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EX PARTE APPELLATE PROCEDURE IN THE PATENT OFFICE AND THE FEDERAL CIRCUIT'S RESPECTIVE STANDARDS OF REVIEW

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The Patent Act defines the types of subject matter upon which patents may be procured and the statutory barriers against which an application must be tested, while imposing upon the Patent and Trademark Office (PTO or Patent Office) the duty of examining applications for patents. After an application is examined, a decision is reached on the patentability as well as

compliance with other formal ***336** requirements.[1] Should an application satisfy all relevant statutory and regulatory requirements, a patent will issue with the application serving as the primary document defining the scope of patent protection. However, more often than not, the initial decision of an examiner will be adverse, requiring the applicant to amend the application or request reconsideration. If the applicant receives a final rejection by a primary examiner, the applicant has the statutory right to invoke appellate review within the Patent Office.[2] The case will first be heard by a three-member review panel constituting the Board of Patent Appeals and Interferences, (BPAI or Board of Appeals)[3] which will determine the validity of the examiner's final rejection. If the BPAI affirms the rejection, either the applicant or the examiner may request reconsideration by the original three-member Board or by an expanded board. All BPAI decisions are subject to court review.

As with any agency, the Patent Office must conform its rules and procedures to acceptable standards outlined by Congress, which are largely provided by the Patent Act and the Administrative Procedures Act. In essence, the PTO has broad commingled powers allowing it to (1) execute the patent statute; (2) determine private rights or obligations through the use of agency rules; and (3) determine private rights through adjudicatory decisions.[4] Therefore, Patent Office activities naturally raise questions concerning the powers vested in it as an administrative agency, the requirements and limitations upon the exercise of those powers, and constitutional considerations of fair play and procedural due process.

In its adjudicative role, the Board of Appeals makes decisions affecting a private individual's entitlement to a patent, which are reviewable by either the U.S. District Court for the District of Columbia or the Court of Appeals for the Federal Circuit.[5] These courts must apply the correct standard of review to the case, ***337** deciding whether to treat a PTO Board decision as one rendered by an agency, a quasi-judicial tribunal, or a judicial tribunal.

Recent events within the Patent Office have challenged this basic appellate process. In the case of Ex parte Akamatsu,[6] the applicant appealed the examiner's decision to reject certain claims directed toward a method and an apparatus for generating interpolated data for use in a computer graphics display.[7] The examiner based his rejection on the ground that the claims were unpatentable under 35 U.S.C. § 101 as nonstatutory subject matter under the mathematical algorithm exception.[8] The original, randomly selected panel of the Board of Appeals reversed the examiner's final rejection, and subsequently prepared a written opinion in support of its decision.[9] However, the chairman of the BPAI prevented the mailing of that decision, and a special second panel was formed consisting only of PTO management officials; namely Commissioner Manbeck, Deputy Commissioner Comer, Assistant Commissioner Samuels, Chairman of the BPAI Serota, and Vice-Chairman Calvert.[10] The new panel upheld the examiner's rejection, making no mention of the earlier, contrary decision.[11]

In another case, Ex parte Alappat,[12] the examiner rejected claims directed toward a means for creating a smooth waveform display in a digital oscilloscope by use of a mathematical algorithm.[13] The examiner grounded his rejection on the claims being directed to nonstatutory subject matter under section 101.[14] Alappat appealed to the Board, and a panel of three examiners-in-chief designated by the Commissioner reversed the examiner's rejection. Subsequently, the examiner requested that the case be reconsidered pursuant to Rule 9 (section 1214.04) of the Manual of Patent Examining Procedure (MPEP), stating that the panel's decision ***338** conflicted with PTO policy.[15] The examiner further requested that the reconsideration be made by an expanded board of appeal.[16] Reconsideration was granted, and the panel was expanded to eight members, including the Commissioner, Deputy Commissioner, Assistant Commissioner, BPAI Chairman and Vice-Chairman. The Commissioner's selection of the new members to the expanded panel apparently turned on their concurrence of his view as to the proper outcome of the case.[17] The five administrative members of the newly-constituted panel, acting as the Board, then issued a majority opinion affirming the examiner's section 101 rejection, thus overturning the original panel's decision.[18] The three examiners-in-chief who formed the original panel dissented for the same reasons as in their earlier opinion, and expanded upon those reasons in a dissenting opinion.[19] Further, the deciding majority stated that its reconsideration was "a 'new decision' for purposes of seeking reconsideration or judicial review."[20]

The decisions in Akamatsu and Alappat resulted in considerable debate both inside and outside the confines of the Patent Office. Several examiners-in-chief sent a memorandum of complaint to the Commissioner suggesting that he was predeciding cases and then designating or "stacking" the Board to achieve his desired outcome.[21] The Commissioner in turn prepared a memorandum in defense of his exercise of authority over the Board.[22] Members of the bar also expressed ***339** concern over the Commissioner's role in setting PTO policy through the adjudications of the BPAI.[23]

In due course, the Court of Appeals for the Federal Circuit decided the case concerning Alappat. Judge Rich, writing for the majority, held that 35 U.S.C. § 7 grants the Commissioner the authority to designate the members of a panel acting to consider a request for reconsideration of a Board decision.[24] That authority includes the designation of an expanded panel consisting of the members of an original panel, other members of the Board, and the Commissioner himself, to consider a

request for reconsideration of a decision rendered by that original panel. The Board's reconsideration decision therefore constituted a valid decision over which the Federal Circuit had subject matter jurisdiction.[25] The court reasoned that 35 U.S.C. § 7 expressly provides the Commissioner with the authority to designate the members of a panel acting as the Board, and that the legislative history of the Patent Act failed to clearly demonstrate that Congress intended to impose any limitations on the Commissioner's designation practices.[26] Therefore, the majority held that the Commissioner's actions in reconstituting the panel with members, even for the purpose of manipulating the board to effectuate a preordained decision, was not outside the statutory boundaries of the law.[27] On the merits, however, the court agreed with the original panel's decision that Alappat's rasterizer for creating a smooth waveform was indeed directed toward patentable subject matter under 35 U.S.C. § 101, reversing the decision of the Board created by the Commissioner.[28]

In light of the Akamatsu and Alappat decisions, and taking into account the context of PTO procedures within the boundaries of administrative law, this article will critically examine whether the Court of Appeals for the Federal Circuit correctly decided in Alappat that the PTO Board should be subservient to the Commissioner. If so, the court's decision raises two important issues: (1) whether such an arrangement is preferable in terms of administrative efficiency and policy making; and (2) whether the administrative procedure employed, particularly in Alappat, challenges the due process rights of the patent applicant.

***340** Part I outlines procedural guidelines imposed on agencies by administrative law, discusses the broad powers vested in administrative agencies, and basic goals sought to be achieved by endowing agencies with legislative, executive, and judicial powers. With Part I as a legal backdrop, Part II details the sources of administrative power vested in the PTO, including the Commissioner and Board of Appeals. Necessary to this development is an exploration of the evolution of the appeals process within the legislative history of the Patent Act both in its historical context and within the overall framework of administrative agency law. The relationship between the Board of Appeals and the Commissioner is ascertained and evaluated, with a comparison of the BPAI and other similar adjudicatory bodies within the federal government.

Part III focuses on the administrative limits and requirements imposed by law upon the exercise of agency powers with special regard to Patent Office procedures. Part III discusses the Administrative Procedures Act (APA), its applicability to the functions of the Patent Office, and whether the PTO adheres to those APA guidelines. Agency action outside the boundaries of law is subject to review by the federal appellate courts. Therefore, the relevant standards of review applicable when the Federal Circuit reviews Board findings of fact, determinations of law, and determinations based on mixed law and fact are articulated, with special regard to the Federal Circuit's most recent annunciations in the In re Brana[29] and In re Napier[30] decisions.

Part IV addresses the PTO appeals process in terms of constitutional considerations of fundamental fairness and procedural due process. Part IV also discusses APA provisions aimed at satisfying constitutional standards. The Commissioner's and BPAI's exercise of their administrative and adjudicative powers in the cases of Akamatsu and Alappat is analyzed to determine if current practices exceed the bounds of administrative law and procedure, especially in regard to Utica Packing Co. v. Block.[31]

Part V concludes that the relevant statutes and regulations make it feasible for the BPAI to operate independently of the Commissioner. While the designation practices of the Commissioner may be an economically acceptable exercise of his administrative resources, his stacking of the BPAI to effectuate certain outcomes for appealed cases deprives applicants of procedural due process and erodes the certainty and integrity of the patent procurement process. Fairer means of policy implementation could be achieved through the employment of the Commissioner's rule-making powers to overturn the Board. Such action would be more consistent ***341** and certain with the benefit of having a prospective effect on a larger group of individuals.

I. Powers Vested in Administrative Agencies

A. Administrative Law Defined and the Purpose of Agencies

Administrative law concerns the often-noted "fourth branch" of government, which controls administrative operations. It sets forth the powers which may be exercised by administrative agencies, lays down the principles governing the exercise of those powers, and provides legal remedies to those aggrieved by administrative action.[32] The Supreme Court observed in FTC v.

Ruberoid Co.[33] that "the rise of administrative bodies probably has been the most significant legal trend of the last century and perhaps more values today are affected by their decisions than by those of all the courts, review of administrative decisions apart."[34]

The primary reason for our contemporary government's pervasive use of administrative agencies is found in the great flexibility of the regulatory process itself. In comparison to legislatures and courts, administrative agencies have institutional strengths that equip them to deal more effectively with intricate problems unique to a given field. Highly specialized personnel using flexible rules and regulations under a broad legislative mandate make it possible for an agency to appropriately influence conduct in a given market place.

As a consequence of society's need for multifaceted regulation of complex fields of emerging technology, most agencies now operate under statutes giving them legislative powers to draft rules and regulations affecting private behavior.[35] They possess executive powers to investigate suspected violations of those rules and to prosecute offenders.[36] Lastly, they possess judicial powers to adjudicate particular disputes over whether an individual failed to comply with the rules in question, or whether a public official has acted within the boundaries of agency ***342** law.[37] In the early days of the modern era of agency law, agencies primarily served the legislative and judicial powers of government. "The Attorney General's Committee has regarded as the distinguishing feature of an 'administrative' agency the power to determine, either by rule or by decision, private rights and obligations."[38] However, in more recent decades agency roles have been expanded to include investigative powers to rigorously pursue suspected infractions of agency rules and regulations.[39]

For example, the Patent Office creates law by promulgating rules which dictate the manner and form an inventor must follow in applying for a patent.[40] Likewise, the PTO has rules which govern the way in which a patent examiner is to go about examining an application.[41] The PTO then enforces those rules by rejecting a patent application that does not comply with the requirements of the application process,[42] and, to a larger extent, by rejecting unpatentable claims.[43] If a dispute arises between the applicant and a patent examiner as to the particular application of a rule during the examining process, the Board of Appeals will act as judge and jury in determining if the rules were properly applied; and if not, it will also determine the proper remedy.[44]

The principle arguments in favor of these very broad delegations of combined powers are typically offered in the name of institutional efficiencies.[45] Congress enacts statutes, which serve as broad guidelines for conduct in a general situation. However, where a particular field is technically complex or rapidly changing, the federal legislature is often unable to draft detailed regulations in response to the changing norms of behavior of market participants. Therefore, by entrusting broad ***343** authority to an administrative agency, Congress can delegate the responsibility of monitoring and regulating a particular industry. The agency, in turn, can create a flexible regime of decision-making procedures, and specifically oversee the development of a limited amount of subject matter.[46]

Lastly, agencies may more effectively bring expertise and experience to bear in the formulation of sound policy. Industries come to rely on the decision-making processes of administrative agencies in the allocation of their resources and venture capital. They plan their activities in accordance with set administrative policies and in reliance that those policies and rules of procedure will not abruptly change or be applied inconsistently, as might be the case if the different branches of government independently regulated the same subject matter.[47]

On the other hand, the rise of administrative agencies has strained the separation of powers requirement of the Constitution.[48] With constitutional power evenly divided among the three separate branches of government, each branch can provide checks and balances on the exercise of power by the other two. The very nature of administrative agencies seeks to concentrate these separate powers under one authority, thereby potentially removing checks and balances.[49] Many scholars and practitioners alike have argued persuasively that continually broad delegations of power to agencies are constitutionally inappropriate and economically counterproductive.[50]

B. Agency Rule-Making as a Means of Formulating Policy

Administrative agencies, including the Patent and Trademark Office, are granted two important functions by the legislation creating them: "(1) the power under certain conditions to make rules having the effect of laws, that is … quasi-legislative power; and (2) the power to hear and adjudicate particular controversies, ***344** that is quasi-judicial power."[51] The difference between these two functions is not well defined, and they in fact overlap at many points.[52] These two powers not only allow

agencies to create law, but also to formulate administrative policy.

Rule-making procedures can be fairer and more efficient than the creation of new law through either judicial decision or administrative adjudication. Such procedures have the result of placing all affected parties on notice of impending changes in regulatory policy, typically offering a period for comment by the public before changes are implemented.[53] Unlike case-by-case adjudication, administrative rules are not bound by the facts of a particular case, and therefore a single administrative rule can resolve in one proceeding issues which could remain uncertain for years. This also tends to produce a more uniform compliance among affected parties.[54] Administrative rules further serve the goal of equal and prospective treatment of individuals who are similarly situated, lending an atmosphere of fairness to the administrative process. In short, the primary goal of rule-making, as opposed to judicial decision or administrative adjudication, is to increase efficiency and predictability while minimizing the attendant risk of inaccuracy.[55] Therefore, in recognition of the advantages of rule-making procedure over adjudicative procedure for making law or policy affecting more than a few parties, agencies should strive to optimize their rule-making procedure.[56]

Standardized rule-making procedures applicable to federal agencies are generally established by the Administrative Procedures Act (APA).[57] Since rule-making involves declaring generally applicable policies binding on the affected public at large, a rule looks to the future and is applied prospectively only.[58] Therefore, a central feature of the APA is publication of proposed rules, with an invitation to interested parties to make written comments.[59] The comments are then reviewed, and the rules are revised accordingly before final publication.

***345** The APA's procedural requirements for rule-making vary depending upon what type of rule the agency is promulgating and whether the agency action is considered substantive or interpretive.[60] Substantive rules "grant rights, impose obligations, or produce other significant effects on private interests,"[61] or they "effect a change in existing law or policy" that affects individual rights and obligations.[62] To be "substantive," a rule must also be promulgated pursuant to statutory authority and implement the statute.[63] In contrast, "interpretive" rules "merely clarify or explain existing law or regulations,"[64] are "essentially hortatory and instructional,"[65] and "do not have the full force and effect of a substantive rule but are in the form of an explanation of particular terms."[66] They are issued by the agency to advise the public of the agency's construction of a particular law it administers.

