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CAN'T THE PTO GET A LITTLE RESPECT?

Joshua L. Sohn[†]

ABSTRACT

The decisions and proceedings of the U.S. Patent and Trademark Office (“PTO”) are at least implicitly at issue in every patent infringement lawsuit filed in federal court. Nonetheless, this Article argues that federal courts adjudicating patent cases systematically refuse to give the PTO the deference that courts usually give to the decisions and proceedings of federal administrative agencies. In such areas as patent invalidity, inequitable conduct, and stays pending reexamination, courts simply ignore or refuse to apply general principles of administrative deference. This Article further argues that courts’ lack of deference to the PTO can be explained (though not justified) by a deep judicial skepticism about the quality and pace of PTO decision-making.

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I. INTRODUCTION

The administrative decisions of the U.S. Patent and Trademark Office (“PTO”) are explicitly or implicitly at issue in every patent infringement suit filed in federal court.¹ After all, the PTO is the agency that grants U.S. patents, so every plaintiff who brings a patent infringement suit is effectively suing to enforce the monopoly that the PTO has granted him on his

1. Patent infringement suits are the exclusive domain of the federal courts. State courts have no jurisdiction to hear such suits. *See* 28 U.S.C. § 1338(a) (2006).

invention. Moreover, a patent defendant may defend against the infringement suit by claiming that the patent is “invalid”—which essentially is an argument that the PTO erred in granting the patent. Relatedly, a defendant may seek to declare the patent unenforceable by claiming that the patentee engaged in “inequitable conduct” by hiding material information from the PTO while the PTO was considering whether to grant the patent. A defendant may even initiate a reexamination action before the PTO, which asks the PTO itself to reexamine whether the invention at issue is truly patent-worthy.

Despite the central role that the PTO plays in federal patent suits, this Article argues that federal courts systematically denigrate the PTO and refuse to give it the deference that courts normally give to the decisions and proceedings of federal administrative agencies. Specifically, this Article focuses on three areas of patent law—invalidity, inequitable conduct, and stays pending reexamination—in which federal courts fail to give the PTO the normal levels of administrative “respect.”

First, the judicially-crafted burden for proving patent invalidity is “clear and convincing evidence.”² Yet, a judicial decision to invalidate a patent is essentially a judicial overturning of the PTO’s decision to *grant* the patent. Viewed in this context, “clear and convincing evidence” is a significantly lower standard of proof than the normal standard that a litigant must satisfy before a court will overturn an administrative decision.³ Relatedly, a defendant mounting an invalidity challenge is allowed to introduce new evidence that was not before the PTO—a practice that is at odds with the general rule that review of agency actions is limited to the evidence that was before the agency.

Second, when determining whether a patentee committed inequitable conduct by hiding material information from the PTO, the courts have adopted a definition of “material” information that is at odds with the definition that the PTO adopted in its interpretive regulations. By refusing to apply the PTO’s own definition of “material” information, courts violate the long-standing rule that courts should generally defer to agencies’ interpretations of their own regulations and their governing statutes.

2. *See* *Enzo Biochem, Inc. v. Applera Corp.*, 599 F.3d 1325, 1331 (Fed. Cir. 2010) (“Because a patent is presumed to be valid, the evidentiary burden to show facts supporting a conclusion of invalidity is one of clear and convincing evidence.” (internal quotation marks omitted)).

3. *See* 5 U.S.C. § 706(2) (stating that courts may overturn agency decisions that are, *inter alia*, “arbitrary, capricious, an abuse of discretion” or “unsupported by substantial evidence”).

Finally, when a patent defendant (or other party) brings a reexamination proceeding before the PTO while a patent suit is underway in federal court, the federal court will exercise its discretion about whether to stay the suit pending resolution of the reexamination proceeding. Statistically speaking, courts decide to stay the suit only about half the time. Yet the general administrative doctrine of “primary jurisdiction” holds that courts should stay proceedings when the resolution of the suit involves the resolution of a question that is within the “special competence” of an administrative agency. Given the PTO’s special competence in determining whether a given invention meets the standard for patentability, the primary jurisdiction doctrine suggests that courts should stay patent suits in many (if not all) cases where the PTO has agreed to conduct a reexamination.

