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A Problematic Pat on the Back for the PTO: *Dickinson v. Zurko*

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A PROBLEMATIC PAT ON THE BACK FOR THE PTO: *DICKINSON V. ZURKO*

INTRODUCTION

Although the need for clarification had not been readily apparent in the years preceding the case,[1] in *Dickinson v. Zurko*[2] the Supreme Court resolved an open question of law regarding what standard of review is appropriate when the Court of Appeals for the Federal Circuit reviews the factual findings of the Patent and Trademark Office ("PTO"). Prior to *Zurko* it was generally believed that the Federal Circuit could reject the PTO's fact-finding only if it was "clearly erroneous."[3] Upon closer review of the judicial precedent,[4] the Court determined that the Administrative Procedure Act ("APA")[5] set forth the correct standard of judicial review by affording greater deference to the expert fact-finding of the PTO than would otherwise be shown to the non-expert fact-finding of district court judges.[6]

I. SETTLING ON AN APPROPRIATE STANDARD OF REVIEW

According to Federal Rule of Civil Procedure 52, a finding of fact made by a district court judge shall not be set aside by an appellate court unless it is "clearly erroneous."[7] This standard of review, which exists between two judges or judicial bodies, is referred to by the Court as "court/court" review[8] and asks "whether a reviewing judge has a 'definite and firm conviction' that an error has been

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[1] *See In re* Zurko, 142 F.3d 1447, 1459 (Fed. Cir. 1998), *rev'd*, Dickinson v. Zurko, 119 S. Ct. 1816 (1999) (stating that the United States Court of Appeals for the Federal Circuit has applied the same standard of review since the genesis of that court in 1982).

[2] 119 S. Ct. 1816 (1999).

[3] *See id.* at 1819.

[4] *See infra* Part III-A.

[5] Administrative Procedure Act, ch. 324, 60 Stat. 237 (1946) (codified as amended in scattered sections of 5 U.S.C.).

[6] *See Zurko*, 119 S. Ct. at 1819-22.

[7] *See* FED. R. CIV. P. 52(a) ("Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous.").

[8] *See Zurko*, 119 S. Ct. at 1818 (designating the review of one court by another court as court/court review).

committed."[9] The Patent and Trademark Office, however, is a federal administrative agency, not a judicial body, and appellate review of its fact-finding is not explicitly governed by Federal Rule of Civil Procedure 52.

In 1946 Congress enacted the APA in part to bring uniformity to judicial review of administrative action,[10] sometimes called "court/agency" review.[11] Because of the experience and expertise possessed by most administrative agencies,[12] the standard of review proposed by the APA shows greater deference to agency fact-finding and is less strict than the "clearly erroneous" standard used in court/court review.[13] According to the APA, "[a] reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be . . . *arbitrary, capricious [or] an abuse of discretion . . . [or] unsupported by substantial evidence.*"[14] Under this standard, an appellate court must ask only "whether a 'reasonable mind might accept' a particular evidentiary record as 'adequate to support a conclusion.'"[15]

Although it is undisputed that the PTO is an "agency" and that the PTO's fact-finding constitutes "agency action" as described in the APA,[16] it does not necessarily follow that the APA governs judicial review of the PTO. While the APA's standard of review is intended to apply to the findings of agencies like the PTO, the APA goes on to state that the Act "[does] not limit or repeal additional requirements imposed by statute or otherwise recognized by law."[17] The primary question considered by the Supreme Court in *Zurko* was whether judicial precedent, prior to the adoption of the APA, established a different standard of review that trumps the APA. This Case Comment will briefly discuss the procedural posture in *Zurko*, the majority's

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[9] *Id.* at 1823 (quoting United States v. United States Gypsum Co., 333 U.S. 364, 395 (1948)).

[10] *See Zurko*, 119 S. Ct. at 1819; *see also In re Zurko*, 142 F.3d at 1450.

[11] *See Zurko*, 119 S. Ct. at 1818 (designating court review of agency fact-finding as "court/agency" review).

[12] *See id.* at 1822 (suggesting that courts have long invoked agency expertise as a basis for deferring to agency fact-finding).

[13] *See id.* at 1818, 1823.

[14] 5 U.S.C. § 706 (2)(A), (2)(E) (1994) (emphasis added); *see also Zurko*, 119 S. Ct. at 1821 ("[I]t apparently remains disputed to this day . . . precisely which APA standard—'substantial evidence' or 'arbitrary, capricious, abuse of discretion'—would apply to court review of PTO fact-finding.").

[15] *Zurko*, 119 S. Ct. at 1823 (quoting Consolidated Edison Co. v. NLRB, 305 U.S. 197, 229 (1938)).

