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Chevron Deference to the USPTO at the Federal Circuit

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Courts have long deferred to agency views of law,[1] but they have also often refused. The Federal Circuit, too, defers on some occasions but not others. This paper examines the apparent inconsistency in its cases.

Chevron and Closely-Related Supreme Court Decisions

In oft-cited Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.,[2] the Supreme Court held: "[T]he Court of Appeals misconceived the nature of its role…. Once it determined… that Congress did not actually have an intent regarding the… [meaning of statutory language], the question before it was… whether the Administrator's view… is a reasonable one."[3] Continuing, the Court said:

> [T]he Administrator's interpretation represents a reasonable accommodation of manifestly competing interests and is entitled to deference: the regulatory scheme is technical and complex, the agency considered the matter in a detailed and reasoned fashion, and the decision involves reconciling conflicting policies. Congress intended to accommodate both interests, but did not do so itself on the level of specificity presented by these cases. Perhaps that body consciously desired the Administrator to strike the balance…; perhaps it simply did not consider the question at this level; and perhaps Congress was unable to forge a coalition on either side…. [I]t matters not which of these things occurred.[4]

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* By Thomas G. Field, Jr., Franklin Pierce Law Center. Professor Field thanks Richard Brown, Franklin Pierce '01 J.D. class, for able assistance and my colleague Bill Hennessey for comments regarding the status of PCT rules.

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1 *See* In re Rubinfield, 270 F.2d 391 (CCPA 1959) (discussed below).

2 467 U.S. 837 (1984).

3 *Id.* at 845 (citations omitted).

4 *Id.* at 865 (citations omitted).

There, neither the agency's process nor the scope of its authority was seriously questioned. In Chrysler Corp. v. Brown,[5] however, because both were found lacking, the Court refused deference.[6] First, it held that an "exercise of quasi-legislative authority… must be rooted in a grant of such power by the Congress and subject to limitations which that body imposes."[7] Moreover, it held that "the promulgation of these regulations must conform with any procedural requirements imposed by Congress."[8]

Christensen v. Harris County[9] echoes such limitations. Justice Thomas, writing for the majority, held, at, that "an interpretation contained in an opinion letter, not one arrived at after, for example, a formal adjudication or notice-and-comment rulemaking"[10] to warrant no *Chevron* deference. Rather, he looked to Skidmore v. Swift & Co.[11] Ironically, Justice Scalia most strongly disputed the point, arguing at , that agency processes became irrelevant after *Chevron*.[12] Yet, finding the agency's interpretation unreasonable, he concurred in the judgment.

Justice Stevens dissented, joined by Ginsburg and Breyer. Justice Breyer separately dissented, joined by Ginsburg. The entire Court agreed that the agency's opinion warranted respect. Justice Breyer's opinion did not object to the majority's citing *Skidmore* instead of *Chevron* and said that "I do disagree with Justice Scalia's statement that what he calls '*Skidmore* deference' is 'an anachronism'."[13] Yet, *Chrysler* was neither cited nor discussed in *Chevron* or *Christensen*.

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5 441 U.S. 281 (1979).

6 But for Justice Marshall's concurrence on a different point, the Court was unanimous. *Id.*

7 *Id.* at 302.

8 *Id.* at 303.

9 520 U.S. 576 (2000).

10 *Id.* at 587.

11 323 U.S. 134 (1944)

12 Christensen, 520 U.S. at 589-90.

13 *Id.* at at 596.

One further case that warrants note is Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.[14] There a unanimous Court held:

> In short, nothing in the APA, NEPA, the circumstances of this case, the nature of the issues being considered, past agency practice, or the statutory mandate under which the [agency] operates permitted the [D.C. Circuit] to review and overturn… on the basis of the procedural devices employed (or not employed) by the [agency] so long as [it] employed at least the statutory minima, a matter about which there is no doubt in this case.[15]

Vermont Yankee offers an additional basis for deference,[16] particularly because agencies' procedural rules are exempt from notice and comment rulemaking.[17]

Apparent Inconsistency in *Chevron* Deference

The issue then is: When has the the Federal Circuit accorded deference and when merely respected PTO views? Few Federal Circuit opinions have explicitly discussed *Chevron*. Three accord explicit deference, but four refuse. Also, several cases accept or reject PTO views without citing *Chevron.*[18] Such decisions could be seen as conflicting.

Judge Nies' opinion in Merck & Co., Inc. v. Kessler[19] stands out for its analysis. Nies wrote:[20]

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14 435 U.S. 519 (Fed. Cir. 1978).

15 *Id.* at 549.

16 The outcome was based in part on U.S. v. Florida East Coast Railway Co., 410 U.S. 224, 246 (1973) (upholding the validity of agency procedures consistent with its statute, the Administrative Procedure Act and prior decisions of the Court). *See also,* Chemical Waste Mgmt., Inc. v. EPA, 873 F.2d 1477, 1480 (D.C. Cir. 1989) (explicitly applying *Chevron* to EPA's interpretation of its procedural requirements).