After explaining *how* courts fail to give the normal administrative deference to the PTO, this Article discusses *why* courts fail to give this deference. This necessarily requires a certain amount of inference, since courts generally do not even acknowledge (much less attempt to justify) their relative lack of deference to the PTO. Nonetheless, this Article proposes that courts’ lack of deference to the PTO can be explained by two broad factors: (1) judicial dissatisfaction with the quality of PTO decision-making and expertise; and (2) judicial dissatisfaction with the speed of PTO decision-making. This Article concludes by suggesting ways to combat these factors and increase the deference that courts give to the PTO.

II. A BRIEF OVERVIEW OF PATENT PROSECUTION AND PATENT LITIGATION

Before delving into the ways in which the PTO fails to receive normal administrative deference, it would be helpful to sketch out the process by which patents are awarded by the PTO and litigated in federal court, with particular emphasis on the roles that patent invalidity, inequitable conduct, and reexamination play in this process.

A. PATENT PROSECUTION

The process by which an individual applies for and obtains a U.S. patent on his invention is known as “patent prosecution.” The first step in this process is for the inventor and prospective patent-holder (“patentee”) to file a patent application with the PTO.⁴ This application must contain a description of the invention that is sufficiently detailed and complete so it

4. See 37 C.F.R. § 1.53(b) (2011).

would enable a person of ordinary skill in the relevant technological field to make and use the invention.⁵ The patent application must also contain one or more “claims” that “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention or discovery.”⁶

After receiving the patent application, the PTO assigns it to one of roughly 6,000 patent examiners⁷ who begins the process of determining whether the invention meets the standards for patentability. In large part, this process involves the examiner determining whether the invention described in the patent application is truly novel. An invention is generally not patentable if it was previously known, used, or described by others.⁸ The examiner also determines whether the invention is “obvious” in light of previous inventions, since even a technically novel invention is not patentable if a person of ordinary skill would consider it an “obvious” advancement over prior inventions.⁹

To determine whether the invention claimed in the patent application meets the novelty and non-obviousness criteria for patentability, the examiner conducts a search of the “prior art”—i.e., previous patents and non-patent literature that describe inventions in the same field as the patent application.¹⁰ The patentee has a duty to aid the examiner’s search by submitting an Information Disclosure Statement that lists all the relevant prior art of which the patentee is aware.¹¹

5. *Id.*; *see also* 35 U.S.C. § 112; 37 C.F.R. § 1.71(a).

6. 37 C.F.R. § 1.75(a); *see also* § 112.

7. As of fiscal year 2009, the PTO employed 6,243 patent examiners. *See* U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2009, at 11 (2009) [hereinafter 2009 FISCAL REPORT], *available at* <http://www.uspto.gov/about/stratplan/ar/2009/2009annualreport.pdf>.

8. This is admittedly an oversimplification, as federal law sets forth two main tests to determine whether an invention is truly “novel” for purposes of patentability. *See* 35 U.S.C. § 102(a)–(b) (“A person shall be entitled to a patent unless—(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.”). Moreover, the recently enacted America Invents Act of 2011 will eliminate the territoriality (i.e., “in this country”) limitations of § 102, although this change does not take effect until March 16, 2013. *See* Leahy-Smith America Invents Act of 2011, Pub. L. No. 112-29, § 3(b)(1), 125 Stat. 284, 285–86 (to be codified at 35 U.S.C. § 102).

9. *See* 35 U.S.C. § 103; *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

10. *See* U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 904.02 (8th ed. Rev. 8, July 2010) [hereinafter MPEP] (describing the protocol for the examiner’s search of patents and non-patent literature).

11. *See* 37 C.F.R. § 1.98.