[16] *See Zurko*, 119 S. Ct. at 1819 ("The parties agree that the PTO is an 'agency' subject to the APA's constraints, that the PTO's finding at issue in this case is one of fact, and that the finding constitutes 'agency action.'").

[17] 5 U.S.C. § 559 (1994).

interpretation of judicial precedent, and the policy justifications offered in opposition to the holding.

II. *DICKINSON V. ZURKO*: THE PROCEDURAL HISTORY

Having found that Mary E. Zurko's proposed method for increasing computer security was obvious in light of prior art, the PTO rejected Zurko's patent application under 35 U.S.C. § 103.[18] On appeal to the Board of Patent Appeals and Interferences, the PTO's own review board upheld its patent examiner's finding by sustaining the rejection of Zurko's application.[19] Pursuant to 35 U.S.C. § 141,[20] Zurko then appealed directly to the Court of Appeals for the Federal Circuit and convinced the appellate court that the PTO's findings of fact on the issue of obviousness were "clearly erroneous."[21] Following an *en banc* examination of the case, at the request of the Commissioner of Patents and Trademarks, the Federal Circuit affirmed, concluding that the "clearly erroneous," court/court standard of review was proper in light of judicial precedent and other policy considerations.[22] The head of the PTO disagreed, however, and *certiorari* was granted to determine whether the APA's court/agency standard of review should apply.[23]

III. READING THE CASE LAW: EVERYBODY HAS AN OPINION

The respondent, Zurko, and supporting *amici* offered eighty-nine pre-APA cases, purportedly demonstrating that prior to the adoption of the APA, federal courts had consistently applied the stricter court/court "clearly erroneous" standard of review when reviewing the fact-finding of the PTO.[24] According to the Supreme Court, the Federal Circuit, which had ruled in favor of Zurko, found that the "tradition of strict review . . . amounted to an 'additional requirement' that under § 559 trump[ed] the requirements imposed by § 706 [of the

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[18] *See In re Zurko*, 142 F.3d 1447, 1449 (Fed. Cir. 1998), *rev'd*, Dickinson v. Zurko, 119 S. Ct. 1816 (1999).

[19] *See id.* (citing *Ex parte* Zurko, No. 94-3967 (Bd. Pat. Apps. & Int. Aug. 4, 1995)); *Zurko* 119 S. Ct. at 1818-19.

[20] 35 U.S.C. § 141 (1994) ("An applicant dissatisfied with the decision in an appeal to the Board of Patent Appeals and Interferences . . . may appeal the decision to the United States Court of Appeals for the Federal Circuit.").

[21] *See In re* Zurko, 111 F.3d 887 (Fed. Cir. 1997).

[22] *See In re* Zurko, 142 F.3d at 1447; *see also Zurko*, 119 S. Ct. at 1819 ("The Federal Circuit, hoping definitively to resolve the review-standard controversy, then heard the matter *en banc*. After examining relevant precedents, the *en banc* court concluded that its use of the stricter court/court standard was legally proper.").

[23] *See Zurko*, 119 S. Ct. at 1819.

[24] *Id.* at 1824-26 app. (citing cases).

APA]."[25] The Federal Circuit also found that, "[a]lthough it was simply one of several standards discernible from the case law prior to the . . . enactment of the APA, the clear error standard was nevertheless an 'additional requirement[] . . . recognized by law.'"[26]

As further support for its holding, the Federal Circuit examined the legislative history of the APA including the words of the APA's drafters. According to the Department of Justice, which had drafted the predecessor of the APA, one of the four primary purposes of the bill was to *restate* the law of judicial review of administrative action.[27] The 1947 Attorney General's Manual on the Administrative Procedure Act stated that "the act was drafted to restate rather than alter existing, established standards: 'It not only does not supersede special statutory review proceedings, but also generally leaves the mechanics of judicial review to be governed by other statutes and by judicial rules.'"[28] Consequently, the principle task for the Court in *Zurko* was to identify the "judicial rules" that existed when the APA was adopted.

The Federal Circuit also considered the fact that explicit exemptions of the PTO from the APA's standard of review, which had been included in previous versions of the bill, had been left out of the final version of the APA.[29] In the opinion of the Commissioner of Patents and Trademarks, "by removing language excluding the [PTO] from [a previous bill], Congress intended courts to review board adjudications under the APA's substantial evidence or arbitrary and capricious standards."[30] According to the Federal Circuit, however, "it is more likely that Congress viewed an explicit exception for the [PTO] as redundant in light of the 'otherwise recognized by law' exception."[31] In the opinion of the Federal Circuit, the use of the clear error standard when reviewing the fact-finding of the PTO was simply so well established that an explicit exception of the PTO from the APA was unnecessary.