The APA requires prior public notice and comment of certain agency action including publication of an agency's rules of procedure.[67] The APA requirement naturally applies to substantive rules. However, notice and public comment are not required for interpretive rules, general statements of policy, or rules of agency organization, procedure, or practice.[68] Therefore, if a court determines that the genesis and effect of an agency action or rule represents no change in the law and that it merely clarifies prior decisional precedent, then the court will not require prior public notice and comment before the action goes into effect.

Despite the ease of the above conclusion, it is often the case that neither the relevant statutes, nor the agency rules themselves, indicate clearly whether a particular exercise of rule-making authority is considered substantive or interpretive. These situations require an appellate court to decide which type of rule is at issue. ***346** For instance, in Animal Legal Defense Fund v. Quigg,[69] the PTO issued an official notice stating that the agency now considered nonnaturally occurring, nonhuman multicellular organisms, including animals, to be patentable subject matter within section 101 of the Patent Act. The notice summarized three prior decisional cases, Diamond v. Chakrabarty,[70] Ex Parte Hibberd,[71] and Ex Parte Allen,[72] and, based on the conclusions of the Supreme Court and the Board of Appeals, it announced the agency's new interpretation of section 101. The Federal Circuit held that the notice represented no change in the law, but rather a refined interpretation of prior decisional precedent. Therefore, the published rule in question must be treated as an "interpretive" rule.[73]

C. Agency Adjudications as a Means of Policy Making

Another way in which agencies exercise their legislative "rule-making" powers is through administrative adjudications.[74] Adjudicated cases often serve as vehicles for the formulation of agency policy, which is announced therein. They generally provide an indication of action that the agency may take in future cases. Since a large portion of adjudication procedure is governed within each agency by its published rules of practice, the procedures used by administrative agencies to adjudicate individual cases are quite diverse.

Within the federal system, the APA establishes minimum procedural standards for administrative adjudications.[75] The

language of the APA broadly provides that every final disposition is an "order," and the formulation of an "order" is an "adjudication."[76] Therefore, agency adjudications necessarily encompass the great majority of all agency action. But the fact that a particular agency decision is an adjudication does not require the agency to use a trial-type proceeding because the statute's coverage is limited to a relatively small class of cases where "adjudication is required by statute to be determined on the record after opportunity for an ***347** agency hearing."[77] Therefore, the APA only mandates trial-type adjudicative procedures when some other statute requires an evidentiary or full hearing at the agency level. Beyond the minimal APA requirements, procedures used in agency adjudications remain within the agency's discretion.

The APA accordingly provides the framework within which the PTO Commissioner promulgates rules and procedures applicable to the Patent Office and within which the Board of Appeals reviews cases appealing decisions of the Examining Division.

II. Administrative Powers Vested in the PTO

A. Historical Context of Patent Office Powers

The administrative functions of the Patent Office and the Board of Appeals may best be understood by considering the evolution of the appellate procedures within the Patent Office. This may be accomplished through a brief review of the Patent Act, its later amendments, and legislative history.[78]

Patents have been recognized as aids to industry since before the Constitution was adopted, with several Colonies granting patents for inventions long before the Revolution. The present basis for the grant of patents in the United States is a provision in the Constitution that gives Congress power to grant to inventors an exclusive right to the subject matter of their inventions.[79] During the second session of Congress, in which President George Washington urged structured protection of ***348** inventions,[80] the United States patent system was created through enactment of the Patent Act of 1790.[81]

Under the 1790 Act, patent applications were handled by a board of three examiners who exercised discretionary power in granting or refusing an application,[82] and no appeal was expressly or implicitly provided as there were no officials higher than the board of examiners. The Act of 1790 was superseded by the Act of 1793,[83] which eliminated the examination process, thereby granting a patent to anyone who applied and fulfilled the formal requirements such as filing the appropriate documents and paying the required fees.[84] This law continued in force until 1836, when dissatisfaction with granting patents without any examination as to novelty or obviousness led to a revision in the patent law.

The new patent statute, the Act of 1836,[85] contained the fundamental characteristics of our current patent law. It created a Patent Office with a Commissioner of Patents as its administrative head.[86] The Commissioner was vested with authority to examine patent applications, and to refuse the issuance of patents.[87] Section 7 of the Act provided that an applicant for a patent dissatisfied with the decision of the Commissioner could appeal the decision to a "board of examiners," appointed by the Secretary of State for each case.[88] The Board could reverse the decision of the Commissioner in whole or part, and its decision ***349** controlled further proceedings.[89] The 1836 Act was amended with incremental improvements in 1837, 1839, 1842, and 1861.

The Act of 1861 introduced numerous changes in the patent law, including a provision for an additional appeal within the Patent Office. Internal appeals could now be taken from an examiner to a board of examiners-in-chief, and from that board to the Commissioner.[90] Remarkably, an applicant whose case was rejected was entitled to a total of five separate appeals within the application process. Besides the internal appeals mentioned above, further appeal could be taken outside the Patent Office to the District of Columbia Court of Appeals. If that court decision was still adverse, a new action in equity could be initiated in the federal district courts.[91]

After nearly twenty-five years of debate, the patent appeals process was simplified and shortened under the Act of March 2, 1927, by reducing the number of appeals from five to three.[92] Under the 1927 Act, appeals from final rejections were heard by a newly created "Board of Appeals" with no further separate appeal to the Commissioner. The Commissioner, however, became a member of the new board along with the First Assistant Commissioner, Assistant Commissioner, and the previous examiners-in-chief.[93] The Act thus created a division of authority in the Patent Office essentially as it exists today by abolishing the appeal to the Commissioner and delegating the task of hearing appeals solely to the board.[94] The 1927 Act

separated the Commissioner's administrative function of running the PTO from his adjudicatory function of deciding individual cases of patentability, which was now delegated to the board due to an ever-increasing caseload. This division was retained in the 1952 Patent Act.[95]

The legislative history of the Patent Act suggests that the growth of the patent office required the Commissioner to delegate some of his supervisory authority to the Board of Appeals, and that the Board acts somewhat separately from the ***350** Commissioner's general administrative duties such as rule-making and office management. Despite the separation of the Board's functions from the Commissioner's others duties, the legislative history lends little support for the notion that the Board is or should be independent of the Commissioner. Hence, the lack of dispositive evidence in the legislative history was one reason that led to the Federal Circuit's acceptance of the Board's subservience to the Commissioner in Alappat.

B. Administrative Powers of the Commissioner and the BPAI

In recognition of the importance of patents to the commercial world, the Patent Office came under the auspices of the Department of Commerce in 1925, with the PTO Commissioner becoming an Assistant Secretary of Commerce.[96] The Commissioner and BPAI derive their statutory authority from the Patent Act, codified at title 35 of the United States Code. Under the Act, the Commissioner is broadly charged with the responsibility of superintending or performing "all duties required by law respecting the granting and issuing of patents."[97] This naturally includes causing an examination of an application for patent and issuing a patent thereafter when authorized by law.[98] The Commissioner has the responsibility of declaring an interference where an application is made for a patent which would interfere with a pending application or an unexpired patent.[99] The Commissioner may further "establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office,"[100] including the establishment of interpretive rules. However, a court may "reject administrative constructions of the statute, whether reached by adjudication or by rule-making, that are inconsistent ***351** with the statutory mandate or that frustrate the policy that Congress sought to implement."[101]

Section 7(b) of Title 35 provides the Commissioner with authority to designate members of the Board: "Each appeal and interference shall be heard by at least three members of the board of Appeals and Interferences, who shall be designated by the Commissioner."[102]

By the express language of the statute, the Commissioner is endowed with the power to assign members to the board. However, the statute makes no mention of limitations on the Commissioner's actual designation practices, and the history of the PTO and the patent laws lend little dispositive insight. Notwithstanding the statute and its legacy, recognized standards of conduct under the Constitution and APA will provide some restriction on the Commissioner's exercise of authority.[103] However, those restrictions must first be recognized and then enforced.[104]

The Board of Patent Appeals and the Board of Interferences were merged in 1984 to create the present Board of Patent Appeals and Interferences (BPAI),[105] with a total membership of over forty persons, including the Commissioner and his administrative managers.[106] The BPAI has a more limited role than the patent commissioner. It reviews adverse decisions upon applications for patents, and determines priority and patentability of invention in interferences.[107]

Section 7 of the Patent Act controls the composition of the board and its authority to reconsider its own decisions. As noted above, it also provides for the Commissioner's authority over the Board:
(a) The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed to the competitive service. The Commissioner, the Deputy Commissioner, Assistant Commissioners, and the examiners-in-chief shall constitute the Board of Patent Appeals and Interferences.

(b) The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a) of ***352** this title. Each appeal and interference shall be heard by at least three members of the Board of Appeals and Interferences, who shall be designated by the Commissioner. Only the Board of Patent Appeals and Interferences has the authority to grant rehearings.[108]

Through section 7, Congress granted the Commissioner authority to designate expanded Board panels of more than three members. Cases consisting of Board decisions rendered by panels of more than three Board members have typically been

upheld by the Federal Circuit and its predecessor, the Court of Customs and Patent Appeals (CCPA).[109] Statutory and other limitations regarding which Board members the Commissioner may appoint to an expanded panel or when the Commissioner may convene such a panel are issues treated in the following sections of this article. Further limitations on the exercise of the Commissioner's authority include principles of due process and the requirements of the Administrative Procedures Act. These additional constraints on the Commissioner are also discussed in the following sections.

The Patent Act further provides the machinery for an applicant to wage an appeal. Section 134 provides for internal appeals to the BPAI from an application twice rejected or finally rejected by a primary examiner.[110] An applicant may appeal an examiner's decision to the Board by filing a notice of appeal and an appellate brief stating the status of the claims and amendments, and stating why the claims were improperly rejected by the examiner.[111] Since an appeal is an ex parte proceeding, after the appeal is filed the applicant may not submit affidavits, declarations, or other outside evidence without "good and sufficient reasons why they were not earlier presented,"[112] except that an oral hearing is provided upon ***353** written request.[113] The BPAI will either affirm or reverse a final rejection, allow the disputed claims in amended form, remand the case to the primary examiner with a new ground of rejection, or otherwise remand the case for further consideration.[114] Despite the apparent similarity of Board proceedings to that of a full judicial tribunal, the Federal Circuit insists that patent prosecution before the PTO is not adversarial:

> The ex parte prosecution and examination of a patent application must not be considered as an adversary proceeding and should not be limited to the standards required in inter partes proceedings. With the seemingly ever-increasing number of applications before it, the Patent Office has a tremendous burden. While being a fact-finding as well as an adjudicatory agency, it is necessarily limited in the time permitted to ascertain the facts necessary to adjudge the patentable merits of each application. In addition, it has no testing facilities of its own. Clearly, it must rely on applicants for many of the facts which its decisions are based.[115]

Finally, the Board's statutory grant of authority to decide cases on appeal "rests on an independent grant in section 7(b) of the Patent Act, which requires the Board to decide patent validity issues when properly raised in Board proceedings, and is independent from the Commissioner's authority to establish regulations."[116]

C. Comparison of the BPAI to Other Adjudicatory Bodies

A comparison of the role of other agency review boards to that of the BPAI indicates not only that it is feasible for the BPAI to act independently of the Commissioner, but also that such independent character would be in line with other similar adjudicatory boards within the executive branch. Agency tribunals that are readily comparable to the BPAI include the board of contract appeals and the board of appeals for veterans affairs; both of whose final decisions are also reviewable by the Court of Appeals for the Federal Circuit.

Congress created agency boards of contract appeals and gave them authority to rule on disputes arising out of contracts between the government and private contractors.[117] Agency boards of contract appeals have jurisdiction to decide any appeal from a decision of a contracting officer relative to a contract made by its agency, and their decisions are appealable to the Court of Appeals for the Federal Circuit.[118] The various agency boards preside over cases in which contract rights of ***354** private individuals are directly in conflict with the interests of the government. For instance, a dispute over the scope of rights granted by a clause in a contract between a contractor and the United States Air Force would be appealable to an Armed Services Board of Contract Appeals.[119] Likewise, the patent appeals board resolves conflicts between individuals seeking exclusive rights to inventions and the government (through the Corps of Patent Examiners), which refuses to grant such rights until an applicant for patent satisfies certain statutory requirements.

Members of the board of contract appeals are selected and appointed to serve by the agency head in the same manner as administrative law judges under the Civil Service Law.[120] The principle reason for treating members of the board of contract appeals like administrative law judges is to insure their independence as quasi-judicial officers. Thus, the method of appointment is designed to guarantee that contract appeals board members, like administrative law judges, be appointed strictly on the basis of merit, and that in conducting proceedings and deciding cases they would not be subject to direction or control by agency management authorities.[121]

Besides the method of appointment of contract appeals board members, the boards are independent of their agency heads

because they are not a representative of the agency since it is the agency that is contesting the private contractor's claim to relief. By analogy, the PTO board of appeals also cannot be viewed as a "representative" of the agency because the PTO, through the Solicitor, also contests the claim of the private individual by arguing for rejection of the patent application. Therefore, neither the patent statute nor its legislative history demonstrates that Congress intended to create an adjudicatory board that serves to resolve disputes between the agency and private individuals while at the same time acting as a representative of the agency in furtherance of the agency policy. Although the Patent Act gives the Commissioner authority to designate the members of a panel constituting the board and the authority to sit on the board as a single voting member (section 7(b)), it does not necessarily require the board to act merely on behalf the Commissioner, or that the Commissioner act through the board.[122]

As another comparison, Congress created a board of veterans appeals and gave it the authority to decide disputes between individuals seeking veterans' benefits and ***355** the governmental department which regulates such benefits.[123] The Veterans Affairs statute places that board under the administrative control and supervision of a chairman who is directly responsible to the Secretary of Veterans Affairs.[124] The statute further limits the independence of the Board of Veterans Appeals by binding that Board to regulations of the department and instructions of the secretary.[125] In addition to departmental regulations and secretarial instructions, the board's decisions are further bound to the precedent of the department's chief legal officer. Reconsiderations are ordered by the chairman of the board of appeals and heard by an expanded section of the board.[126] Hence, the veterans appeals board is analogous to the BPAI in that both attempt to settle disputes between a private individual applying for a governmental entitlement and the administrative agency that has denied the claim to that entitlement. However, unlike the BPAI, the Board of Veterans Appeals is expressly limited in its authority and expressly made subservient to its chairman and the secretary: "The Board shall be bound in its decisions by the regulations of the Department, instructions of the Secretary, and the precedent opinions of the chief legal officer of the Department."[127] No such express limitation is found in the Patent Act.

