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Dickinson v. Zurko: Determining Congressional Intent in the Administrative Procedure Act

The Administrative Procedure Act (APA) was enacted in 1946 to establish, among many other things, standards for judicial review of federal agency decisions. It wasn't until some fifty years later, however, that the United States Patent and Trademark Office (PTO) first effectively challenged whether the U.S. Court of Appeals for the Federal Circuit (CAFC) was following the APA's standards for reviewing fact finding by applying a "clearly erroneous" standard of review instead of the APA's Asubstantial evidence" standard.

BACKGROUND

In *In re Zurko*, 111 F.3d 887 (1997), the CAFC reversed a decision of the Board of Patent Appeals and Interferences (BPAI) upholding an obviousness rejection under 35 U.S.C. ' 103. The CAFC granted the PTO's request for rehearing *en banc* to consider whether the APA

standard should have been applied instead of the clearly erroneous standard to review BPAI fact finding. The *en banc* panel concluded that the outcome of the appeal turned on the standard of review used.

In the *en banc* rehearing, the CAFC, upholding its previous reversal, stated that the standard of review set forth in the APA did not apply because a clearly erroneous standard was recognized by law prior to the enactment of the APA, albeit not exclusively or even intentionally.

The government petitioned the Supreme Court to review the *en banc* CAFC decision. The Court granted the writ of certiorari to consider whether a clearly erroneous standard of judicial review of Patent Office decisions existed prior to the enactment of the APA, and if so, whether such a standard was an "additional requirement ... otherwise recognized by law" within the meaning of 5 U.S.C. ' 559, which provided an exception to the application of the APA.

The Supreme Court considered whether the APA was intended to increase or decrease the scrutiny that courts should apply in reviewing agency decisions. The majority concluded that Congress intended meaningful judicial review of agency actions while, at the same time, that the Judiciary give proper respect to final decisions of the Executive branch. What was intended by the APA, in short, was a uniform approach to judicial review of administrative action.

In view of the APA's objective that uniform judi-

cial review be given to agency decisions, the Court concluded that the "otherwise recognized by law" provision of the APA was to be construed narrowly. Because a different standard was not *clearly* recognized by law, the Court held that the CAFC must apply the APA standard when reviewing PTO findings of fact. Consequently, the Supreme Court held that the CAFC must give more deference to PTO findings of fact.

Notwithstanding the *en banc* panel's determination that the outcome of the appeal turned on the standard of review used, the CAFC has decided to rehear the appeal on remand from the Supreme Court.

SUBSTANTIAL EVIDENCE STANDARD OF REVIEW

For those who practice before the PTO, perhaps more paramount than *Zurko's* place in administrative law jurisprudence is determining how application of the APA standard will impact CAFC appellate review of PTO decisions. Although the substantial evidence standard is more deferential than the clearly erroneous standard, the difference between the two is slight. The Supreme Court in *Zurko* described the difference as "a subtle one," noting that the decision below was the only instance it could find where a court conceded that a different outcome would result by applying one standard instead than the other. Black's Law Dictionary even lists one definition of "clearly erroneous" as findings of fact which are "unsupported by substantial evidence."

In earlier cases, the Supreme Court defined substantial evidence as Amore than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938). In *NLRB v. Columbian Enameling & Stamping Co*., 306 U.S. 292, 300 (1939), the Court characterized substantial evidence as that which is sufficient "to justify... a refusal to direct a verdict when the conclusion sought to be drawn from it is one of fact for the jury."

The standards of review are best understood by comparing them with burdens of proof and persuasion. If an agency has the burden of proving fact AF" by a preponderance of the evidence, then a reviewing court, to sustain the finding under the substantial evidence standard, must find substantial evidence on the record that AF" is more likely true than "not F." Importantly, the reviewing court itself need not believe that AF" is more probable than "not F," but rather only find enough evidence in the record, *i.e.*, more than a mere scintilla, for the agency to have reasonably reached that conclusion.

Review under the clearly erroneous standard of a fact which the agency has the burden of proving by a preponderance, in comparison, would require that there is sufficient evidence in the record for a reasonable fact finder to conclude that fact AF" is more probable than "not F." As with the substantial evidence standard, the reviewing court should not substitute its own judgment, but rather only determine whether the agency acted within the discretion of the reasonable fact finder.

As the Supreme Court explained in *Arkansas v. Oklahoma*, 112 S.Ct. 1060 (1992), there can be "substantial evidence" to support an agency's finding of *either* fact "F" or its opposite, "not F." While this also is true for review under the clearly erroneous standard, the substantial evidence standard effectively enlarges the window within which the agency can apply its own judgment.

In the weeks following the *Zurko* decision by the Supreme Court, the CAFC has struggled somewhat with the APA standard of review. *In re Youngblood* (98-1518, July 6, 1999) involved CAFC review of an obviousness rejection over a record which included various indicia of non-obviousness. Chief Judge Mayer, in a dissenting opinion, found several

of the BPAI's findings of fact Anot supported by substantial evidence." The apparent justification for Mayer's conclusions was only that evidence was present to reach the opposite conclusion. For example, Mayer wrote “there is evidence that the claimed invention satisfies, to a significant extent, long felt need in the art. The board's finding to the contrary is not supported by substantial evidence."

In *In re International Flavors & Fragrances Inc.*, (98-1517, July 20, 1999), the CAFC expressed doubt as to whether the “arbitrary, capricious, or abuse of discretion" standard or the “substantial evidence" standard should be applied, believing that the *Zurko* Court left open this question. (*Note*: the “arbitrary, capricious, or abuse of discretion" standard can be applied to any agency action but, as a general matter, is used for agency actions not subject to review under the substantial evidence standard, such as informal rule making and informal adjudications. *See, e. g., Association of Data Processing Serv. Orgs., Inc. v. Board of Governors*, 745 F.2d 677 (D.C. Cir. 1984) (Scalia, J., describing the standard as a “catch-all" to pick up administrative misconduct)).

In *In re Oggero*, (99-1116, August 10, 1999), the CAFC began by stating it would set aside BPAI findings of fact if arbitrary, capricious, an abuse of discretion, or not supported by substantial evidence, but then concluded the opinion by stating that the BPAI's finding of motivation to combine the teachings of the prior art “was not clearly erroneous." Apparently, old habits die hard.

CONCLUSION

Only time will tell whether CAFC review under the substantial evidence will have a significant impact on appeals from the PTO. Patent rejections are replete with findings of fact, *e.g.*, the level of skill in the art, the meaning of prior art teachings, the presence of motivation to combine prior art teachings, and so on. One possible outcome of the more deferential standard of review is that PTO findings of fact which are based on patent examiners' assertions of knowledge or skill in the art, rather than on identified prior art teachings, may be more often upheld on appeal.

Another possibility is that the subtleties that exist between the old and new standards will soon be lost (or never grasped in the first instance). Fact findings in patent cases typically involve complex technology. Prior to *Zurko*, the CAFC already gave considerable deference to the PTO's technical expertise, even if in the guise of review under the clearly erroneous standard. Perhaps the only difference with review under the substantial evidence standard will be how the CAFC characterizes its review.

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