A. The Majority Opinion

In spite of the Federal Circuit's strong position, however, the Supreme Court was not so easily convinced. In the interest of "a uni-

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[25] *Id.* at 1819 (summarizing the Federal Circuit's opinion).

[26] *In re Zurko*, 142 F.3d at 1459 (quoting 5 U.S.C. § 559).

[27] *See id.* at 1451 (citing ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 9 (1947)).

[28] *In re Zurko*, 142 F.3d at 1451 (quoting ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 93 (1947)).

[29] *See In re Zurko*, 142 F.3d at 1451.

[30] *Id.* at 1452.

[31] *See id.* (quoting 5 U.S.C. § 559).

form approach to judicial review of administrative action,"[32] the Court demanded that the existence of a prior standard of review, different from that of the APA, "must be clear."[33] Although many of the cases cited by the respondent used language very similar to "clearly erroneous" in describing the appropriate standard of review, the Court held that the language was not conclusive.[34] Indeed, even the Federal Circuit admitted that the clear error standard "was simply one of several standards discernible from the case law prior to the . . . enactment of the APA."[35]

In the years preceding the adoption of the APA, federal courts had only just begun to consistently use the term "clearly erroneous" to signify the use of the stricter court/court standard of review.[36] At that time "[t]he relevant linguistic conventions were less firmly established . . . than they are today."[37] The words "clearly erroneous" were sometimes used in the context of court/agency review, while "[o]ther times [courts] used words such as 'substantial evidence' to describe stricter court/court review."[38] In every case, however, even when words like "clearly erroneous" were used, courts always did so "to explain why they [gave] so much, not so little, deference to agency fact-finding."[39] By emphasizing the technical expertise of the PTO, the pre-APA cases that were cited by the respondent "indicate that they had court/agency, not court/court, review in mind."[40] In the judgment of the majority, because the judicial precedent did not clearly demonstrate a different standard of review amounting to an "additional requirement[] . . . recognized by law,"[41] the APA's standard of review must apply when the Court of Appeals for the Federal Circuit reviews the fact-finding of the PTO.[42]

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[32] Dickinson v. Zurko, 119 S. Ct. 1816, 1819 (1999).

[33] *Id.* at 1819 ("[W]e believe that respondents must show more than a possibility of a heightened standard, and indeed more than even a bare preponderance of evidence in their favor. Existence of the additional requirement must be clear.").

[34] *See id.* at 1819-20.

[35] *In re Zurko*, 142 F.3d 1447, 1459 (Fed. Cir. 1998).

[36] *See Zurko*, 119 S. Ct. at 1820 ("When the CCPA decided many of these cases during the 1930's and early 1940's, legal authorities had begun with increasing regularity to use the term 'clearly erroneous' to signal court/court review, and the term 'substantial evidence' to signal less strict court/agency review.") (citation omitted).

[37] *Id.*

[38] *Id.*

[39] *Id.* at 1822.

[40] *Id.*

[41] 5 U.S.C. § 559 (1994).

[42] *See Zurko*, 119 S. Ct. at 1819 ("[W]e conclude that those cases do not reflect a well-established stricter court/court standard of judicial review for PTO fact-finding, which circumstance fatally undermines the Federal Circuit's conclusion."); *id.* at 1822 ("Given the CCPA's explanations, the review standard's origins, and the nondeterminative nature of the phrases, we cannot agree with the Federal Circuit that in 1946, when Congress enacted the APA, the CCPA

B. The Dissent

In contrast to the judgment of the *Zurko* majority, the dissent, led by Chief Justice Rehnquist and joined by Justice Kennedy and Justice Ginsburg, believed that the stricter "clearly erroneous" standard of review was firmly in place prior to the adoption of the APA. According to Chief Justice Rehnquist, it was "undisputed . . . [by] both the patent bench and the patent bar . . . that the stricter 'clearly erroneous' standard was indeed . . . a requirement placed upon the PTO."[43] The dissent found that "the APA by its plain text was intended to bring some uniformity to judicial review of agencies by raising the minimum standards of review and not by lowering those standards which existed at the time."[44]

Furthermore, with respect to the majority's methodology, Chief Justice Rehnquist criticized the majority for having deferred to the PTO's interpretation of the applicable case law.[45] In contrast, the Chief Justice would have given more consideration "to the [opinion of the] Court of Appeals for the Federal Circuit, the specialized Article III court charged with review of patent appeals."[46] The Chief Justice could see no reason to reject the sensible and unanimous resolution of the issue by the more experienced Federal Circuit.[47]

IV. ADDITIONAL POLICY CONSIDERATIONS

In addition to judicial precedent, the Supreme Court also considered (and rejected) two significant policy justifications that had been offered as grounds for rejecting the APA's standard of review.