The above comparison of the BPAI to the respective boards of appeals for government contracts and veterans affairs lends support to the argument that if Congress intended the BPAI to be subservient to the policy wishes of the Commissioner, it could have expressly provided so in the Board's enabling legislation as was done in the case of the veterans appeals board. The statute governing the contracts board of appeals specifically provides that the contracts board is independent of the agency head, while the statute governing the board of veterans affairs specifically provides that the veterans board is bound by the instructions of the Secretary.[128] In contrast, the language of the Patent Act fails to manifest clearly a congressional intent to limit the Commissioner's authority to assign panel members constituting the BPAI, and the legislative history of the Patent Act is devoid of conclusive evidence. In Allapat, instead of comparing other federal agency review boards which come under its judicial review, the Federal Circuit noted the lack of historical evidence and concluded that Congress sought to have the BPAI dependent on the Commissioner.[129]

***356 D. Role of the BPAI as a Quasi-Judicial Adjudicative Body**

As far back as a century ago the Supreme Court held in Murray v. Hoboken[130] that judicial powers are within the exclusive jurisdiction of the courts, and that any delegation of judicial power to administrative agencies was contrary to the separation of powers and thereby unconstitutional.[131] Despite concern for separation of powers, there has been a continual delegation of adjudicatory powers to administrative agencies since the Murray decision. Indeed, the underlying premise of administrative law is that Congress must make broad delegations of combined powers to agencies, equipping them to effectively address issues unsolvable by Congress alone. Here lies the central justification for concentrating separate governmental powers under one authority. Perhaps the uneasiness of that concentration of separate powers has lead some courts and commentators to describe agency adjudicative powers as "quasi-judicial." However, whether or not the milder term quasi-judicial is used, the genesis of an agency tribunal's actions is the same; that is, it makes findings of fact and applies the law to those facts to determine the ultimate legal issue.[132] Therefore, it is implicitly recognized that the power to hear and decide cases is judicial, whether it be exercised by a court or an administrative agency. For convenience, however, hereinafter "judicial" tribunals refer strictly to the courts, while "quasi-judicial" tribunals refer to adjudicative bodies within administrative agencies.

Agency adjudicative bodies typically require most of the same procedures as those of the courts.[133] For example, the congressionally created board of contract appeals authorizes the taking of depositions and discovery proceedings, and requires the attendance of witnesses by subpoena and the production of documents.[134] It has promulgated rules of procedure requiring a contractor to file an appeal within a certain time, submit a lengthy brief stating the facts, issues, and arguments of the appeal, and make formal motions within the appeals process.[135] A contracts board issues a written opinion of its decision

or takes other appropriate action on each appeal. The members of the contracts board are considered administrative law ***357** judges.[136] Likewise, the BPAI accepts legal briefs. It holds hearings and admits evidence in the form of declarations, exhibits, and affidavits upon a showing of good cause.[137] Like a contracts board, the BPAI issues written opinions and has the authority to remand cases consistent with those opinions.[138] Members of the BPAI have recently been characterized as administrative judges—a characterization similar to the administrative law judge (ALJ), except that administrative judges are not selected and appointed to serve pursuant to the regulations of the Civil Service Commission. Notwithstanding the different titles, both ALJs and administrative judges must conform their conduct to high judicial standards. Therefore, it is axiomatic that the requirements applicable to ALJs likewise apply to BPAI administrative judges.

One of the principle purposes of the APA was to render administrative law judges in administrative agencies separate and genuinely independent of pressure from the officers or others in their agencies who might, directly or indirectly, influence their determinations.[139] To this end, the APA provided for the rotation of ALJs and for their removal only upon a showing of good cause.[140] The intent was to was to make ALJs nearly the equivalent of judges, even though operating within the system of Federal administrative justice.[141] Although administrative agency adjudicative bodies are not considered courts, the Supreme Court in Morgan v. United States[142] has since held them to the same lofty standards:

> The maintenance of proper standards on the part of administrative agencies in the performance of their quasi-judicial functions is of the highest importance and in no way cripples or embarrasses the exercise of their appropriate authority. On the contrary, it is in their manifest interest. For, as we said at the outset, if these multiplying agencies deemed to be necessary in our complex society are to serve the purposes for which they are created and endowed with vast powers, they must accredit themselves by acting in accordance with the cherished judicial tradition embodying the basic concepts of fair play.[143]

Inherent in the Supreme Court's declaration are certain standards of conduct required of administrative law judges and other similarly situated officials. Two ***358** separate standards of conduct emerge from the Court's mandate that administrative judges operate within the "judicial tradition:" (1) the required conduct of individual members who constitute an agency board; and (2) the required conduct of all members of a board acting in concert. The first standard necessarily suggests that individual members of an adjudicative body should be free to exercise decisional independence without undue influence from other members of the adjudicative body or even the agency head. It is a basic requirement that administrative law judges be impartial and unbiased in the exercise of their duties, otherwise there would be a need to have a board consist of more than one member. Second, the public's trust and reliance on the decisions of an agency tribunal can only be satisfied through the exercise of decisional independence of the tribunal as a whole. After all, adjudicative boards render their decisions by a majority vote rather than by the agency head casting his vote as a proxy decision for the entire board. Any contrary action by a board jeopardizes the integrity of the administrative appeals process. Therefore, once an agency head like the PTO Commissioner delegates part of his discretionary decision making power to a board, it follows that he should then respect the independent nature of that delegated authority and refrain from attempting to influence subsequent board decisions.[144] As noted in Animal Legal Defense Fund, the PTO Commissioner, or any other member of the Board of Appeals, may only influence a decision of the Board to the extent that he sits as a single voting member, and in this role he serves as any other member.[145]

III. Restrictions upon the Exercise of Agency Powers

A. The APA and its Application to Patent Office Procedures

The Seventh Circuit Court of Appeals bluntly noted in Singer Co. v. P.R. Mallory & Co.[146] that, as an administrative body of the Department of Commerce, the Patent and Trademark Office comes under the auspices of the federal Administrative Procedures Act:

The Patent Office falls within the definition of an administrative "agency" established by the Administrative Procedures Act. 5 U.S.C. § 551(1). Administrative agencies are those agencies "administrating powers delegated to them by the legislature." Congress has delegated its power under U.S. Const. art. 1, § 8, cl. 8 to the Patent Office. 35 U.S.C. § 1 et seq.[147]

***359** The APA sets forth a framework for administrative agency procedure and judicial review of agency action with a mission to achieve uniformity and fairness in agency proceedings without unduly interfering with agency function.[148]

The key provisions of the APA that are relevant to the procedures of the Patent Office are codified in chapters 5 and 7 of T itle 5 of the United States Code.[149] Chapter 5 addresses, inter alia, agency procedures for rule-making (section 553) and adjudication (section 554). As discussed earlier, rule-making involves the promulgation of concrete proposals that declare generally applicable policies binding on the affected public in a prospective manner. It does not include adjudicating the rights and obligations of parties before an agency tribunal. The APA requires that the Patent Office and other agencies give notice of proposed rule-making in the Federal Register as to the "time, place and nature of public rule-making proceedings;" to refer to the authority for the proposed rule; to explain the substance of the proposed rule; and to allow the interested people an opportunity to comment, express views or arguments, or submit data.[150]

Further, an agency must publish rules at least thirty days before their effective date in a process known as "rule and comment procedures."[151] For example, in Animal Legal Defense Fund, the plaintiffs challenged the Commissioner's actions under the APA for failing to publish a Commissioner's Notice (about the patentability of animals) for public comment under section 553.[152] The Federal Circuit specifically recognized the applicability of section 553 to the Commissioner's policy changes in upholding his decision not to offer public comment.[153] The APA procedures requiring notice and publication of rules, however, only apply to substantive rule-making, and the Federal Circuit has stated that the PTO possesses no substantive rule-making powers per se.[154] Therefore, the PTO's rule-making is "interpretative," without a mandate from the APA for their publication.[155] Nevertheless, the Commissioner typically notifies the public of changes in PTO policy through the agency's Official Gazette.

***360** Under the APA section 551, an "adjudication" is an "agency process for the formulation of an order."[156] In application, section 551 requires a hearing before an administrative law judge or panel of judges who make findings of fact and conclusions of law. Administrative law judges determine individual rights and duties in initially deciding a case, and their recommendations become the final decision of the agency unless there is a timely appeal or motion for reconsideration.[157] Agency decisions generally manifest themselves in a written "order" which covers the whole or part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form. This should not be confused with an "agency action" which generally refers to any part or whole of an agency rule, order, license, sanction, relief, or the like. Despite the broad wording of the APA, section 554 has limited application to the Patent Office because, with a single exception, none of the Board of Appeal's adjudications are "required by statute to be determined on the record after opportunity for an agency hearing."[158] However, adjudications by the Patent Office are "subject to subsequent trial of the law and the facts de novo in a court."[159] In summary, BPAI proceedings are "adjudications," with the resulting written decision of an adjudication being an agency "action," while decisions on patentability and priority are best characterized as "orders."

In the spirit of Singer Co. v. P.R. Mallory & Co., the PTO appears to adhere to certain other requisites of Chapter 5 of the APA. It follows section 552 inasmuch as it has published rules on disclosure of information to the public.[160] However, contrary to the general requirements for agency disclosure under the APA and the Freedom of Information Act, there is a specific exemption in Title 35 for the secrecy of patent applications.[161] The PTO further adheres to most of the requirements of section 553 in its rule-making and, to a limited extent, section 554 for its adjudications. Persons aggrieved by agency action in terms of adjudication, and, to a ***361** lesser extent, rule-making, may seek judicial review.[162] As noted above, intra-agency appeal proceedings do not appear to provide an absolute requirement for a hearing, except as it may be implied by the language of 35 U.S.C. § 6 which provides that "each appeal and interference shall be heard by at least three members of the Board ."[163] In practice, the Patent Office grants an oral hearing for cases before the Board in conformity with the APA.

Chapter 7 of the APA provides for judicial review of agency action that caused a person to suffer legal wrong, or adversely affected or aggrieved a person.[164] It further defines the procedures and manner of judicial review. Congress thus provided the terms under which an administrative proceeding may be reviewed in the courts and the limits of their jurisdiction.[165] The provisions of Chapter 7 allow for judicial review of all agency action, except to the extent that review is precluded by specific statutes or where the agency action is committed to agency discretion by law.[166] The form of review is typically dictated by special statutes relevant to the subject matter and reviewable to a court designated by statute. If no special statutory review proceeding is applicable, the action for judicial review may be brought against the United States, the agency, or the appropriate official.[167]

Most importantly, section 706 sets forth the standards of review, requiring the reviewing court "to decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action."[168] The reviewing court shall hold unlawful and set aside agency action, findings, and conclusions found to be:

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

***362** (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court ….[169]

The scope of review provisions of APA section 706(2) are cumulative.[170] Thus, for example, agency action which is supported by substantial evidence may be considered "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law."[171] Such a situation could occur where there is adequate evidence to support an agency decision, yet that decision is an abrupt and unexplained departure from agency precedent.[172] The arbitrary and capricious provision of section 706(2) functions as a catch-all, picking up administrative misconduct not covered by the other more specific provisions.[173] Therefore, in those situations where paragraph (E) has no application,[174] paragraph (A) fills the gap, thus enabling the courts to reverse, as arbitrary, agency action that is without the necessary factual support.[175]

Despite the clear provisions of the APA, the question concerning the appropriate standard of review to be applied to PTO Board of Appeals decisions has witnessed considerable debate. The patent statute states merely that the Court of Appeals for the Federal Circuit shall review the decision "on the evidence produced before the Patent and Trademark Office."[176]

B. Standards of Review and Their Application to BPAI Decisions

Review of trial court dispositions consists of three types—clear error, legal correctness, and abuse of discretion. There is generally one type of agency review—substantial evidence. Because the Federal Circuit has inconsistently applied standards of review to decisions by the PTO Board of Appeals, a brief discussion of the relevant standards of review and their application should prove helpful. Notwithstanding the several types of review, the actual selection of the proper standard of review by a court is a matter of law, and the court will conduct its examination de novo.[177]

***363** Federal Rule of Civil Procedure 52(a)[178] provides, in part, that "findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witness." Therefore, in reviewing factual findings of a trial court, the Federal Circuit must apply the "clearly erroneous" standard of review.[179] Further, as the Federal Circuit is a court of appeal, it does not review the proceedings below de novo.[180] For example, in Gould v. Quigg,[181] the Federal Circuit held that the district court for the District of Columbia could only set aside BPAI fact findings if they were clearly erroneous, but if new evidence was presented before the district court on a disputed question of fact, then de novo fact finding was to be made by the court. On appeal, the Federal Circuit reviewed the district court's fact findings as well as those of the Board under the clearly erroneous standard of review.[182]

The Federal Circuit reviews legal conclusions of a district court for legal correctness or error as a matter of law.[183] The court has traditionally reviewed BPAI decisions without deference to the views of the PTO, despite suggestions from the Commissioner.[184] The Federal Circuit articulated such a position in the case of In re McCarthy:

The Commissioner, through the Solicitor, raises the threshold question of the scope of appellate review. The Commissioner urges the novel position that this court's role, in fulfillment of the mandate of 35 U.S.C. §§ 141-144, is limited to an inquiry as to whether the Board's decision has a rational basis. With respect to this appeal, the Commissioner states "[t]here is a rational basis for the Board decision. Consequently, there would not be reversible error therein."

We have articulated, on occasion, the standard by which we review a Board determination that a claimed invention would have been obvious under 35 U.S.C. § 103. Obviousness is a conclusion of law. It is our responsibility, as for all appellate courts, to apply the law ***364** correctly; without deference to Board determinations, which may be in error even if there is a

rational basis thereof. This principle controlled our predecessor court, and continues in this court.