What follows is often a protracted back-and-forth dialogue between the examiner and the patentee. The examiner may issue non-final rejections of the application based on prior art and the patentee may respond by arguing why his invention is patentable in light of the prior art and/or amending the claims of the application to avoid the prior art that the examiner has cited.¹² Throughout this process, the patentee and his representatives (such as attorneys) are bound by a duty of candor, which means that they must disclose to the examiner “all information known . . . to be material to patentability.”¹³ Eventually, the examiner will either issue a final rejection of the application or will allow the application to mature and issue as a U.S. Patent.¹⁴

B. PATENT LITIGATION

After the PTO issues a patent, the patent owner may bring an infringement suit in federal court¹⁵ against any person or entity who allegedly infringes the patent.¹⁶ The allegedly infringing party will often defend against the suit by arguing that it does *not* infringe the patent, but it may also bring a number of affirmative defenses to defeat the plaintiff’s suit. As relevant here,

12. See Sheila R. Arriola, *Biotechnology Patents After Festo: Rethinking the Heightened Enablement and Written Description Requirements*, 11 FED. CIR. B.J. 919, 920 n.6 (2002) (“Patent prosecution . . . involves a dialogue between the applicant and a USPTO patent examiner, usually through written correspondence, although sometimes via telephone or in person. Typically, after review of the application, the examiner issues rejections in a document called an Office Action. The applicant then responds to the rejections either by amending the claims or appealing the rejection.”).

13. 37 C.F.R. § 1.56.

14. See Arriola, *supra* note 12, at 920 n.6 (“This back-and-forth dialogue continues until the two can come to agreement about the scope of the patent and its claims and the patent is granted, or until the examiner issues a final rejection.”). Even after final rejection, the patentee may continue prosecution by filing an appeal with the Board of Patent Appeals and Interferences or by amending the claims and then filing a request for continued examination (“RCE”). See 37 C.F.R. § 1.113(a).

15. See *supra* text accompanying note 1 (explaining that the federal courts have exclusive jurisdiction over patent infringement suits).

16. See 35 U.S.C. § 281 (2006) (“A patentee shall have remedy by civil action for infringement of his patent.”). Technically, standing to sue for infringement extends to the original patentee, any successors to the patent’s title, and any exclusive licensee who holds “all substantial rights” to the patent. *Int’l Gamco, Inc. v. Multimedia Games, Inc.*, 504 F.3d 1273, 1276 (Fed. Cir. 2007). In addition, an exclusive licensee who does not possess all substantial rights to the patent may sue for infringement as long as he joins the current patent owner as a co-plaintiff. *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 240 F.3d 1016, 1017 (Fed. Cir. 2001).

two of the most common affirmative defenses are invalidity and inequitable conduct.¹⁷

An invalidity defense requires the defendant to prove to the court, by clear and convincing evidence,¹⁸ that the patent is invalid for failure to meet one of the various standards for patentability. For instance, a defendant may argue that the patent claims are invalid because a single piece of prior art contains all the elements of those claims and thereby “anticipates” them.¹⁹ Alternatively, the defendant may argue that the claims are invalid because they constitute an “obvious” combination of elements found in one or more pieces of prior art.²⁰ If a defendant can prove to the court that the claims are invalid—for anticipation, obviousness, or any other reason²¹—then the patentee will be barred from asserting them against the defendant or (usually) any third party.²²

An inequitable conduct defense requires the defendant to prove to the court, also by clear and convincing evidence, that the patentee breached his

17. See Simone A. Rose & Debra R. Jessup, *Whose Rules Rule? Resolving Ethical Conflicts During the Simultaneous Representation of Clients in Patent Prosecution*, 12 FED. CIR. B.J. 571, 579 n.33 (2003) (“In patent infringement actions, the most common defense is invalidity of the patent for failure to meet one of the above-noted statutory requirements.”); Roy H. Wepner & Richard W. Ellis, *The Federal Circuit’s Presumptively Erroneous Presumption of Irreparable Harm*, 6 TUL. J. TECH. & INTELL. PROP. 147, 158 (2004) (“Another common defense to an infringement action is unenforceability of the patent due to inequitable conduct in its procurement.”).