A. Consistency

The Court first considered a suggestion by the Federal Circuit that a change in favor of the APA's more deferential standard of review would be "needlessly disruptive" given that "both [the] bench and [the] bar have now become used to the Circuit's application of a

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'recognized' the use of a stricter court/court, rather than a less strict court/agency, review standard for PTO decisions.").

[43] *Id.* at 1826 (Rehnquist, C.J., dissenting).

[44] *Id.* at 1827.

[45] *See id.*

[46] *Id.*

[47] *See id.* (Rehnquist, C.J., dissenting) ("In this case the unanimous en banc Federal Circuit and the patent bar both agree that these cases recognized the 'clearly erroneous' standard as an 'additional requirement' placed on the PTO beyond the APA's minimum procedures. I see no reason to reject their sensible and plausible resolution of the issue.").

'clearly erroneous' standard."[48] Simply stated, "it is better that the matter remain 'settled than that it be settled right.'"[49]

The Supreme Court rejected this argument, finding instead that the Federal Circuit overstated the practical effect of a "change" in the standard of review.[50] According to the Court, "the difference [between the standards of review] is a subtle one—so fine that (apart from the present case) we have failed to uncover a single instance in which a reviewing court conceded that use of one standard rather than the other would in fact have produced a different outcome."[51] In the opinion of the Court, a change in the standard of review would have little or no practical effect on the outcome of patent appeals,[52] and therefore, the risk of "undermin[ing] the public's confidence" in the predictability of the judicial system was minimal.[53]

B. The APA Creates a Procedural Anomaly

Second and perhaps most importantly, the Court considered the possibility that a change in favor of the APA's standard of review would create a procedural anomaly that would encourage a disappointed patent applicant to pursue a longer appeal process on his or her way to the Federal Circuit in order to receive stricter judicial review. Although the Court offered little discussion on the issue before dismissing it as a basis for rejecting the APA's standard of review, it is perhaps worthy of closer consideration.

1. Alternative Remedies

Following a rejection at the Board of Patent Appeals and Interferrences ("the Board"), a disappointed patent applicant has two pos-

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[48] *Id.* at 1822.

[49] Dickinson v. Zurko, 119 S. Ct. 1816, 1822 (1999) (quoting Square D Co. v. Niagara Frontier Tariff Bureau, Inc., 476 U.S. 409, 424 (1986)); *see also In re Zurko*, 142 F.3d 1447, 1457 (Fed. Cir. 1998), *rev'd*, Dickinson v. Zurko, 119 S. Ct. 1816 (1999) ("Courts do not set aside long-standing practices absent a substantial reason.").

[50] *See Zurko*, 119 S. Ct. at 1823 ("[W]e believe the Circuit overstates the difference that a change of standard will mean in practice.").

[51] *Id.*

[52] *But see* Mark D. Torche, Note, *Rubber Stamp or Court of Last Resort: The Proper Standard of Review in Patent and Trademark Cases*, 48 DRAKE L. REV. 211, 228 (1999) (citing Federal Circuit Judge Michel for the proposition that the suggested change in the standard of review would result in ninety-five to ninety-nine percent of patent appeals being affirmed in favor of the PTO rather than the usual eighty percent).

[53] *In re Zurko*, 142 F.3d 1447, 1458 (Fed. Cir. 1998). Of course, the Court's own logic might be turned on its head. One might argue that a change with no anticipated effect cannot be justified and can *only* result in confusion as the Federal Circuit feared.

sible remedies.[54] These remedies are mutually exclusive so that by choosing one the applicant forecloses the possibility of returning to the other.[55] Consequently, each applicant's choice of remedy will be guided by careful consideration of which remedy offers the greatest possibility of success. According to the policy argument offered in opposition to the majority's holding, stricter review of the PTO's unfavorable decision will be available under the longer and more complicated of the alternative remedies, thereby encouraging disappointed applicants to always take the less efficient path. Although dismissed by the *Zurko* majority, this concern has real merit.