There is no authority for the asserted restriction of the scope of appellate review under 35 U.S.C. §§ 141-144 to a "rational basis" standard. Such a standard is inimical to our duty to ensure the legal correctness of the Board's decisions that are appealed, a duty entrusted to the courts.[185]
For questions of law based on underlying facts, such as nonobviousness, the Federal Court has defined its task to include a consideration of the facts, either as properly found by the fact finder below or as stipulated to or otherwise uncontested by the parties, and reach its own conclusion. The court then either affirms the trial court if it agrees with the trial court's conclusion, reverses if it does not, or vacates and remands for new or additional findings if, in its view, the record lacks facts essential to formulating a conclusion on the dispositive legal issue.[186]

A caveat to the above factual and legal standards of review applies to cases involving questions that are not easily characterized as either fact or law, but rather a mixture of both. These "judgment calls," as Judge Plager of the Federal Circuit has called them, represent a peculiar dilemma for a reviewing court in that the issue lies firmly rooted in the middle of the fact-law spectrum.[187] In this context, the historical facts have been established, the rule of law is undisputed, and the issue is whether the facts satisfy the statutory standard, that is, whether the rule of law as applied to the facts is or is not violated.[188] "Courts in such situations typically have balanced considerations of judicial economy, comparative institutional advantage, … and constitutional concerns … against the effect of appellate deference on consistency and uniformity in the law."[189] In such a case, whether the Federal Circuit will defer, and the extent to which it will defer, depends on the nature of the case and an a priori decision as to whether deferring is sound judicial policy.[190]

The third type of appellate review employs the abuse of discretion standard over a judge's discretionary rulings. The Federal Circuit laid down the test in Heat and Control, Inc. v. Hester Industries, Inc.:[191]
***365** [a]n abuse of discretion occurs when (1) the court's decision is "clearly unreasonable, arbitrary or fanciful"; (2) the decision is based on an erroneous conclusion of law; (3) the court's findings are clearly erroneous; or (4) the record contains no evidence on which the district court rationally could have based its decision. However, "[t]he phrase [abuse of discretion] means … that the court has a range of choice, and that its decision will not be disturbed as long as it stays within that range and is not influenced by any mistake of law."[192]
Therefore, such abuses must be unusual and exceptional, with the reviewing court refraining from merely substituting its judgment for that of the trial court judge.[193]

Appellate review over administrative agency decisions is somewhat different. The power of courts to disturb the actions of administrative agencies is generally quite limited.[194] In appeals from the PTO Board, the Federal Circuit reviews the record and sets aside only "agency action, findings, or conclusions found to be—(1) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; (2) obtained without procedures required by law, rule, or regulation having been followed; or (3) unsupported by substantial evidence."[195]

Exactly which of the three available review standards applies to an issue on appeal depends on the nature of both the agency action and the question presented.[196] Review of conclusions of fact in agency adjudications is generally governed by the substantial evidence standard.[197] Substantial evidence is more than a mere scintilla. The Supreme Court has defined it as "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion."[198] This test "requires courts to defer to the agency as long as the record contains evidence from which one reasonably could draw the challenged inference—even though there is other evidence which, if believed, would permit the contrary inference."[199]

Conclusions of law, by contrast, are reviewed de novo, because the province and duty of the courts is to determine what the law is and its correct application.[200]

***366** In regard to administrative statutes and regulations, a reviewing court will accord substantial weight to an agency's interpretation of a statute that it administers if that interpretation is reasonable and not in conflict with the expressed intent of Congress.[201] In American Lamb Co. v. United States,[202] the Federal Circuit further defined its role by articulating the following guidelines:

> Though a court may reject an agency interpretation that contravenes clearly discernible legislative intent,

> its role when that intent is not contravened is to determine whether the agency's interpretation is "sufficiently reasonable." The agency's interpretation need not be the only reasonable construction or the one the court would adopt had the question initially arisen in a judicial proceeding.[203]

Similar considerations govern review of PTO rules and procedures. The Federal Circuit's standard of review is whether the rule or procedure, including those set out in the manual of patent examining procedure, is within the agency's statutory authority, is reasonably related to the purposes of the enabling legislation, and does no violence to due process.[204]

On substantive matters, however, PTO tribunals are not treated like other administrative agencies. The Patent Office has argued that the Federal Circuit's role, in fulfillment of the mandate of sections 141-144 of the Patent Act, is limited in its review of BPAI decisions as to whether a Board decision has a "rational basis."[205] However, the Federal Circuit rejected this argument, stating that it is the responsibility of all appellate courts to apply the law correctly, without deference to determinations made by the PTO Board, which may be in error even if there is rational basis therefor.[206] Rather, the standards of review for PTO Board proceedings are the same as those applied to trial courts:

> In appeals from PTO rejections, the Federal Circuit does not find facts de novo, but, instead, reviews PTO findings under the clearly erroneous standard. Under this standard of review, PTO findings are over-turned only if the court is left with the definite and firm ***367** conviction that a mistake has been made. For legal conclusions, the standard of review is correctness or error as a matter of law.[207]

It should be noted, however, that cases brought against the Commissioner in the D.C. District Court for refusing to issue a patent may involve an additional step.[208] In such a case, the evidentiary record before the Board will serve as the "evidentiary nucleus" of the district court proceeding, since a formal trial is afforded on proof which may include evidence not presented in the Patent Office.[209] The district court may set aside a Board's findings of fact only if the findings are clearly erroneous, but if new evidence was presented on a disputed question of fact, a de novo fact finding is made by the district court.[210] Therefore, on further appeal, the Federal Circuit will review all factual findings for clear error and legal conclusions for error or correctness of law.[211]

With the above standards of review in mind, how should the Federal Circuit treat the reconsideration decisions of the Patent Board of Appeals? In its decision, the majority in Alappat concluded that the Commissioner's manipulation of the Board was a permissible exercise of his authority, under section 7 of the Patent Act, to effectuate PTO policy through board adjudications.[212] In other words, the Commissioner should be free to use the Board as an extension of his policy making authority. However, if such is the case, then the standard by which the Federal Circuit reviews Board decisions is necessarily incorrect. As discussed above, the practice of the Federal Circuit has been to treat the Board of Appeals in the same manner as that of a district court. Fact findings are reviewed under the clearly erroneous standard, and legal conclusions are reviewed under the error or legal correctness standard. Policy decisions, on the other hand, are not "factual" or "legal" decisions by nature, and as such are subject to review merely as statements of agency policy. Thus, the Federal Circuit should employ either the abuse of discretion standard or the arbitrary, capricious standard of review (from APA section 706) giving substantial deference to the agency's decisions, as was argued by the Commissioner in McCarthy.[213] This has not been the case, and is inconsistent with the Federal Circuit's treatment of the boards of contracts appeals as discussed earlier ***368** in Part II, Section C.[214] The Alappat court attempted to treat the PTO Board as a quasi-judicial tribunal, yet at the same time allowed the Commissioner to manipulate an original board decision in the name of agency policy making.[215] If the patent appeals board is subservient to the Commissioner and makes policy based decisions, then those decisions should be treated as the Commissioner's discretionary agency statements and given substantial deference by the Federal Circuit Court of Appeals. Assuming such deference should be accorded to the board's "discretionary, policy-based" decisions, the Commissioner's manipulation of the board to effectuate PTO policy arguably is an abuse of discretion and/or arbitrary and capricious.

So far the Federal Circuit has refused to alter its standards of review for cases appealed from PTO Board decisions. However, in the cases of In re Brana and In re Napier, the Commissioner again raised the question of the Federal Circuit's standard of review, arguing that the appropriate standard regarding questions of law, of fact, and mixed questions of law and fact is found in APA section 706, that is, either the abuse of discretion standard or the arbitrary, capricious standard of review.[216] This time, instead of refusing the issue outright, the Federal Circuit qualified its position on the appropriate standard of review:

> In our consideration of this issue, there is a reality check: would it matter to the outcome in a given case which formulation of the standard a court articulates in arriving at its decision? The answer no doubt must be that, even though in some cases it might not matter, in others it would, otherwise the lengthy

> debates about the meaning of these formulations and the circumstances in which they apply would be unnecessary.[217]

The court then side-stepped the issue holding that the Board's error was sufficiently clear that it was reversible whether viewed as clear error or as resulting in an arbitrary and capricious decision.[218] However, the court then intimated that it would reconsider the issue in the future when the issue arose in a case in which the decision could turn on that question.[219]

Despite the court's invitation to the Commissioner in Brana, similar action was taken in the Napier case where the court again determined that it was unnecessary to address the issue of whether the APA standard was the appropriate standard. The court concluded that it was "able to affirm the Board in this instance under the more stringent standard,"[220] and therefore, no choice between the competing standards needed to be made. Unlike Brana, the facts of Napier presented a more compelling ***369** instance for the Federal Circuit to choose the appropriate standard of review, however the court still refused. The reluctance of the Federal Circuit to address this issue may reflect an internal split within the chambers as to how much deference should be afforded PTO board decisions. It is certainly possible that there is a growing minority of judges who seek to adopt an alternative standard of review, but are unable to obtain a majority position sufficient to warrant en banc consideration by the court.

IV. Constitutional Limitations on Exercise of Agency Powers

A. Due Process Limitations on Agency Action

In discussing the Commissioner's designation practices within the framework of section 7 of the Patent Act, the Alappat opinion concluded that there were no explicit statutory limitations on the exercise of the Commissioner's authority.[221] However, the court immediately qualified that statement by noting that the Commissioner's authority to designate members of a Board panel, as well as other administrative practices, may be constrained by principles of due process.[222] Therefore, a brief illumination of these constitutional considerations should prove instructive.

The literal meaning of due process is fair procedure, meaning that no person is to be deprived of his fundamental interests without an opportunity to be heard in defense of his rights. The Supreme Court has maintained that procedural fairness is a principle of universal obligation with respect to a person or his property.[223] In practice, when administrators act informally, the agency's decision making procedures may violate the constitutional rights of those adversely affected. The Fifth Amendment commands the federal government that " n o person shall … be deprived of life, liberty, or property, without due process of law. …"[224] Likewise, the Fourteenth Amendment similarly binds the states: "nor shall any State deprive any person of life, liberty, or property, without due process of law. …"[225] Procedural safeguards attempt to preserve personal freedoms by providing institutional safeguards against arbitrary governmental action. Thus, official action must meet minimum standards of fairness to the individual.

***370** Since procedural due process is essentially a requirement of notice and hearing before an agency adversely affects an individual's rights and obligations, it implies that an agency must also afford the individual an opportunity to present his case in a full and fair hearing. When due process requires a hearing, it often requires many of the elements of a trial-type adversarial hearing.[226] Building upon the due process foundation, courts have subsequently constructed a multitude of formal adjudicatory procedures. The Patent Office is no exception. Modern administrative procedure has acquired many of the attributes of courtroom procedure. However, the procedures of many agency tribunals, including the BPAI, may be characterized as "informal" in nature.[227]

Considerations of due process have increasingly developed along the lines of statutory entitlements. The grant of a patent to an inventor who has satisfied certain requirements of law is such an entitlement.[228] A patent is a statutory right given by the government to the inventor which allows the inventor (or owner) of the patent to exclusively make or use the invention.[229] An individual who believes he has satisfied the statutory criteria applies to the Patent Office to receive a government entitlement to maintain an exclusive position, and when denied such an entitlement has the right to seek quasi-judicial and judicial review.

The rights associated with statutory entitlements are well developed with complex rules of procedure erected to ensure

fairness and certainty in their enforcement. This approach naturally utilizes a plethora of mechanical safeguards for the minimization of factual error in the application of relevant substantive rules. However, the Court has stressed that "[t]he very nature of due process negates any concept of inflexible procedures universally applicable to every imaginable situation."[230] The Court has continually insisted that the procedures needed to minimize error and to reduce the dangers of arbitrary action vary according to specific factual contexts.[231] This concern over a balancing approach led the Supreme Court in Mathews v. Eldridge[232] to formulate a general test for the determination of what process is due in a given situation involving a governmental entitlement:

> ***371** [O]ur prior decisions indicate that identification of the specific dictates of due process generally requires consideration of three distinct factors: First, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.[233]

By requiring a weighing of the personal interest infringed, discounted by the probability that alternative procedures would serve better, against the added cost of such alternative procedures, the procedural due process that is due may be determined.[234]

In addition, the Court has placed enormous weight on securing the neutrality of due process hearings, and "the right to an impartial decision-maker is required by due process."[235] Since the appearance of evenhanded justice "is at the core of due process,"[236] the Court will disqualify decision makers who have no actual bias if they might reasonably appear to be biased.[237] An appearance of bias toward a preordained result is at the heart of the controversy over the Akamatsu and Alappat cases. Indeed, the Commissioner's "stacking" of the Board of Appeals challenges the very notion of the requirement of an appearance of fairness.

Despite the above constitutional due process framework, identification and separation of adversarial and adjudicative functions remains difficult in contexts where procedures are more administrative than formally adjudicative in character, as is arguably the case with the Patent Office. The Federal Circuit, by its predecessor, has maintained that the patent procurement process is not an adversarial process.[238] Moreover, PTO Board adjudications tend to be informal in nature, and therefore appear to be outside the "formal" decisions contemplated in APA sections 554, 556, and 557. This complicates the analysis of what due process safeguards are mandated in PTO Board proceedings.

The Administrative Procedures Act has as its basic objective the maintenance of consistency and fairness in administrative proceedings. The APA employs several procedural safeguards, including section 554 which addresses due process ***372** concerns of formal administrative adjudications.[239] Persons entitled to notice of an agency hearing must be informed of the time, place, and nature of the hearing; the legal authority and jurisdiction under which the hearing is to be held; and the matters of law and fact asserted.[240] The agency must further give all interested parties opportunity for the submission and consideration of facts, arguments, and offers of settlement. The agency employee (typically an ALJ or other hearing examiner) who presides at the reception of evidence pursuant to section 556 (hearings) shall make the recommended decision or initial decision required by section 557 (initial decisions). Except to the extent required for the disposition of ex parte matters, the agency employee may not consult a person or party on a fact in issue, unless that person or party is on notice and opportunity is available for all parties to participate, or be responsible to or subject to the supervision or direction of an employee or agent engaged in the performance of investigative or prosecuting functions for an agency.[241] Moreover, " a n employee engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review pursuant to section 557, except as a witness or counsel in public proceedings."[242]

APA section 555 addresses, inter alia, appearance and representation at formal agency proceedings.[243] Persons appearing before an agency, whether or not by compulsion, are entitled to representation.[244]

Section 556 outlines the proceedings for hearings that are required by sections 553 or 554 in which the agency or a hearing examiner presides over the hearing.[245] It sets the requirements for presiding agency employees, their powers and duties, and submission of evidence and burden of proof.[246] It also requires a record as the basis of decision.[247] Section 556 further requires that the functions of presiding agency employees in hearings under section 557 "shall be conducted in an impartial ***373** manner."[248] The courts construed this statutory provision to include the requirements of fundamental due process and fair

play.[249]

APA section 557 governs initial decisions and subsequent agency review of those decisions from hearings presided over by an agency or an ALJ when the agency did not preside at the reception of evidence.[250] In this case, an ALJ will render an initial decision which then becomes the decision of the agency without further proceedings unless there is an appeal to, or review on motion of, the agency. However, the provisions of the APA do not limit additional requirements imposed by law, and there is a rebuttable presumption that agency action is subject to judicial review.[251]

Both Akamatsu and Alappat involved prosecution and appeal proceedings before the Board, and therefore, whether 5 U.S.C. § 554 adjudications apply to prosecution procedures is of primary concern. Because ex parte prosecution procedures before the Board of Appeals are considered informal, they do not appear to fall within the ambit of 5 U.S.C. § 554, which covers "adjudications required by statute to be determined on the record after opportunity for an agency hearing."[252] First, ex parte prosecution procedures are based on patent statute provisions and regulations in CFR, which cannot be preempted by the APA. Second, decisions on patentability do not appear to be required by statute to be determined on the record after opportunity for agency hearing. The procedure set forth in the patent statute contrasts sharply from the recorded hearings contemplated by sections 554, 556, and 557. Third, section 554 expressly excludes application to matters "subject to subsequent trial of the law and facts de novo in a court."[253] Under 35 U.S.C. § 145, persons dissatisfied with ex parte prosecution proceedings can institute a civil action in the district court for the District of Columbia.[254] As noted earlier, proceedings in the district court are partially de novo in terms of the addition of new evidence. Although the district court applies the "clearly erroneous" standard of review to Board findings, it also allows the introduction of new evidence which requires a de ***374** novo finding to take such evidence into account together with evidence that was originally before the Board.[255] Hence, the district court proceeding is the type that section 554 contemplates, especially when one considers that the legislative purpose of 35 U.S.C. § 145 was for de novo review.[256] Further, the legislative history of the APA specifically mentions the work of the PTO as excluded from section 554:

> The exception of matters subject to a subsequent trial of the law and the facts de novo in any court exempts such matters as the tax functions of the Bureau of Internal Revenue (which are triable de novo in the Tax Court), the administration of the customs law (triable de novo in the customs courts), the work of the Patent Office (since judicial proceedings may be brought to try out the right to a patent), and subjects which might lead to claims determinable subsequently in the Court of Claims. … There should be not disposition to compel administrative hearings where Congress has not already so provided because, as pointed out below in connection with judicial review, the established law permits a trial de novo of the facts in all cases of adjudication where statutes do not require an administrative hearing. Moreover, as to subjects triable de novo in the courts, although the administrative procedure may in some instances shift the burden of proof the parties have rights to ultimate full judicial process. The exemptions are self-explanatory.[257]

Because section 554 appears inapplicable to PTO adjudications, sections 556 and 557 appear inapplicable as well, in as much as section 556 states that it applies to "hearings required by sections 553 or 554" and section 557 states that it applies "when a hearing is required to be conducted in accordance with section 556 …."[258] Also, section 556(b)(3) states that it does "not supersede the conduct of specified classes of proceedings, whole or in part, by or before boards or other employees specially provided for by or designated under statute."[259] Title 35 appears to be the type of "statute" referred to in that subsection, inasmuch as it specifically provides for ex parte prosecution and appeal proceedings before the Board.

