challenge to an agency construction of a statutory provision, fairly conceptualized, really centers on the wisdom of the agency's policy, rather than whether it is a reasonable choice within a gap left open by Congress, the challenge must fail. In such a case, federal judges—who have no constituency—have a duty to respect legitimate policy choices made by those who do. The responsibilities for assessing the wisdom of such policy choices and resolving the struggle between competing views of the public interest are not judicial ones⁴⁸

Had the new administration decided to pursue the appeal and the Federal Circuit sitting en banc affirmed the panel decision, the district court would have had many issues to consider on remand. It is

43. *Id.* at 1365.

44. *See* *Tafas v. Dudas (Tafas I)*, 541 F. Supp. 2d 805, 811 (E.D. Va. 2008), *appeal dismissed per stipulation sub nom. Tafas v. Kappos*, No. 2008-1352, 2009 WL 3806451 (Fed. Cir. Nov. 13, 2009).

45. *See* 5 U.S.C. § 559 (2006).

46. *Vt. Yankee Nuclear Power Corp. v. Natural Res. Def. Council, Inc.*, 435 U.S. 519, 548 (1978).

47. *Cf. Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985) (upholding a retroactive statute, along with most of the PTO's implementing rules, as curative).

48. *Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 866 (1984). *But see* Field, *supra* note 18, at 773.

difficult, however, to see why “whether all USPTO rulemaking is subject to notice and comment rulemaking under 5 U.S.C. § 553”⁴⁹ would have been among them. Although the panel decision has been vacated and the appeal will presumably be dismissed,⁵⁰ mention of that issue,⁵¹ alone, seems to cast a cloud over the Federal Circuit’s resolution in *Cooper Technologies*.⁵² That is particularly unsettling when all contested rules, regardless of obligation, seem to have been promulgated by notice and comment rulemaking. As things stand, it appears that ultimate resolution of this and several other important procedural issues will be saved for later cases.

49. *Tafas v. Doll (Tafas II)*, 559 F.3d 1345 (Fed. Cir. 2009), *vacated and reh’g en banc granted*, 328 F. App’x 658 (Fed. Cir. 2009), *and appeal dismissed per stipulation sub nom. Tafas v. Kappos*, No. 2008-1352, 2009 WL 3806451 (Fed. Cir. Nov. 13, 2009).

50. *See* Press Release, United States Patent and Trademark Office, *supra* note 1.

51. *Tafas II*, 559 F.3d at 1353 n.3. The disposition of *Tafas v. Kappos*, No. 2008-1352, 2009 WL 3806451, at *1 (Fed. Cir. Nov. 13, 2009), reached shortly after this article was completed, is informative from a wholly different perspective:

This is not a case in which the regulations have been overridden by a statutory change; instead, it is a case in which the agency itself has voluntarily withdrawn the regulations and thus set the stage for a declaration of mootness. The motion’s statement that an intervening regulatory change is directly analogous to an intervening statutory change is not persuasive. The agency does not control Congress; but it does control the decision to rescind the regulations. Thus, it was the USPTO (the losing party in the district court action) that acted unilaterally to render the case moot, and *vacatur* is not appropriate.

The clear implication is that *Tafas*, unlike the plaintiff in *Goldstein v. Moatz*, 445 F.3d 747, 750–52 (4th Cir. 2006), will be able to recover his attorney fees.

52. *See Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336–37 (2008).