18. See, e.g., *Enzo Biochem, Inc. v. Applera Corp.*, 599 F.3d 1325, 1331 (Fed. Cir. 2010).

19. See 35 U.S.C. § 102; *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1318 (Fed. Cir. 2009) (“To anticipate a claim, a single prior art reference must expressly or inherently disclose each claim limitation.” (internal quotation marks omitted)).

20. See 35 U.S.C. § 103; *Network Appliance, Inc. v. Bluearc Corp.*, 374 F. Supp. 2d 825, 836 (N.D. Cal. 2005) (“[T]he question of a patent claim’s obviousness turns on whether an accused infringer can show by clear and convincing evidence that one or more prior art references, either alone or in combination, would have rendered the invention obvious to one of ordinary skill in the art on the patent’s critical date.”).

21. Besides the invalidity defenses of anticipation and obviousness, a patent may also be invalidated if it does not contain an adequate written description, 35 U.S.C. § 112, or if it attempts to cover non-patentable subject matter such as a law of nature or an abstract idea. See *Diamond v. Diehr*, 450 U.S. 175, 185 (1981) (explaining that “laws of nature, natural phenomena, and abstract ideas” are outside the scope of patentable subject matter).

22. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971); 4 JOHN GLADSTONE MILLS III ET AL., *PATENT LAW FUNDAMENTALS* § 20:9 (2d ed. 2011) (“[W]here a patentee has had a full and fair opportunity to litigate the validity of his patent, a resulting judgment of invalidity may be interposed as a bar even by one who was not a party to that earlier suit.”). As this quote suggests, an invalidity holding in one suit bars the patentee from asserting his patent in future suits only if the patentee had a “full and fair opportunity” to litigate the validity issue in the first suit.

duty of candor to the PTO during patent prosecution “by failing to disclose material information, or submitting false material information, with an intent to deceive the PTO.”²³ If the court finds that the patentee was guilty of inequitable conduct, it may declare the patent unenforceable,²⁴ meaning that the patent cannot be asserted against any allegedly infringing party.

C. PATENT REEXAMINATION

Besides attacking the validity and enforceability of the asserted patent in court, a defendant may also seek reexamination of the asserted patent in the PTO. Essentially, a request for reexamination is a formal request that the PTO reconsider its own decision to issue a patent.²⁵ Federal law allows “any person” to file a reexamination request “at any time.”²⁶ Unsurprisingly, however, the persons who are often the most interested in requesting reexamination of a patent are defendants currently facing an infringement suit over that patent.²⁷

Indeed, from a defendant’s perspective, there are several advantages to seeking reexamination of the patent in the PTO in addition to litigating the validity of the patent in federal court. For one thing, the standard of proof for invalidating a patent in a reexamination is a mere “preponderance of the evidence,” which is a significantly lower standard than the “clear and

23. *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1234 (Fed. Cir. 2008); *see also Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc) (“To prevail on the defense of inequitable conduct, the accused infringer must prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO.”).

24. *See AstraZeneca Pharm. LP v. Teva Pharm. USA, Inc.*, 583 F.3d 766, 770 (Fed. Cir. 2009) (“Upon determining that there was inequitable conduct in obtaining the patent, the district court may in its discretion declare the patent permanently unenforceable.”).

25. Max Stul Oppenheimer, *Patents, Taxes, and the Nuclear Option: Do We Need a ‘Tax Strategy Patent’ Ban Treaty?*, 2008 U. ILL. J.L. TECH. & POL’Y 1, 26–27 (“The patent statute allows any party to request that the patent office reconsider its decision to issue a patent, by filing a request for reexamination.”).