B. Due Process Considerations in the Akamatsu and Alappat Cases

The Patent Office's treatment of Ex parte Akamatsu and Ex parte Alappat challenges the agency's mandatory commitment to adhere to fundamental standards of due process and fair play. In Ex parte Akamatsu, the applicant appealed the examiner's final rejection of certain claims directed toward a method and apparatus for a computer generated data display.[260] The original panel of the Board of Appeals ***375** reversed the examiner's final rejection, and prepared a written opinion of its decision.[261] The Commissioner disallowed issuance of the panel's decision, and instead convened a second panel consisting of designated agency officials who were partial to the Commissioner's view of the proper outcome of Akamatsu's appeal.[262] No examiner-in-chief sat on the panel.[263]

In Ex parte Alappat, the applicant appealed the examiner's final rejection of claims directed toward a means for creating a

smooth data display by use of a mathematical algorithm.[264] Like in Ex parte Akamatsu, a panel of three examiners-in-chief reversed the examiner's rejection.[265] Reconsideration was granted and the panel was expanded to eight members, specifically including agency officials who were partial to the Commissioner's desired outcome for the case.[266] On reconsideration, the five agency officials of the newly-constituted panel voted in the majority in accordance with the Commissioner's opinion.[267]

In both cases, the Commissioner in effect unilaterally reversed a reasoned, unanimous decision of a panel of examiners-in-chief who were previously designated to hear the appeal by the Commissioner himself. The examiners-in-chief are by statute persons of competent legal knowledge and scientific ability, and are selected to hear cases which coincide with their scientific expertise. The fundamental standards of due process requiring a fair trial before a fair tribunal logically require the appearance of fairness in the functions of an administrative agency tribunal. Notions of fairness also require an absence of a probability of outside influences on the adjudicator or panel of adjudicators.

The Court of Appeals for the Fourth Circuit stated in Jones v. Rivers[268] that "there is inherent danger in combining the functions of judge and advocate."[269] To this end, the Supreme Court has stressed the need for impartiality in adjudicative proceedings, stating in Goldberg v. Kelly that an "impartial decision maker is essential."[270] Justice White further concluded in Arnett v. Kennedy,[271] that "the right ***376** to an impartial decision-maker is required by due process."[272] The Court has had occasion to hold that a biased decision maker is subject to disqualification in criminal and civil proceedings, as well as administrative proceedings: " This Court has observed that disqualification because of interest has been extended with equal force to administrative adjudications."[273]

In Withrow v. Larken,[274] the Court held that the due process requirement of a fair trial in a fair tribunal applies to administrative agencies which adjudicate.[275] Nevertheless, the Court distinguished cases where the probability of actual bias is "too high to be constitutionally tolerable" from normal administrative adjudication:

> The contention that the combination of investigative and adjudicative functions necessarily creates an unconstitutional risk of bias in administrative adjudication has a much more difficult burden of persuasion to carry. It must overcome a presumption of honesty and integrity in those serving as adjudicators; and it must convince that, under a realistic appraisal of psychological tendencies and human weakness, conferring investigative and adjudicative powers on the same individuals poses such a risk of actual bias or prejudgment that the practice must be forbidden if the guarantee of due process is to be adequately implemented.[276]

There is no doubt that the requirement of separation of functions is somewhat relaxed in terms of administrative adjudication. However, the requirement of a fair trial before a fair tribunal has never been eliminated. The Supreme Court's due process requirement of impartiality and the appearance of fairness in administrative adjudication has been applied to revocation of parole hearings in Morrissey v. Brewer,[277] nonprobationary federal employees termination proceedings in Arnett,[278] and administrative appeal proceedings before a judicial officer of the Department of Agriculture (USDA) in Utica Packing Co. v. Block.[279]

The Utica case is particularly instructive. In Utica, administrative proceedings were brought to withdraw meat inspection services from the Utica Packing Company because its president and part owner had been convicted of bribing a meat inspector.[280] The USDA brought a complaint to withdraw inspection services before an administrative law judge (ALJ) who decided against Utica.[281] Utica appealed the ***377** ALJ's decision, and the judicial officer affirmed.[282] After losing its appeal to the U.S. District Court of Eastern Michigan,[283] Utica appealed to the Sixth Circuit Court of Appeals.[284] The Sixth Circuit reversed and remanded the case to the judicial officer, who reluctantly dismissed the case.[285] The Secretary of the USDA "violently disagreed" with the judicial officer's decision, but instead of requesting reconsideration, decided to remove the judicial officer from the case and replace him with another.[286] A petition for reconsideration was subsequently presented to the new judicial officer who ruled adversely to Utica.[287] Utica appealed to the United States District Court for the Eastern District of Michigan, which granted summary judgment in favor of the Secretary of Agriculture.[288] Utica again appealed to the Court of Appeals for the Sixth Circuit, raising the issue of whether it was a violation of due process for the Secretary to replace a judicial officer of the USDA after that officer had rendered a final decision and then present a petition for reconsideration to the judicial officer's replacement.[289]

Under the USDA regime, all companies engaged in the meat handling business must have their products and premises inspected by the USDA. The Secretary of Agriculture has the authority to refuse to provide, after opportunity for hearing, inspections services to those companies deemed unfit to engage in the business.[290] An administrator of an agency within the

USDA files a complaint with the Secretary, and the matter is referred to an administrative law judge who decides whether to withdraw the inspection services.[291] The decision of the ALJ is final unless timely appealed to a judicial officer, who decides the appeal on the record.[292] Reconsideration of the ALJ's decision may be sought by petition.[293] Pursuant to the above, the Secretary of Agriculture is authorized by statute to delegate his regulatory duties within the Department. The Secretary subsequently established a Judicial Officer to hear appeals from the decisions of administrative law judges on complaints by the USDA.

***378** On its second review of the case, the Sixth Circuit cited Withrow v. Larken[294] with approval, stating that the due process requirement of a fair trial before a fair tribunal "requires the appearance of fairness and the absence of a probability of outside influences on the adjudicator; it does not require proof of actual partiality."[295] In reviewing the peculiar facts of the case, the Sixth Circuit concluded that the Secretary's conduct in removing the Judicial Official created an "intolerably high" risk of unfairness to the plaintiffs.[296] The court therefore reversed the decision of the district court, remanding the case to the Secretary with instructions to reinstate the order for dismissal.[297]

In Utica, the Secretary chose to delegate his regulatory authority to a judicial official created by him. However, once the Secretary made such a delegation he was bound by the decision of the judicial official. The manipulation by the agency head of the administrative proceedings surrounding the decision of the judicial officer was held to violate the plaintiff's due process rights. In essence, the Sixth Circuit held that the Secretary misused and abused his powers of office. Similarly, Congress created the Patent Board of Appeals with similar adjudicative duties. The Commissioner of Patents, like the Secretary of Agriculture, manipulated the adjudicative process by effectively removing the original panel constituting the Board much like the Secretary of Agriculture removed his originally designated official. The Patent Commissioner then replaced the original Board with a gerrymandered panel to achieve his desired result. Therefore, in view of Utica and the other cases discussed, the Commissioner's conduct in Akamatsu and Alappat arguably violated the spirit of due process and thereby the rights of the applicants.

V. Conclusions

The recent decisions in Akamatsu and Alappat justifiably raise questions concerning the integrity of the Patent Office's appellate procedures. Although a careful examination of the Patent Act and its history provides no express support for the argument that the adjudicative functions of the Board of Appeals are or should be independent of the Commissioner's control, the practices of the Patent Office over the past 100 years or so suggests that the adjudicatory functions of the Board have been naturally somewhat separated from the Commissioner's administrative functions. Since the Commissioner delegates review authority to the Board in order to relieve himself of that burdensome function, it stands to reason that principles of fairness would dictate that he not tamper with that delegation once it has been made. A comparison of the BPAI to other federal adjudicatory bodies suggests that the ***379** BPAI is quite capable of functioning independent of the control of its agency head, as is the case with the board of contract appeals, and that Congress could have specifically made the PTO Board dependent on its agency head, as it did for the board of appeals for veterans affairs.

Members of the Board of Appeals are now considered administrative judges functioning on a similar level to administrative law judges appointed under the Civil Service Law, and the Board is fairly characterized as a quasi-judicial body exercising judicial powers. As such, members of the Board should be held to very high standards of impartiality and independence. Indeed, administrative law judges appointed under the Civil Service Law are rotated in their case assignment and can only be removed for good cause by the Civil Service Commission. The purpose of these provisions is to make the ALJs independent of pressures from the agencies whose cases they decide. Moreover, the Supreme Court has indicated that even the mere appearance of bias by a decision maker could be grounds for disqualification.[298] Standards of due process proscribing even the appearance of impropriety by a decision maker tend to prohibit just the sort of conduct seen in Akamatsu and Alappat. The Federal Circuit, however, is willing to condone such activity without an express congressional intent to the contrary.

Where a hearing is provided, fundamental standards of due process and justice require the hearing to be fair. However, in both Akamatsu and Alappat the agency head unilaterally reversed a reasoned, unanimous decision of a panel of examiners-in-chief who were previously designated to hear the appeal by the agency head himself. The Commissioner's conduct is clearly contrary to basic principles requiring a fair trial before a fair tribunal, not to mention the appearance of fairness in the overall functions of an administrative agency. Fairness required by due process also requires the absence of a probability of outside influences on the adjudicator or panel of adjudicators. The conduct of the Commissioner has increased that probability to an unacceptable level, thereby threatening the guarantee of due process. Had the issue of constitutional due

process been properly raised in Alappat on appeal to the Federal Circuit, the court would have arguably had adequate grounds to reverse the action of the Commissioner based in part on Utica Packing Co. v. Block.

The Federal Circuit's tolerance of the Commissioner's conduct still does not solve the problem of applying inconsistent standards of review to PTO Board decisions. The majority in Alappat concluded that the Commissioner's stacking of the Board was permissible exercise of his authority to effectuate PTO policy through board adjudications. However, if the Board is merely an extension of the Commissioner's policy making authority, then the standard by which the Federal Circuit reviews Board decisions is necessarily incorrect. The practice of the Federal ***380** Circuit is to treat the Board of Appeals in the same manner as that of a district court, reviewing fact findings under the clearly erroneous standard and legal conclusions under the legal correctness standard. Policy decisions, on the other hand, are subject to review as statements of agency policy requiring the Federal Circuit to employ either the abuse of discretion standard or the arbitrary, capricious standard of review. This has not been the case. The Alappat court is attempting to treat the PTO Board as a quasi-judicial tribunal while allowing the Commissioner to manipulate board decisions in the name of agency policy making. If the patent appeals board is subservient to the Commissioner and makes policy based decisions, then those decisions should be treated as the Commissioner's discretion agency statements and given substantial deference by the Federal Circuit. Assuming such deference should be accorded to the board's "discretionary, policy-based" decisions, the Commissioner's manipulation of the board to effectuate PTO policy is arguably an abuse of discretion and/or arbitrary and capricious.

Notwithstanding the due process implications and the Federal Circuit's inconsistent usage of standards of review, a more fair means of policy implementation can be achieved through the employment of the Commissioner's rule-making powers to overturn the Board. The Supreme Court has repeatedly emphasized the distinction in administrative law between proceedings for the purpose of promulgating policy-type rules or standards, on the one hand, and proceedings designed to adjudicate disputed facts in particular cases on the other.[299] As discussed above, recognition of the preference of rule-making procedure over adjudicative procedure for making law or policy affecting more than a few parties means that agencies should strive to use rule-making procedure to the greatest extent they find feasible. Broad changes in agency policy would be more effectively implemented through the agency's comment and rule-making procedures rather than the gerrymandering of a reconsideration board's composition to achieve a preordained result. The Commissioner sits on the Board a a single voting member. To allow him to cast his vote as a proxy for the majority of panel members denies the applicant a fair hearing. The Commissioner's actions simply diminish the integrity of the PTO appeals process.

Rule-making procedures can also be fairer and more efficient than individual case-by-case adjudication by putting all affected persons on notice of impending changes in regulatory policy. In Akamatsu and Alappat, the parties, and indeed the original panels on appeal, relied on preexisting PTO policy and past interpretations of law. The Commissioner abruptly announced new PTO policy through the reconsideration Board. However, to do so the Commissioner had to resort to gerrymandering the Board to achieve his desired result. Unlike agency rule-making, there was no opportunity for public comment on the proposed change although the decision resulted in quite of bit of public comment after the fact. This does not mean ***381** that agencies should avoid making law through adjudication, however, for rule-making can never be carried so far as to eliminate all development of law through case-by-case adjudication. Suffice it to say that a more efficient and preferred method for expressing the policy desires of the Commissioner is through administrative rule-making.[300]

Although the Commissioner exercised his power to prevent what he believed to be two defective patents from issuing, the cases probably will not affect the conduct of applicants similarly situated because of the particular facts of Akamatsu and Alappat. Had the Commissioner instead promulgated a new general agency rule, he would have achieved a more rapid and voluntary compliance with his interpretation of the law among affected applicants. Instead, the Commissioner's interpretation of the law was overturned on the merits in Alappat. Besides having his construction of the law overturned, the Commissioner undermined the atmosphere of fairness that previously existed at the PTO. If applicants do not believe that they will receive equal treatment compared to those individuals who are similarly situated, then the integrity of the whole system is diminished.