a. Direct Appeal to the Federal Circuit

The first possible remedy is a direct appeal to the Court of Appeals for the Federal Circuit pursuant to 35 U.S.C. § 141.[56] This was the remedy selected by Zurko. Of the two possible remedies, this one is the most similar to a traditional appeal. Evidence not presented to and not considered by the PTO will not be considered by the Federal Circuit.[57] Consequently, the only fact-finding under review is the expert fact-finding of the PTO. Following the Court's decision in *Zurko*, the Federal Circuit will review the PTO's fact-finding using the APA's standard of review. This standard, which shows greater deference to the PTO than the clear error standard, will offer very little chance of success to a disappointed patent applicant on appeal.[58]

b. Civil Suit in United States District Court

The other possible remedy is a civil action against the Commissioner of Patents and Trademarks to obtain a patent in federal district court pursuant to 35 U.S.C. § 145.[59] Often referred to as a "trial *de*

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[54] *See Zurko*, 119 S. Ct. at 1824 ("An applicant denied a patent can seek review ether directly in the Federal Circuit, or indirectly by first obtaining direct review in federal district court.") (citations omitted).

[55] *See* 35 U.S.C. § 141 (1994) (stating that by filing an appeal under § 141 the applicant waives his or her right to proceed under § 145); *see also* 35 U.S.C. § 145 (1994) (stating that a dissatisfied patent applicant may have remedy by civil action under § 145 unless appeal has been taken in the Federal Circuit under § 141).

[56] 35 U.S.C. § 141.

[57] *See* Burlington Indus. v. Quigg, 822 F.2d 1581, 1584 (Fed. Cir. 1987) (quoting Hoover Co. v. Coe, 325 U.S. 79, 83 (1945)) ("[T]he hearing is summary and solely on the record made in the [PTO].").

[58] *See* Torche, *supra* note 52, at 228 (suggesting that after adoption of the APA standard of review, ninety-five to ninety-nine percent of appeals would be affirmed in favor of the PTO) (citing *En Banc Federal Circuit Hears Argument on Reviewing PTO Fact Findings*, 55 Pat. Trademark & Copyright J. (BNA) No. 1354, at 96 (Dec. 4, 1997)).

[59] 35 U.S.C. § 145.

novo,"[60] an action under § 145 differs greatly from a § 141 appeal because the disappointed patent applicant is permitted to present new or different evidence on issues originally considered by the PTO.[61] The use of the term "trial *de novo*," however, is not entirely accurate given that the admissibility of new evidence is limited.[62] For example, "evidence [that] was available . . . but was withheld from the [PTO] as a result of fraud, bad faith, or gross negligence, may be excluded at [a] trial [pursuant to § 145]."[63] Consequently, an action pursuant to § 145 is really a proceeding of a hybrid nature—with limited admissibility for new evidence, which supplements the record supplied by the PTO.[64]

In addition to the differences with respect to the presentation of evidence, by adopting the APA's standard of review, the Court in *Zurko* also created another significant difference between the alternative remedies provided by § 141 and § 145—the applicable standard of review. In a trial pursuant to § 145 the district court reviews the PTO's fact-finding under the "clearly erroneous" standard that was rejected in *Zurko*.[65] Furthermore, when the district court considers new or different evidence not considered by the PTO, there is no need to show deference to the PTO and the court is free to decide the facts *de novo*.[66] While *Zurko* requires the Federal Circuit to review the PTO's fact-finding under the APA's standard of review when appeal is taken pursuant to § 141, the Court in *Zurko* did not alter the standard of review that applies to district court review of the PTO's fact-finding pursuant to § 145.[67] Consequently, although not addressed as

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[60] *See* Monsanto Co. v. Kamp, 269 F. Supp. 818, 822 (D.D.C. 1967) (describing the nature of a § 145 action).

[61] *See Burlington Indus.*, 822 F.2d at 1584; *Monsanto Co.*, 269 F. Supp. at 822.

[62] *See Monsanto Co.*, 269 F. Supp. at 822.

[63] *Id.*

[64] *See* Winner Int'l Royalty Corp. v. Wang, No. 98-1553, 2000 WL 66374, at *5 (Fed. Cir. Jan. 27, 2000) (discussing § 145 and § 146 actions together and concluding "[b]ecause the record before the district court may include the evidence before the Board as well as evidence that was not before the Board, we have often described the district court proceeding as a hybrid of an appeal and a trial *de novo*") (internal quotations omitted). The *Monsanto* court reasoned similarly:

> The administrative record of the Patent Office forms the nucleus of the evidence before the District Court. Unlike, however, the customary judicial review of administrative decisions where the administrative agency acts on a record, the Court does not confine itself to that record in these cases. Additional evidence is admissible in support of contentions advanced by the parties in the Patent Office. It is this feature that has led to the inaccurate use of the appellation 'trials *de novo*' in these actions.

Monsanto Co., 269 F. Supp. at 822.