17 See 5 U.S.C. § 553(b)(A).

18 *See, e.g.*, Patlex Corp. v. Mossinghoff, 771 F.2d 480, 487 (FEd. Cir. 1985) (upholding USPTO rules but citing other authority for invalidating Manual of Patent Examining Procedures (MPEP) reexamination provisions).

19 80 F.3d 1543 (1996)

20 The current equivalent of 35 U.S.C. § 6(a) (1994) is 35 U.S.C. § 2(b)(2)(A) (1994 & Supp. V 1999) and, arguably, § 2(b)(2)(C). Judge Nies had no reason, of course to consider § 31 (repealed Nov. 29, 1999), since replaced by § 2(b)(2)(D), which seems to represent an explicit grant of substantive authority. It is unclear what, if any, effect new § 2(b)(2)(B) will have, but it is difficult

> [T]he broadest of the PTO's rulemaking powers — 6(a) — authorizes the Commissioner to promulgate regulations directed only to "the conduct of proceedings in the [PTO]"; 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 the USPTO's] power to persuade if lacking power to control.[21]

Offering several reasons to believe that Congress intended different results, the panel construed 35 U.S.C. §§ 154 and 156 contrary to USPTO views. Although the issue was not discussed, it may also be significant that the agency's views appeared in a notice, rather than after "formal adjudication or notice-and-comment rulemaking"[22]

Remaining cases explicitly refusing *Chevron* deference are Ethicon v. Quigg,[23] Glaxo Operations, UK, Ltd. v. Quigg,[24] and Helfgott & Karas, P.C. v. Dickenson.[25] In each case, *Chevron* deference was denied when the USPTO's positions were found incompatible with controlling statutes or a treaty obligation.

In contrast, Federal Circuit decisions that accord deference are difficult to distinguish from pre-*Chevron* CCPA opinions. For example, in In re Rubinfield,[26] Judge Worley wrote: "We find no sound reason for disturbing the long-standing practice of the Patent Office, embodied in Rule 153, which limits

to see it to confer general substantive authority, standing alone.

21 Merck, 80 F.3d at1549–50 (citations omitted).

22 *Christensen,* 520 U.S. 587.

23 849 F.2d 1422, 1425–26 (Fed. Cir. 1988) (refusing to uphold an MPEP provision calling for suspended reexamination during infringement litigation).

24 894 F.2d 392, 398 (Fed. Cir. 1990) (reversing a refused extension under 35 U.S.C. § 156).

25 209 F.3d 1328, 1336 (Fed. Cir. 2000) (reversing dismissal of a petition in light of PCT Rule 91.1).

26 270 F.2d 391 (CCPA 1959).

design applications to a single claim."[27]

The first to accord *Chevron* deference, Morganroth v. Quigg, 885 F.2d 843 (1989), applied it via *Ethicon, supra.* At 848, Judge Friedman wrote:

> The Commissioner… is primarily responsible for the application and enforcement of these narrow technical and specialized statutory and regulatory provisions…. His interpretation… is entitled to considerable deference.

Yet, "considerable deference" seems unnecessary where appellant apparently offered no "sound reason" to disagree with the Commissioner's perceived lack of authority to revive an application lost for failure to appeal an adverse *court* decision.

In the second case, Eastman Kodak Co. v. Bell & Howell Document Management Products Co.,[28] Judge Michel wrote: "[T]o uphold the agency's interpretation, the court need not conclude that it was the only permissible construction or even the construction the court would have reached…. The agency's interpretation must merely be 'reasonable.'"[29] Again, despite the quoted language, however, no basis was offered for regarding the question as close. Likewise, in Kubota v. Shibuya,[30] while Judge Lourie cited *Morganroth* to credit USPTO views of 37 C.F.R. §§ 1.633 and 1.655(a), nothing suggesting otherwise seemed applicable given intervening, apparently uncontested, rule changes.

Indeed, all panels citing *Chevron* as a basis for deference apparently could have reached the same result under *Skidmore* or simply for lack of good reason to hold otherwise.[31]

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27 *Id.* at 396. However, it seems noteworthy that the Court also found the Patent Office's attempt to limit the number of illustrated embodiments unreasonable. *Id.* at 395–96.

28 994 F.2d 1569 (Fed. Cir. 1993).

29 *Id.* at 1571.

30 999 F.2d 517, 521 (Fed. Cir. 1993).

31 *See, e.g.,* In re Van Ornum, 686 F.2d 937 (CCPA 1982) (passim).

The Bottom Line

Too much may be made of *Chevron*, particularly given ambiguity in Supreme Court decisions. Despite the limited USPTO authority as articulated in *Merck*,[32] why would the Federal Circuit reverse in the absence of compelling reasons? For example, in Oddzon Products, Inc. v. Just Toys, Inc.,[33] despite the implicit lack of need to cite *Chevron*, the Court held: "Although the PTO's interpretation of [§ 102(f)] is not conclusive… it is [] reasonable…. It is sometimes more important that a close question be settled one way or another than which way it is settled."[34]

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32 *See supra* note 7.

33 122 F.3d 1396 (Fed. Cir. 1997).

34 *Id.* at 1403.