Footnotes

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[1] Act of July 19, 1952, 66 Stat. 792 (codified as amended in 35 U.S.C. §§ 100-278 (1994)) (Patent Act). See generally Manual of Pat. Examining Proc. (MPEP) (5th Ed., 16th Rev. 1994). MPEP Chapters 600-800 outline the requirements for obtaining a U.S. patent. This article will not directly address the interesting and parallel procedures of the European Patent Office (EPO). For EPO practices, see the European Patent Convention (Kurt Haertel ed., Volker Vossius trans., 1980) and the Guidelines for Examination in the European Patent Office (December 1994).

[2] 35 U.S.C. § 134 (1994); MPEP § 1205 (5th Ed., 16th Rev. 1994).

[3] 35 U.S.C. § 7(b) (1994).

[4] See 35 U.S.C. §§ 6(a), 7(b) (1994).

[5] 35 U.S.C. §§ 141, 145 (1994). The Court of Appeals for the Federal Circuit was created by the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 101, 96 Stat. 25, and it has adopted the precedent of its predecessor court, the Court of Customs and Patent Appeals. South Corp. v. United States, 690 F.2d 1368, 1369, 215 U.S.P.Q. (BNA) 657, 658 (Fed. Cir.1982). The court possesses jurisdiction over appeals from the BPAI on finally-rejected patent applications. 35 U.S.C. § 141 (1994); In re Bose Corp., 772 F.2d 866, 868-69, 227 U.S.P.Q. (BNA) 1, 3-4 (Fed. Cir.1985). However, by filing an appeal to the Court of Appeals for the Federal Circuit, an applicant waives his right to appeal to the U.S. District Court for the District of Columbia under 35 U.S.C. § 145.

[6] 22 U.S.P.Q.2d (BNA) 1915 (B.P.A.I. 1992).

[7] Id. at 1916.

[8] Id. at 1917. A mathematical algorithm is a procedure for solving a given type of mathematical problem. Determination of whether a particular mathematical algorithm falls outside section 101's statutory subject matter is accomplished by the two-step test of In re Freeman, 573 F.2d 1237, 197 U.S.P.Q. (BNA) 464 (C.C.P.A. 1978). See In re Walter, 618 F.2d 758, 766-68, 205 U.S.P.Q. (BNA) 397, 405-07 (C.C.P.A. 1980), and In re Abele, 684 F.2d 902, 905-07, 214 U.S.P.Q. (BNA) 682, 685-87 (C.C.P.A. 1982), for modification and application of the Freeman test.

[9] Correspondence Between Board Members and PTO Commissioner on Board Independence, 44 PAT. TRADEMARK & COPYRIGHT J. (BNA) 43 (May 14, 1992).

[10] Id.

[11] Id.

[12] 23 U.S.P.Q.2d (BNA) 1340 (B.P.A.I. 1991), rev'd, 33 F.3d 1526, 31 U.S.P.Q.2d (BNA) 1545 (Fed. Cir.1994). See supra note 8 for the definition of a mathematical algorithm.

[13] Alappat, 33 F.3d at 1537-39, 31 U.S.P.Q.2d at 1553.

[14] Id. at 1539, 31 U.S.P.Q.2d at 1551-53.

[15] In re Alappat, 33 F.3d 1526, 1531, 31 U.S.P.Q.2d (BNA) 1545, 1546-47 (Fed. Cir.1994).

[16] Id., 31 U.S.P.Q.2d at 1546.

[17] Id. at 1535, 31 U.S.P.Q.2d at 1550. In the majority opinion, Judge Rich remarked, "[the Commissioner] may convene a Board panel which he knows or hopes will render the decision he desires, even upon rehearing, as he appears to have done in this case." Judge Mayer, in his dissent, declared "[t]hat the Commissioner 'stacked' the board is abundantly clear … [w]ith himself and the four other 'command group' members making up the majority of the board rehearing the appeal, the outcome was assured." Id. at 1576, 31 U.S.P.Q.2d at 1584.

[18] Id. at 1531, 31 U.S.P.Q.2d at 1546-47.

[19] Id., 31 U.S.P.Q.2d at 1547.

[20] Id.

[21] Thirty-three examiners-in-chief sent a memorandum to the Commissioner of Patents on April 24, 1992, charging interference by PTO management:
We wish to express our concern regarding matters that carry disturbing implications of which you may not be aware. There are an increasing number of instances in which the composition of panels of the Board of Patent Appeals and Interferences has been manipulated in a manner which interferes with the decisional independence of the Board and gives the appearance that a predetermined or predecided outcome has been reached in cases appealed under 35 U.S.C. § 134.
Correspondence Between Board Members and PTO Commissioner on Board Independence, supra note 9.

[22] In a Commissioner's Memorandum to the Members of the BPAI of April 29, 1992, Commissioner Manbeck and Deputy Commissioner Comer replied:
In a particular case, the Commissioner may deem it appropriate to establish legal policy for the Patent and Trademark Office, which he believes to be consistent with the applicable law, through entry of a decision by the Board of Patent Appeals and Interferences …. There is no limitation in the statute as to when the members of a panel may be designated. Hence, at any time prior to entry of a decision by the Board, the Commissioner may designate, or redesignate, a panel.
Correspondence Between Board Members and PTO Commissioner on Board Independence, supra note 9.

[23] See H.C. Wegner, Comment, Stripping Politics from the Board, 74 J. PAT. & TRADEMARK OFF. SOC'Y 770 (1992); M.W. Blommer, The Board of Patent Appeals and Interferences, AIPLA BULL. 188, 189-90 (Dec. 1992).

[24] Alappat, 33 F.3d at 1531-32, 31 U.S.P.Q.2d at 1547.

[25] Id. at 1532, 31 U.S.P.Q.2d at 1547.

[26] Id., 31 U.S.P.Q.2d at 1547-48.

[27] Id. at 1531-32, 31 U.S.P.Q.2d at 1547.

[28] Alappat, 33 F.3d at 1545, 31 U.S.P.Q.2d at 1558.

[29] 51 F.3d 1560, 34 U.S.P.Q.2d (BNA) 1436 (Fed. Cir.1995).

[30] 55 F.3d 610, 34 U.S.P.Q.2d (BNA) 1782 (Fed. Cir.1995).

[31] 781 F.2d 71 (6th Cir.1986). For a full discussion of Utica, see infra part IV.B.

[32] See KENNETH CULP DAVIS, ADMINISTRATIVE LAW TREATISE, §§ 1.01-1.07 (1972).

[33] 343 U.S. 470 (1952).

[34] Id. at 487.

[35] E.g., 35 U.S.C. § 6 ("[Commissioner] may … establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office"). Where the empowering legislation states simply that the agency may "make such rules and regulations as may be necessary to carry out the provisions of [an] Act," the Supreme Court has held that regulations passed under it will be held valid so long as they are "reasonably related to the purposes of the enabling legislation." Mourning v. Family Publications Serv., Inc., 411 U.S. 356, 369 (1973).

[36] See, e.g., United States v. Morton Salt Co., 338 U.S. 632, 652 (1950) (law-enforcing agencies have a right to satisfy themselves, through agency investigations, that behavior of regulated entities is consistent with the law and public interest). Although the investigative powers of agencies is both an interesting and important topic, a detailed treatment of the subject matter is beyond the scope of this article.

[37] Hannah v. Larche, 363 U.S. 420, 442 (1960).

[38] FINAL REPORT OF THE ATTORNEY GENERAL'S COMMITTEE ON ADMINISTRATIVE PROCEDURE, S. REP. NO. 8, 77th Cong., 1st Sess., at 7 (1941).

[39] Yet, the commingling of constitutional powers necessarily raises questions concerning the apparent contradiction between the existence of administrative agencies and the constitutional separation-of-powers requirement ensuring checks and balances in the three branches of government. See DAVIS, supra note 32, § 1.09.

[40] See MPEP ch. 600 (5th Ed., 16th Rev. 1994). Chapter 600 governs, inter alia, the parts, form and content of an application for patents submitted to the Patent Office.

[41] MPEP §§ 700-724 (5th Ed., 16th Rev. 1994).

[42] MPEP §§ 706-706.07(f) (5th Ed., 16th Rev. 1994). See also § 711 (Abandonment) and § 712 (Abandonment for failure to pay issue fee).

[43] Claims within an application stand properly rejected if the subject matter is not novel, is obvious in comparison to the prior art, or is not useful. 35 U.S.C. §§ 101-103, 112 (1994). There are also several statutory requirements that have a patent-defeating effect. 35 U.S.C. § 102 (1994).

[44] An applicant who believes that he has been denied the patent protection to which he is entitled may appeal to the BPAI under the provisions of 35 U.S.C. §§ 7(b) and 134, and MPEP § 1205.

[45] See, e.g., ERNEST GELLHORN & BARRY B. BOYER, ADMINISTRATIVE LAW AND PROCESS IN A NUTSHELL, 8-10 (1981).

[46] Id.

[47] Id.

[48] DAVIS, supra note 32, §§ 1.06, 1.09. The Constitution creates three separate, independent branches of government, with checks and balances that keep the powers within the boundaries set by law. Article I, Section 1 provides that "all legislative Powers herein granted shall be vested in a Congress," Article II, Section 1 provides that "the executive Power shall be vested in a President," and Article III, Section 1 provides that "the judicial Power of the United States, shall be vested in one Supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish." U.S. CONST.

[49] DAVIS, supra note 32, § 1.08. It should be noted, however, that even within each particular branch of government the separation of constitutional power has not been absolute. For example, the federal district courts have promulgated the Federal Rules of Civil Procedure which governs conduct before those courts.

[50] "The administrative process has too often proved even more expensive and time-consuming than the judicial process. Even more important has been the increasing failure of agencies to protect that very public interest they were created to serve." BERNARD SWARTZ, ADMINISTRATIVE LAW AND PROCEDURE, § 8, at 23 (1976).

[51] NLRB v. Wyman-Gorden Co., 394 U.S. 759, 770 (1969) (Black, J., concurring).

[52] Id. In describing an agency's apparent legislative and judicial powers, courts and commentators alike have used the term "quasi." However, whether the term is used or not, the nature of the agency action remains the same. For further elaboration, see infra part II.D.

[53] See DAVIS, supra note 32, § 6.03.

[54] GELLHORN & BOYER, supra note 45, at 237.

[55] Association of Data Processing v. Board of Governors of the Fed. Resource Sys., 745 F.2d 677, 689 (D.C. Cir.1984). The same analogy applies to statutory law versus case-by-case common law development.

[56] DAVIS, supra note 32, § 6.03.

[57] Pub. L. No. 89-554, 80 Stat. 381 (1966) (codified as amended in 5 U.S.C. §§ 551-576, 701-703, 3105, 3344 (1994)).

[58] PBW Stock Exch., Inc. v. Securities & Exch. Comm'n, 485 F.2d 718, 732 (3d Cir.), cert. denied, 416 U.S. 969 (1973). In contrast, an administrative "order" is directed retrospectively, typically applying law and policy to past facts. Id.

[59] 5 U.S.C. § 553b (1994).

[60] Rule-making by agencies is specifically sanctioned by Congress. See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 605-06, 225 U.S.P.Q. (BNA) 243, 251-52 (Fed. Cir.1985) ("Congress in performance of its legislative functions may leave it to administrative officials to establish rules within the prescribed limits of the statute."). See United States v. Grimaud, 220 U.S. 506, 517 (1911).

[61] American Hosp. Ass'n v. Bowen, 834 F.2d 1037, 1045 (D.C. Cir.1987) (quoting Butterton v. Marshall, 648 F.2d 694, 701-02 (D.C. Cir.1980)).

[62] Id. (quoting Alcaraz v. Block, 746 F.2d 593, 613 (D.C. Cir.1984)); Animal Legal Defense Fund v. Quigg, 932 F.2d 920, 927, 18 U.S.P.Q.2d (BNA) 1677, 1683 (Fed. Cir.1991).

[63] Animal Legal Defense Fund, 932 F.2d at 927, 18 U.S.P.Q.2d at 1683.

[64] American Hosp. Ass'n, 834 F.2d at 1045 (quoting Alcaraz, 746 F.2d at 613).

[65] Id. (quoting Alcaraz, 746 F.2d at 613).

[66] Id. (quoting Gibson Wine Co. v. Snyder, 194 F.2d 329, 331 (D.C. Cir.1952)). It should be noted, however, that the spectrum between a clearly substantive rule and a clearly interpretive rule is not well defined. Id.

[67] 5 U.S.C. § 552a(1)(1994). Such rules and statements, as well as amendments thereto, are presently published in the Federal Register, then later incorporated into the Code of Federal Regulations (CFR).

[68] 5 U.S.C. § 553b (1994). The function of §553b's exemption for "interpretive rules" is to allow agencies to explain ambiguous terms in legislative enactments without having to undertake cumbersome proceedings. American Hosp. Ass'n, 834 F.2d at 1045.

[69] Animal Legal Defense Fund, 932 F.2d at 927-31, 18 U.S.P.Q.2d at 1683-86.

[70] 447 U.S. 303, 206 U.S.P.Q. (BNA) 193 (1980).

[71] 227 U.S.P.Q. (BNA) 443 (B.P.A.I. 1985).

[72] 2 U.S.P.Q.2d (BNA) 1425 (B.P.A.I. 1987).

[73] Animal Legal Defense Fund, 932 F.2d at 931, 18 U.S.P.Q.2d at 1686.

[74] The APA defines "adjudication" as an "agency process for the formulation of an order." 5 U.S.C. § 551(7) (1994).

[75] 5 U.S.C. § 554 (1994).

[76] 5 U.S.C. § 551(6)-(7)(1994). The term "order" refers to "the whole or part of a final disposition … in a matter other than rule-making but including licensing," whereas an adjudication is simply an "agency process for the formulation of an order." Id.

[77] 5 U.S.C. § 554(a)(1994); GELLHORN & BOYER, supra note 45, at 180-81. Intermediate proceedings within an agency may be subject to the requirements of section 554(a) in that they are an "agency process for the formulation of an order" rather than because their product is a "part" of the final disposition. International Tel. & Tel. Corp. v. Local 134, Int'l Bhd. of Elec. Workers, 419 U.S. 428, 442-43 (1975).

[78] The use of legislative history, however, is not without its own debate. Some commentators assert that legislative history is

irrelevant as to how a particular law should be applied, and that the purpose of a statute is only ascertained through its careful reading. See REED DICKERSON, THE INTERPRETATION AND APPLICATION OF STATUTES 9-10, 54-56, 103-122. Others argue that legislative documents are often manipulated for political ends or reflect only the sponsor's views. Id. at 162-64. Proponents of the use of legislative history argue that while it is difficult to determine exactly what Congress intended by certain language of the statute, it may still be possible to ascertain what Congress sought to achieve by enacting the statute. Id. at 137-47; see Tidewater Oil Co. v. United States, 409 U.S. 151, 158-59 (1972) (demonstrating the use of a statute's legislative history to better understand its application). This article adopts the latter view, proposing that a review of the patent statute's legislative history at a minimum establishes a meaningful context for the current debate over the propriety of the Commissioner's control over the BPAI.