[65] *See Burlington Indus.*, 822 F. 2d at 1854.

[66] *See id.*; *cf. Wang*, 2000 WL 66374 at *4.

[67] *See* United States Filter Corp. v. Ionics, Inc., No. 98-10541-REK, 1999 WL 893046, at *4 (D. Mass. Oct. 8, 1999) ("[T]he discussion in Zurko does not focus upon the standard of

a procedural anomaly by the Court, there is a very basic difference between § 141 and § 145 review that would lead a disappointed patent applicant to avoid direct appellate review in the Federal Circuit. By bringing a civil action in federal district court pursuant to § 145, a disappointed patent applicant would immediately receive stricter review than that available under § 141 and thereby stand a greater chance of success.

2. The Procedural Problem

While the application of different standards of review in what are intended to be alternative remedies is itself a potential problem, the real procedural anomaly addressed by the Court in *Zurko* is the one that is created on appeal from a § 145 civil action. Although § 141 and § 145 actions are alternative remedies, the judgment of a district court pursuant to a § 145 civil action, if unfavorable, may nonetheless be appealed to the Federal Circuit.[68] Consequently, a disappointed patent applicant can reach the Federal Circuit in one of two ways—either by direct appeal pursuant to § 141 or by indirect review following a § 145 civil action.[69]

As previously discussed, a federal court on appeal will review another court's fact-finding for clear error in what the Court has termed court/court review. It is the possible use of the "clearly erroneous" standard of review in this situation that generates fear of a procedural anomaly.[70] Following the Court's decision in *Zurko*, if the Federal Circuit reviews the case of a disappointed patent applicant pursuant to § 141, it will apply only the APA's standard of review.[71] But, if the Federal Circuit reviews the case of a disappointed patent applicant by way of appeal from a § 145 civil action, then it might use the stricter "clearly erroneous" standard of review.[72] The concern, expressed by opponents to the *Zurko* decision, is that disappointed patent applicants contemplating an appeal will in *every* case select

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review applicable to the procedural posture of the present case, which is the review by a United States District Court of the PTO's findings under 35 U.S.C. § 145.").

[68] *See* Brenner v. Manson, 383 U.S. 519 (1966); *see also* 28 U.S.C. § 1295 (a)(4)(C) (1994) ("The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a decision of a district court to which a case was directed pursuant to section 145 . . . of title 35.").

[69] *See* Dickinson v. Zurko, 119 S. Ct. 1816, 1824 (1999) ("An applicant denied a patent can seek review either directly in the Federal Circuit, or indirectly by first obtaining direct review in federal district court.") (citations omitted).

[70] *See In re* Zurko, 142 F.3d 1447, 1458 (Fed. Cir. 1998) (rejecting the APA standard of review in order to promote consistency between the Federal Circuit's review of the Board of Patent Appeals and its review of the district courts).

[71] *See Zurko*, 119 S. Ct. at 1824.

[72] *See id.* (citing Gould v. Quigg, 822 F.2d 1074, 1077 (Fed. Cir. 1987)).

review under § 145.[73] The problem with this decision is that the path to the Federal Circuit through a § 145 civil action is longer and consumes more judicial resources than direct appeal by § 141.[74]

3. Use of the Clearly Erroneous Standard in Court/Court Review

It is not entirely clear, however, that the use of the "clearly erroneous" standard is appropriate when the Federal Circuit reviews a § 145 civil action on appeal. The question remains whether the district court is the finder of fact in a civil action pursuant to § 145, thereby justifying court/court review. According to the Court in *Zurko*:

> We are not convinced . . . that the presence of the two paths creates a significant anomaly. The second path [through § 145] permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO. The presence of such new or different evidence makes a fact-finder of the district judge. And nonexpert judicial fact-finding calls for the court/court standard of review. We concede that an anomaly might exist insofar as the district judge does no more than review PTO fact-finding, but nothing in this opinion prevents the Federal Circuit from adjusting related review standards where necessary.[75]

If the district court is the fact-finder because its decision is based upon new or different evidence not previously considered by the PTO, then the nonexpert fact-finding of the district court is entitled to less deference and should be reviewed more critically under the court/court clear error standard. In the opinion of the Court, the difference in the standard of review is justified in such a situation and there is no "procedural anomaly."[76]

If, however, the district court merely reviews the fact-finding of the PTO, and there is no new evidence, then arguably it is acting as an appellate court, not the fact-finder. In such a situation, the Court implies that the PTO remains the true fact-finder and there is no justification for the Federal Circuit to alter its standard of review from the APA standard that would have been applied had the patent applicant reached the Federal Circuit through direct appeal.[77] To the extent that

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[73] *See Zurko*, 119 S. Ct. at 1824.