79 "The Congress shall have Power … to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8. The economic philosophy behind this clause is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in science and the useful arts. See Mazer v. Stein, 347 U.S. 201, 100 U.S.P.Q. (BNA) 325 (1954) (discussing the encouragement of individual effort through the patent and copyright systems).

80 "The advancement of Agriculture, Commerce, and Manufactures, by all proper means, will not, I trust, need recommendation. But I cannot forbear intimating to you the expediency of giving effectual encouragement, as well to the introduction of new and useful inventions from abroad, as to the exertions of skill and genius in producing them at home…." Presidential address to full Congress, Jan. 8, 1790, vol. 1, 1st Cong., 2d Sess., at 933 (1790), reprinted in Patent Office Society, Proceedings in Congress During the Years 1789 and 1790, Relating to the First Patent and Copyright Laws, 22 J. PAT. OFF. SOC'Y 243, 253-54 (1940). See William I. Wymann, Legislative Beginnings of the Federal Patent System, 1 J. PAT. OFF. SOC'Y 51, 54 (1918).

81 Patent Act of April 10, 1790, ch. 7, § 1, 1 Stat. 109 (amended 1793). For an interesting historical account of the enactment of the Act of 1790, see Wymann, supra note 80; P.J. Federico, The First Patent Act, 14 J. PAT. OFF. SOC'Y 237 (1932); E.H. Clark, The Past of the Patent Office, 14 J. PAT. OFF. SOC'Y 262 (1932); and Patent Office Society, Proceedings in Congress During the Years 1789 and 1790, Relating to the First Patent and Copyright Laws, supra note 80.

82 Karl Fenning, Growth of American Patents, 8 J. PAT. OFF. SOC'Y 52 (1925). The board consisted of the Secretary of State, the Secretary of War, and the Attorney General, with the President signing a patent into law. Clark, supra note 81, at 262.

83 Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318 (repealed 1836).

84 See Fenning, supra note 82, at 53.

85 Act of July 4, 1836, ch. 357, § 1, 5 Stat. 117 (repealed 1952).

86 Id. at 118.

87 Clark, supra note 81, at 266; P.J. Federico, Evolution of Patent Office Appeals, 22 J. PAT. OFF. SOC'Y 838, 839 (1940).

88 Federico, Evolution, supra note 87, at 839.

89 Id. at 839-42.

90 Act of March 2, 1861, ch. 88, § 1, 12 Stat. 246 (repealed 1952). See Federico, Evolution, supra note 87, at 852-57, for a more detailed description of patent procedures under the 1861 Act. The second internal appeal to the Commissioner, however, was eliminated under the Act of 1927.

[91] Act of 1861, supra note 90; SENATE COMM. ON PATENTS, 69th Cong., 2d Sess., vol. 283 (1926).

[92] Act of March 2, 1927, Pub. L. No. 69-690, ch. 273, § 1, 44 Stat. 1335 (1927).

[93] Id. § 2. Appeals were heard by at least three members of the board of appeals chosen by the Commissioner. During the drafting stages of the Act, some practitioners argued in favor of requiring either the Commissioner or one of his assistants to sit on each board, thus preserving the applicant's traditional right to take his case to the Commissioner under the previous acts. However, that proposal was abandoned for fear that in the event of an absence of all three administrative heads, the board would come to a complete standstill. S. COMM. ON PATENTS, 69th Cong., 2d Sess., vol. 283 (1926).

[94] Id.

[95] Act of July 19, 1952, ch. 750, § 1, 66 Stat. 762 (1952) (codified at 35 U.S.C. §§ 1-376 (1994)).

[96] 35 U.S.C. § 3 (1994).

[97] 35 U.S.C. § 6(a) (1994).

[98] 35 U.S.C. § 131 (1994). Applicants who have their claims for patentable subject matter allowed are issued a patent under 35 U.S.C. §§ 151-157. The Commissioner must also notify an applicant of adverse decisions during the examination process and state his reasons. 35 U.S.C. § 132 (1994).

[99] 35 U.S.C. § 135 (1994). Most countries establish priority of invention by reference to the filing date of the patent application. In the United States, however, a junior party who was second to file may establish priority of invention over a senior party by proving an earlier date of conception and exercise of due diligence in reducing the invention to practice. 35 U.S.C. § 102(g) (1994). See Boyce v. Anderson, 451 F.2d 818, 820, 171 U.S.P.Q. (BNA) 792, 793 (9th Cir.1971) ("The inventor who is first to both conceive the invention and reduce it to practice is awarded priority … [b]ut if the first to conceive the invention is the last to reduce it to practice, he will still be awarded priority if he was diligent in reducing his invention to practice from a time just prior to the second inventor's conception.") For interference practice within the PTO, see MPEP chapters 1100 and 2300.

[100] 35 U.S.C. § 6 (1994). See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 605, 225 U.S.P.Q. (BNA) 243, 251 (Fed. Cir.1985) (Congress … may leave it to administrative agencies to establish rules within the prescribed limits of the statute.); Land v. Dreyer, 155 F.2d 383, 386, 69 U.S.P.Q. (BNA) 602, 604 (C.C.P.A. 1946) (Rules of practice, when not inconsistent with statutory authority, have force of law and control procedure of the Patent Office.).

[101] Federal Election Comm. v. Democratic Senatorial Campaign Comm., 454 U.S. 27, 32 (1981).

[102] 35 U.S.C. § 7(b) (1994).

[103] Judge Rich, writing for the majority, noted such limitations on the Commissioner's authority in Alappat, 33 F.3d at 1535-36, 31 U.S.P.Q.2d at 1550-51.

[104] APA and Constitutionally based arguments critical of the Commissioner's actual designation practices in the Alappat case were raised by the Federal Circuit Bar Association in its amicus curiae brief to the Federal Circuit. Id. However, the court refused to entertain such arguments as they had not been properly raised on appeal. Id.

[105] Pub. L. No. 98-622, 98 Stat. 3386 (1984).

[106] 35 U.S.C. § 7(a) (1994).

[107] 35 U.S.C. §§ 7, 134, 135 (1994).

[108] 35 U.S.C. § 7 (1994).

[109] For examples of cases reviewing expanded panel decisions without challenging the validity of such panels, see Hahn v. Wong, 892 F.2d 1028, 1031, 13 U.S.P.Q.2d (BNA) 1313, 1316 (Fed. Cir.1989) (seven member panel); In re Durden, 763 F.2d 1406, 1409 n.3, 226 U.S.P.Q. (BNA) 359, 360 n.3 (Fed. Cir.1985) (sixteen member panel); In re Henriksen, 399 F.2d 253, 254 n.1, 158 U.S.P.Q. (BNA) 224, 225 n.1 (C.C.P.A. 1968) (nine member board). There are also many instances of the Commissioner convening an expanded panel. Ex parte Alpha Indus. Inc., 22 U.S.P.Q.2d (BNA) 1851, 1852 (B.P.A.I. 1992) (five member panel); Ex parte Fujii, 13 U.S.P.Q.2d (BNA) 1073, 1074 (B.P.A.I. 1989) (five member panel); Ex parte Kristensen, 10 U.S.P.Q.2d (BNA) 1701, 1702 (B.P.A.I. 1989) (five member panel); Ex parte Kitamura, 9 U.S.P.Q.2d (BNA) 1787, 1788 (B.P.A.I. 1988) (five member panel); Ex parte Lamont v. Berguer, 7 U.S.P.Q.2d (BNA) 1580, 1581 (B.P.A.I. 1988) (five member panel); Kwon v. Perkins, 6 U.S.P.Q.2d (BNA) 1747, 1748 (B.P.A.I. 1988) (nine member panel); Ex parte Horton, 226 U.S.P.Q. (BNA) 697, 698 (B.P.A.I. 1985) (five member panel); Ex parte Tytgat, 225 U.S.P.Q. (BNA) 907, 908 (B.P.A.I. 1985) (five member panel); and Ex parte Jackson, 217 U.S.P.Q. (BNA) 804, 805 (B.P.A.I. 1982) (nine member panel).

[110] Other actions imposed by an examiner may be reviewed by petition directly to the Commissioner. 37 C.F.R. § 1.181(a) (1994). An applicant may petition the Commissioner seeking review of (1) "any action or requirement of an examiner … which is not subject to appeal to the Board of Appeals or to the court;" (2) any matter that is "to be determined directly by or reviewed by the Commissioner" under a statute or rule; and (3) any other matter invoking "the supervisory authority of the Commissioner in appropriate circumstances." 37 C.F.R. § 1.181(a)(1)-(a)(3) (1994).

[111] 37 C.F.R. § 1.192 (1994).

[112] 37 C.F.R. § 1.195 (1994).

[113] 37 C.F.R. § 1.194 (1994).

[114] 37 C.F.R. § 1.196 (1994).

[115] Norton v. Curtiss, 433 F.2d 779, 793-94, 167 U.S.P.Q. (BNA) 532, 544 (C.C.P.A. 1970).

[116] Animal Legal Defense Fund v. Quigg, 932 F.2d 920, 928-29, 18 U.S.P.Q.2d (BNA) 1677, 1684 (Fed. Cir.1991).

[117] 41 U.S.C. §§ 602, 606, 607 (1994).

[118] 41 U.S.C. § 607(d), (g) (1994).

[119] See, e.g., McDonnell Douglas Corp. v. United States, 754 F.2d 365 (Fed. Cir.1985) (Defense contractor appealed decision of Armed Services Board of Contract Appeals dismissing as premature subpoenas duces tecum issued pursuant to a clause in a defense contract.).

[120] 41 U.S.C. § 607 (1994) and statutory notes; 5 U.S.C. § 3105 (1994).

[121] 41 U.S.C. § 607 statutory notes (1994).

[122] See In re Alappat, 33 F.3d 1526, 1573-74, 31 U.S.P.Q.2d (BNA) 1545, 1583-84 (Fed. Cir.1994) (Mayer, J., and Michel, J., dissenting).

[123] 38 U.S.C. § 7101 (1994).

[124] Id.

[125] 38 U.S.C. § 7104 (1994).

[126] 38 U.S.C. § 7103 (1994).

[127] 38 U.S.C. § 7104(c) (1994).

[128] Id.

[129] In re Alappat, 33 F.3d 1526, 1551, 31 U.S.P.Q.2d (BNA) 1545, 1563 (Fed. Cir.1994).

[130] Murray's Lessee v. Hoboken Land & Improv. Co., 59 U.S. (18 How.) 272 (1855).

[131] Id. at 285.

[132] See Handlon v. Town of Belleville, 71 A.2d 624, 626 (N.J. 1950) ("[W]here the administrative tribunal's function partakes of the judicial, its exercise is styled 'quasi-judicial,' but it is the exercise of judicial power nonetheless….") (emphasis omitted).

[133] When federal administrative regulatory agencies make determinations of a quasi-judicial nature, they are governed by the Administrative Procedure Act, codified as amended in 5 U.S.C. §§ 551-559, 701-706 (1994), and "the parties to the adjudication are accorded the traditional safeguards of a trial." Hannah v. Larche, 363 U.S. 420, 445 (1960).

[134] 41 U.S.C. § 610 (1994).

[135] 41 U.S.C. § 607(h) (1994).

[136] See 41 U.S.C. § 607 (1994).

[137] 37 C.F.R. § 1.195 (1994).

[138] 37 C.F.R. § 1.196 (1994).

[139] Federal Trial Examiners Conference v. Ramspeck, 104 F.Supp. 734, 737-38, aff'd, 202 F.2d 312, 315 (D.C. Cir.), rev'd on other grounds, 345 U.S. 128 (1953) (citing Report from Attorney General's Committee on Administrative Procedure contained in S. Rep. 752, 79th Cong., 1st Sess., at 29; H. Rep. 1980, 79th Cong., 2d Sess., at 46). Administrative law judges (formerly called hearing examiners) are appointed pursuant to 5 U.S.C. § 3105 (1994).

[140] Id. at 737. See 5 U.S.C. § 7521 (1994).

[141] Id. at 738 (citing S. Doc. 82, 82d Cong., 1st Sess., at 9).

[142] 304 U.S. 1 (1938).

[143] Id. at 22.

[144] See In re Alappat, 33 F.3d 1526, 1574, 31 U.S.P.Q.2d (BNA) 1545, 1583 (Fed. Cir.1994) (Mayer, J., and Michel, J., dissenting).

[145] Animal Legal Defense Fund v. Quigg, 932 F.2d 920, 929 n.10, 18 U.S.P.Q.2d (BNA) 1677, 1684 n.10 (Fed. Cir.1991).

[146] 671 F.2d 232, 213 U.S.P.Q. (BNA) 202 (7th Cir.1982).

[147] Id. at 236 n.7, 213 U.S.P.Q. at 206 n.7 (citations omitted).

[148] 1. CHARLES H. KOCH JR., ADMINISTRATIVE LAW AND PRACTICE § 1.10 at 20-22. (1985 & 1996 Supp.).

[149] Pub. L. No. 94-409, 90 Stat. 1246 (1976) (codified at 5 U.S.C. §§ 551-559, 701-706 (1977)).

[150] 5 U.S.C. § 553 (1994).

[151] 5 U.S.C. § 553 (1994).

[152] Animal Legal Defense Fund v. Quigg, 932 F.2d 920, 931, 18 U.S.P.Q.2d (BNA) 1677, 1686 (Fed. Cir.1991).

[153] Id. ("[W]e are persuaded that the Commissioner's Notice falls within the interpretative exception to the section 553 public notice and comment procedures.").

[154] Id. at 929, 18 U.S.P.Q.2d at 1684.

[155] See, e.g., Substantive Verses Interpretative Rulemaking in the United States Patent and Trademark Office: The Federal Circuit Animal Legal Defense Fund Decision, 32 J.L. & TECH. 235 (1992).

[156] 5 U.S.C. § 551 (1994).

[157] International Tel. & Tel. Corp. v. Local 134, Int'l Bhd. of Elec. Workers, 419 U.S. 428 (1975).

158 5 U.S.C. § 554 (1994). For a full treatment of the application of section 554 to the Patent Office, see infra part IV.

159 5 U.S.C. § 554 (1994).

160 37 C.F.R. §§ 1.11-1.15 (1994).

161 35 U.S.C. § 122 (1994). Section 122 specifically provides that:
[A]pplication for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.
See Irons & Sears v. Dann, 606 F.2d 1215, 1219, 202 U.S.P.Q. (BNA) 798, 801 (D.C. Cir.1979) (PTO Commissioner permitted to disclose certain documents while refusing disclosure of other documents under the exemption in the Freedom of Information Act created by virtue of the secrecy provision in 35 U.S.C. § 122).