[74] *See id.* ("The result, the [Federal] Circuit claims, is that the outcome [of a patent appeal] may turn upon which path a disappointed applicant takes; and it fears that those applicants will often take the more complicated, time-consuming indirect path in order to obtain stricter judicial review of the PTO's determination.").

[75] *Id.*

[76] *See id.*

[77] *See id.*

the Federal Circuit would apply the "clearly erroneous" standard of review in such a situation, the Court admits the possibility of a procedural anomaly.[78]

The question then remains, when does a district court in a civil suit pursuant to § 145 become the finder of fact? Or, put another way, when is the district court entitled to hear "new or different" evidence? As stated above, the term "trial *de novo*" is not an entirely accurate description of a § 145 action.[79] While the district court is permitted to supplement the PTO's record with new evidence, there are limitations. The "plaintiff may not submit for the first time evidence which he was negligent in failing to submit to [the PTO]."[80] Furthermore, in the interest of promoting "sound judicial administration,"[81] the plaintiff "is precluded from presenting new issues, at least in the absence of some reason of justice put forward for failure to present the issue to the [PTO]."[82]

4. The Problem Addressed

Consequently, given the limitations on new evidence, it would seem that the district court would rarely act as the true finder of fact and the use of the term "trial *de novo*" would in most cases be inappropriate in reference to a § 145 action. In a typical case, "new" evidence would not be admissible, and a situation would arise that the majority concedes might lead to a procedural anomoly.[83]

In the opinion of the Court, this problem, even if common, is not difficult to overcome and therefore not a justification for rejecting the APA's standard of review.[84] The solution is simply for the Federal Circuit to adjust its review accordingly, realizing that even on appeal from a § 145 action it is still reviewing the expert fact-finding of the PTO for which the APA standard is appropriate.[85] Although tempted to review the district court under the court/court "clearly erroneous" standard, the Federal Circuit should confine itself to the more deferential APA standard of review given that the PTO remains the true finder of fact when no new evidence is presented.

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[78] *See id.*

[79] *See Monsanto Co. v. Kamp*, 269 F. Supp. 818, 822 (D.D.C. 1967) (finding that § 145 actions "are proceedings of a hybrid nature. They are sometimes denominated 'trials de novo', but such use this term is somewhat loose. Proceedings in this Court in actions of these . . . types are not true or genuine trials *de novo*").

[80] California Research Corp. v. Ladd, 356 F.2d 813, 821 n.18 (D.C. Cir. 1966).

[81] DeSeversky v. Brenner, 424 F.2d 857, 859 (D.C. Cir. 1970).

[82] *Id.* at 858.

[83] *See* Dickinson v. Zurko, 119 S. Ct. 1816, 1824 (1999) ("We concede that an anomaly might exist insofar as the district judge does no more than review PTO fact-finding.").

[84] *See id.*

[85] *See id.*

5. The Problem Overlooked

In reality, the district court, in an action pursuant to § 145, will in almost every situation prove to be the finder of fact, even when no "new" evidence is presented. The true problem, and the one dismissed by the Court in *Zurko*, is that the presentation of "different" evidence to the district court is sufficient to make it the finder of fact,[86] a situation which the Court concedes justifies court/court review on appeal.[87]

In an *ex parte* proceeding before the Board of Patent Appeals and Interferences, a patent applicant is not permitted to present live testimony on disputed facts.[88] In a civil trial pursuant to § 145, however, the district court hears testimony from live witnesses as well as oral argument.[89] Even when the offered testimony is limited to the factual issues that were originally before the Board, the nature of the live testimony still rises to the level of "different" evidence as specified by the Court in *Zurko*.[90] In the judgment of the Federal Circuit, "[a]lthough the import of the evidence before the Board and the district court might be the same in many or all ways, the form in which it is presented is fundamentally different."[91] Consequently, "[i]n its evaluation of the evidence . . . the district court [has] a powerful advantage over the patent examiner and the Board, an advantage characteristic of section 145 appeals, in that the court [can hear] and [see] witnesses, testifying under examination and cross-examination, and [has] the benefit of extensive discussion and argument."[92] In conformity with this notion, the Federal Circuit has recently held that, "the admission of live testimony on all matters before the Board . . . makes a factfinder of the district court."[93]

Consequently, the real problem following *Zurko* arises out of the Court's concession that once the district court becomes the finder of fact, the court/court standard of review is appropriate on appeal from a § 145 action. What the Court did not anticipate was the fact that by hearing live testimony, even on disputed facts considered by the PTO and the Board, the district court becomes the fact-finder regardless of

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[86] *See id.* ("The presence of such new *or different* evidence makes a fact-finder of the district judge.") (emphasis added); *see also* Burlington Indus. v. Quigg, 822 F.2d 1581 (Fed. Cir. 1987).