162 5 U.S.C. §§ 703-706 (1994).

163 35 U.S.C. § 7 (1994).

164 5 U.S.C. § 9 (1994).

165 5 U.S.C. §§ 701-706 (1994).

166 5 U.S.C. § 706 (1994).

167 5 U.S.C. §§ 701, 703 (1994).

168 5 U.S.C. § 706 (1994).

169 5 U.S.C. § 706 (1977).

170 Association of Data Processing Serv. Orgs. v. Board of Governors, 745 F.2d 677, 683 (D.C. Cir.1984).

171 Id.

172 Id.

173 Id.

174 For example, much of the PTO rule-making is considered informal, and thereby is not covered by sections 556 and 557 to which paragraph (E) refers.

[175] Association of Data Processing, 745 F.2d at 683.

[176] 35 U.S.C. § 144 (1994).

[177] Campbell v. Merit Sys. Protection Bd., 27 F.3d 1560, 1564 (Fed. Cir.1994).

[178] FED. R. CIV. P. 52(a).

[179] In re Baxter Travenol Labs, 952 F.2d 388, 390, 21 U.S.P.Q.2d (BNA) 1281, 1283 (Fed. Cir.1991) (anticipation is a question of fact, and the Federal Circuit will not overturn the Board's finding of anticipation unless it is clearly erroneous); In re Woodruff, 919 F.2d 1575, 1577, 16 U.S.P.Q.2d (BNA) 1934, 1935 (Fed. Cir.1990) (review of factual findings is under clearly erroneous standard).

[180] In re Caveney, 761 F.2d 671, 674, 226 U.S.P.Q. (BNA) 1, 3 ("In appeals from PTO rejections, Federal Circuit does not find facts de novo, but instead, reviews PTO findings under the clearly erroneous standard.").

[181] 822 F.2d 1074, 3 U.S.P.Q.2d (BNA) 1302 (Fed. Cir.1987).

[182] Id. at 1077, 3 U.S.P.Q.2d at 1304.

[183] Caveney, 761 F.2d at 674, 226 U.S.P.Q. at 3 ("For legal conclusions, the standard of review is correctness or error as a matter of law."); In re De Blauwe, 736 F.2d 699, 703, 222 U.S.P.Q. (BNA) 191, 195 (Fed. Cir.1984) (obviousness is a question of law and is reviewed for correctness or error as a matter of law).

[184] In re Brana, 51 F.3d 1560, 1568, 34 U.S.P.Q.2d (BNA) 1439, 1443 (Fed. Cir.1995). See In re Donaldson, 16 F.3d 1189, 1192, 29 U.S.P.Q.2d (BNA) 1845, 1848 (Fed. Cir.1994) ("Obviousness under section 103 is a question of law that [the Federal Circuit] reviews de novo."). Since patent cases are rarely accepted for review by the Supreme Court, the Federal Circuit is in essence the final authority in interpreting the Patent Act.

[185] In re McCarthy, 763 F.2d 411, 412, 226 U.S.P.Q. (BNA) 99, 100 (Fed. Cir.1985) (citations omitted).

[186] Gardner v. TEC Sys., Inc., 725 F.2d 1338, 1344-45, 220 U.S.P.Q. (BNA) 777, 782 (Fed. Cir.1984).

[187] Brana, 51 F.3d at 1568, 34 U.S.P.Q.2d at 1443.

[188] Pullman-Standard v. Swint, 456 U.S. 273, 288-89 n.19 (1982); See Brana, 51 F.3d at 1568, 34 U.S.P.Q.2d at 1443 ("this court has recognized 'the falseness of the fact-law dichotomy, since the determination at issue, involving as it does the application of a general legal standard to particular facts, is probably most realistically described as neither fact or law, but mixed.'").

[189] Campbell v. Merit Sys. Protection Bd., 27 F.3d 1560, 1565 (Fed. Cir.1994).

[190] Id.

[191] 785 F.2d 1017, 228 U.S.P.Q. (BNA) 926 (Fed. Cir.1986) (citations omitted).

[192] Id. at 1022, 228 U.S.P.Q. at 930 (citations omitted).

[193] Id. (citing Premium Serv. Corp. v. Sperry & Hutchinson, Co., 511 F.2d 225, 229 (9th Cir.1975)).

[194] Campbell, 27 F.3d at 1564.

[195] 5 U.S.C. § 7703(c) (1994).

[196] Association of Data Processing Serv. Orgs. v. Board of Governors, 745 F.2d 677, 681-82 (D.C. Cir.1984) (scope of review provisions of APA are cumulative, and thus, agency action which is supported by the required substantial evidence test may, in another regard, be arbitrary, capricious, abuse of discretion, or otherwise not in accordance with the law).

[197] Campbell, 27 F.3d at 1564 (citing Association of Data Processing, 745 F.2d at 685).

[198] Consolidated Edison Co. v. Labor Bd., 305 U.S. 197, 229 (1938).

[199] Campbell, 27 F.3d at 1564. This is the same as the stringent standard applicable to a trial court in taking a case from a jury or in review of a jury verdict on a JNOV, Corning Glass Works v. United States Int'l Trade Comm'n, 799 F.2d 1559, 1565-66 (Fed. Cir.1986).

[200] A reviewing court shall decide all relevant questions of law. Corning Glass Works, 799 F.2d at 1565.

[201] Id. at 1565 (Although court is not bound by a commission's interpretation of a statutory provision, deference must be given to an interpretation of a statute by the agency charged with its administration.); United States v. Riverside Bayview Homes, Inc., 474 U.S. 121, 131 (1985).

[202] 785 F.2d 994 (Fed. Cir.1986).

[203] Id. at 1001 (citations omitted).

[204] Patlex Corp. v. Mossinghoff, 758 F.2d 594, 605-06, 225 U.S.P.Q. (BNA) 243, 251 (Fed. Cir.1985) (citations omitted). A statute that is valid on its face may nevertheless be administered in such a way that constitutional or statutory guarantees are violated. See Federal Election Comm'n v. Democratic Senatorial Campaign Comm., 454 U.S. 27, 32 (1981).

[205] In re McCarthy, 763 F.2d 411, 412, 226 U.S.P.Q. (BNA) 99, 100 (Fed. Cir.1985) (asserting that there is no authority for restricting the scope of appellate review to a "rational basis" standard); See 35 U.S.C. §§ 141-144 (1994) (entitled, "Review of Patent and Trademark Office Decisions").

[206] Id.

[207] In re Caveney, 761 F.2d 671, 674, 226 U.S.P.Q. (BNA) 1, 3 (Fed. Cir.1985) (citations omitted).

[208] Such an action is maintained under 35 U.S.C. § 145 (1994).

[209] Gould v. Quigg, 822 F.2d 1074, 1076-77, 3 U.S.P.Q. (BNA) 1302, 1303. See Fregeau v. Mossinghoff, 776 F.2d 1034, 1037, 227 U.S.P.Q. (BNA) 848, 850 (Fed. Cir.1985).

[210] Id. at 1077, 3 U.S.P.Q.2d at 1303.

[211] See id., 3 U.S.P.Q.2d at 1303-04.

[212] In re Alappat, 33 F.3d 1526, 1532-36, 31 U.S.P.Q.2d (BNA) 1545, 1547-51 (Fed. Cir.1994).

[213] See In re McCarthy, 763 F.2d 411, 412, 226 U.S.P.Q. (BNA) 99, 100 (Fed. Cir.1985) (wherein the Commissioner argued that if the Board's decision has a rational basis, it should be upheld).

[214] E.g., Triax-Pacific v. Stone, 958 F.2d 351, 353 (Fed. Cir.1992).

[215] In re Alappat, 33 F.3d at 1534-35, 31 U.S.P.Q.2d at 1550.

[216] In re Brana, 51 F.3d 1560, 1568-69, 34 U.S.P.Q.2d (BNA) 1436, 1443 (Fed. Cir.1995).

[217] Id. at 1569, 34 U.S.P.Q.2d at 1444.

[218] Id.

[219] Id.

[220] Napier, 55 F.3d 610, 614, 34 U.S.P.Q.2d (BNA) 1782, 1785 (Fed. Cir.1995).

[221] In re Alappat, 33 F.3d 1526 at 1536, 31 U.S.P.Q.2d at 1551.

[222] Id. at 1532 n.4, 31 U.S.P.Q.2d at 1548 n.4. Unfortunately, Mr. Alappat failed to enforce his due process rights by acquiescing to the Commissioner's actions in the case. Had he not waived his rights, the outcome of the case may have been different.

[223] Earle v. McVeigh, 91 U.S. 503, 510 (1875).

[224] U.S. CONST. amend V.

[225] U.S. CONST. amend. XIV, § 1.

[226] SWARTZ, supra note 50, § 67.

[227] See, e.g., Norton v. Curtiss, 433 F.2d 779, 793-94, 167 U.S.P.Q. (BNA) 532, 544 (C.C.P.A. 1970).

[228] 35 U.S.C. § 101 provides that "whoever invents a new and useful process, machine, manufacture, or composition of matter shall be entitled to a patent thereof, provided that it meets the requirements of the sections of this title." 35 U.S.C. § 101 (1994).

[229] See 35 U.S.C. § 154(a) (1994).

[230] Cafeteria and Restaurant Workers Local 473 v. McElroy, 367 U.S. 886, 895 (1961). See also Joint Anti-Fascist Refugee Comm. v. McGrath, 341 U.S. 123, 162-63 (1951).

[231] Hannah v. Larche, 363 U.S. 420, 442 (1960).

[232] Mathews v. Eldridge, 424 U.S. 319 (1976).

[233] Id. at 334-35.

[234] Id.

[235] Arnett v. Kennedy, 416 U.S. 134, 197 (1974) (White, J., concurring in part and dissenting in part).

[236] Mayberry v. Pennsylvania, 400 U.S. 455, 469 (1971) (Harlan, J., concurring).

[237] Morrissey v. Brewer, 408 U.S. 471, 485-86 (1972) (decision-maker bias is grounds for reversal); Goldberg v. Kelly, 397 U.S. 254, 271 (1970).

[238] Norton v. Curtiss, 433 F.2d 779, 793-94, 167 U.S.P.Q. (BNA) 532, 544 (1970) ("The ex parte prosecution and examination of a patent application must not be considered as an adversary proceeding and should not be limited to the standards required in inter partes proceedings.").

[239] 5 U.S.C. § 554 (1994).

[240] 5 U.S.C. § 554(b) (1994).

[241] 5 U.S.C. § 554(d) (1994).

[242] Id.

[243] 5 U.S.C. § 555(b) (1994).

[244] Id.

[245] 5 U.S.C. § 556 (1994).

[246] 5 U.S.C. § 556(c) (1994).

[247] 5 U.S.C. § 556(e) (1994).

[248] 5 U.S.C. § 556(b) (1994).

[249] Russell-Newman Mfg. Co. v. NLRB, 370 F.2d 980, 984 (5th Cir.1966) ("Due process in administrative includes fair trial conducted in accordance with fundamental principles of fair play and applicable procedural standards established by law, and administrative convenience or necessity cannot override this requirement."); Amos Treat & Co. v. SEC, 306 F.2d 260, 263 (D.C. Cir.1962) (stating that due process requires that when governmental agencies adjudicate or make binding determination which directly affect legal rights of individuals, they use procedures which have traditionally been associated with judicial process); United States v. Bradt, 291 F.Supp. 1022, 1023 (C.D. Cal. 1968) (The requirement of fair trial is binding on administrative agencies as well as on the courts.).

[250] 5 U.S.C. § 557(b) (1994).

[251] See Marcello v. Bonds, 349 U.S. 302, 310 (1955).

[252] 5 U.S.C. § 554(a) (1994).

[253] Id.

[254] 35 U.S.C. §§ 145, 146 (1994).

[255] Gould v. Quigg, 822 F.2d 1074, 1077, 3 U.S.P.Q.2d (BNA) 1302, 1303 (Fed. Cir.1987); Fregau v. Mossinghoff, 776 F.2d 1034, 1038, 227 U.S.P.Q. (BNA) 848, 851 (Fed. Cir.1985).

[256] Burlington Indus. v. Quigg, 822 F.2d 1581, 1584, 3 U.S.P.Q.2d (BNA) 1436, 1439 (Fed. Cir.1987).

[257] S. DOC. NO. 248, 79th Cong. 2d Sess. at 22 (1945), reprinted in ADMINISTRATIVE PROCEDURE ACT, LEGISLATIVE HISTORY, 1944-46, at 22 (1947).

[258] 5 U.S.C. §§ 556, 557 (1994).

[259] 5 U.S.C. § 556(b)(3) (1994).

[260] Ex parte Akamatsu, 22 U.S.P.Q.2d (BNA) 1915, 1916 (B.P.A.I. 1992).

[261] Id.

[262] Id.

[263] Wegner, supra note 23, at 771.

[264] Ex parte Alappat, 23 U.S.P.Q.2d (BNA) 1340 (B.P.A.I. 1991).

[265] In re Alappat, 33 F.3d at 1531, 31 U.S.P.Q.2d at 1546.

[266] Id. at 1535, 31 U.S.P.Q.2d at 1550.

[267] Id. at 1531, 31 U.S.P.Q.2d at 1546.

[268] 338 F.2d 862 (4th Cir.1964).

[269] Id. at 877 (Sobeloff, J., concurring).

[270] 397 U.S. at 271. See In re Murchison, 349 U.S. 133 (1955); Wong Yang Sung v. McGrath, 339 U.S. 33 (1950).

[271] 416 U.S. 134 (1974).

[272] Id. at 197.

[273] Gibson v. Berryhill, 411 U.S. 564, 579 (1973).

[274] 421 U.S. 35 (1975).

[275] Id. at 46.

[276] Id. at 47.

[277] 408 U.S. 471, 472 (1972).

[278] Arnett v. Kennedy, 416 U.S. 134, 136-37 (1974).

[279] 781 F.2d 71, 72 (6th Cir.1986).

[280] Id. at 73.

[281] Id.

[282] Id.

[283] Id. at 74.

[284] Id.

[285] Id.

[286] Id.

[287] Id.

[288] Id. at 74-75.

[289] Id. at 75.

[290] 21 U.S.C. § 671 (1994).

[291] 7 C.F.R. §§ 1.301-1.346 (1990).

[292] 7 C.F.R. § 1.336 (1990).

[293] 7 C.F.R. § 1.146 (1990).

[294] 421 U.S. 35 (1975).

[295] Utica, 781 F.2d at 77.

[296] Id. at 78.

[297] Id. at 79.

[298] See Morrissey v. Brewer, 408 U.S. 471, 485 (1972).

[299] See, e.g., United States v. Florida East Coast Ry. Co., 410 U.S. 224, 244-45 (1973).

[300] See DAVIS, supra note 32, § 6.03, at 143.