[87] *See id.*

[88] *See* Winner Int'l Royalty Corp. v. Wang, No. 98-1553, 2000 WL 66374, at *7 (Fed. Cir. Jan. 27, 2000).

[89] *See id.*

[90] *See id.* at *6-8.

[91] *Id.* at *6.

[92] *Burlington Indus. v. Quigg*, 822 F.2d 1581, 1582 (Fed. Cir. 1987), *quoted in Wang*, 2000 WL 66374, at *6.

[93] *Wang*, 2000 WL 66374, at *7.

the presentation of "new" evidence. As a result, a disappointed patent applicant will, in almost every situation, stand a greater chance of success in the Federal Circuit if he or she foregoes review under § 141 in favor of § 145 review. .

Implicit in the Court's brief discussion of the issue is the premise that the justifiable situations in which the Federal Circuit' standard of review will be different, depending upon the path taken by the applicant, are infrequent. In reality, a dissatisfied patent applicant can manipulate the process to ensure that the district court is *always* the finder of fact and therefore *always* entitled to court/court review. Because the Court's premise is incorrect, it has unwittingly conceded that the availability of different standards of review depending upon the path taken to the Federal Circuit is justifiable in a large number of situations.

V. ELIMINATING § 141 AS A PRACTICAL MATTER

Although the Court in *Zurko* rejected the offered policy considerations as being insufficient to justify the rejection of the APA's standard of review, there is a least some merit to the concern that the Court, through its holding, has created a procedural anomaly. By limiting the Federal Circuit to the use of the APA's standard of review when appeal is taken pursuant to § 141, the Court has, in effect, eliminated the usefulness of that appeal process to a disappointed patent applicant. By selecting the alternative remedy of § 145, a disappointed patent applicant will find two opportunities for stricter review of the PTO's unfavorable findings than that available under § 141. First, the district court itself will utilize the stricter clear error standard in its review of the PTO's findings of fact.[94] Second, the Federal Circuit will use the stricter, court/court, clear error standard of review on appeal from a § 145 action to the extent that the district court is the finder of fact.[95] The effect will be an increased likelihood of success under § 145 and therefore decreased use of § 141. In this way the Court's opinion in *Zurko* is taxing to judicial resources by encouraging disappointed patent applicants to select the longer and more complicated alternative path on appeal.

Furthermore, because the Federal Circuit on appeal from a § 145 action will only apply the stricter clear error standard of review to the extent that the district court is the finder of fact, disappointed patent applicants will be encouraged to make the district court the fact-finder. Because the district court is the fact-finder only when it hears new or different evidence, disappointed patent applicants will be en-

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[94] *See Burlington Indus.*, 822 F.2d at 1584.

[95] *See* Dickinson v. Zurko, 119 S. Ct. 1816, 1824 (1999).

couraged to present testimony and argument to the district court on every issue of fact in the hopes of receiving stricter review on appeal. In this manner as well, the Court's decision in *Zurko* promotes results that will tax judicial resources through longer trials at the district court level and the needless presentation of cumulative evidence. To ensure stricter review on appeal from a § 145 action, patent applicants will be encouraged to offer live testimony on every issue rather than rely upon the record produced by the PTO.

VI. CONCLUSION

Prior to the Court's decision in *Dickinson v. Zurko*, it was generally accepted that the Court of Appeals for the Federal Circuit could not reject the factual findings of the PTO unless they were clearly erroneous. After closer review of the judicial precedent, the Supreme Court concluded that the standard of review most often used in practice was not clearly enough established to trump the standard provided for in the APA. Therefore, when the Federal Circuit reviews the fact-finding of the PTO pursuant to § 141, it must apply the APA, court/agency standard of review. Under this standard the expert fact-finding of federal administrative agencies, like the PTO, are shown greater deference and cannot be reversed provided that they are supported by substantial evidence.

Although arguably in accordance with the law, there are significant policy problems with the Court's decision. Namely, the use of the more deferential standard of review offers less opportunity for success for a disappointed patent applicant than that available under a more complicated and time-consuming alternative remedy. The result of the Court's decision will be an increased burden on judicial resources as disappointed patent applicants consistently select a more complicated appeal process in order to receive stricter judicial review and increase their likelihood of success.

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† I would like to dedicate this work to my loving wife Lisa, my mother Betty, and my father Harold. My only goal is to make them proud.