26. *Id.*; *see also* 35 U.S.C. § 302 (“Any person at any time may file a request for reexamination by the Office of any claim of a patent . . .”).

27. *See, e.g., Leslie T. Grab, Equitable Concerns of eBay v. Mercexchange: Did the Supreme Court Successfully Balance Patent Protection Against Patent Trolls?*, 8 N.C. J.L. & TECH. 81, 98 (2006) (“Often in patent infringement litigation, the defendant may request that the USPTO conduct a reexamination procedure. The reexamination may confirm the patent was properly granted or may result in finding the patent is invalid and unenforceable.”); Megan Keane, *Patent Reexamination and the Seventh Amendment*, 77 GEO. WASH. L. REV. 1101, 1101 (2009) (“Because the reexamination statutes allow any party to challenge patent validity, defendants to infringement actions often collaterally attack validity by raising that issue with the PTO. Consequently, patents are often reexamined by the PTO when the patent holder is already involved in contentious litigation.”).

convincing evidence” required to invalidate a patent in federal court.²⁸ Moreover, the PTO gives patent claims their “broadest reasonable interpretation . . . [during] reexamination proceedings,”²⁹ which will frequently result in broader claim interpretations than a court would adopt during infringement litigation.³⁰ Broader claim interpretations, in turn, make it more likely that prior art will be deemed to fit within the scope of the claim for purposes of anticipating the claim or rendering it obvious.

Another potential advantage of reexamination, from a defendant’s perspective, is the ability to seek a stay of the infringement suit while the reexamination is underway. The Federal Circuit has explained that district courts have inherent authority to grant a stay pending reexamination—authority that is part and parcel of their more general authority to manage the flow of cases on their docket.³¹ In determining whether to stay a suit pending reexamination, courts generally weigh the following factors: (1) the stage of the suit, (2) whether a stay will simplify the issues in the suit, and (3) whether a stay will prejudice the nonmoving party.³² Courts grant contested motions to stay suits pending reexamination a little over half the time.³³

28. See *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (“In PTO examinations and reexaminations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil [patent] case.”); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (“Before the courts, a patent is presumed valid and the party asserting invalidity must prove the facts to establish invalidity of each claim by clear and convincing evidence. In a reexamination proceeding, on the other hand, there is no presumption of validity and the ‘focus’ of the reexamination ‘returns essentially to that present in an initial examination,’ at which a preponderance of the evidence must show nonpatentability” (citations omitted)).

29. *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1298 (Fed. Cir. 2007). Incidentally, the “broadest reasonable interpretation” standard does not only apply to reexamination, but also applies to initial patent examinations. See *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

30. See DONALD S. CHISUM, CHISUM ON PATENTS § 18.01 (2007).

31. See *Procter & Gamble Co. v. Kraft Food Global, Inc.*, 549 F.3d 842, 848–49 (Fed. Cir. 2008). While district courts have inherent authority to grant a defendant’s request to stay a suit pending reexamination, they have both inherent and statutory authority to stay such a suit upon the patent owner’s request. See 35 U.S.C. § 318. Nonetheless, it is relatively unusual for a patent owner to seek a stay pending reexamination, given that patent owners are usually plaintiffs (or plaintiffs’ allies) during infringement litigation and wish to see the litigation proceed promptly.

32. See, e.g., *TouchTunes Music Corp. v. Rowe Int’l Corp.*, 676 F. Supp. 2d 169, 177–79 (S.D.N.Y. 2009) (weighing these three factors); *Premier Int’l Assoc. L.L.C. v. Hewlett-Packard Co.*, 554 F. Supp. 2d 717, 720–24 (E.D. Tex. 2008) (weighing the same factors); *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006) (weighing the same factors).

33. See LEGALMETRICS, NATIONWIDE STAYS PENDING REEXAMINATION REPORT 4 (2009) (tabulating recent decisions showing that courts grant such motions 59% of the time);

As for the conduct of the reexamination itself, the PTO must determine whether the reexamination request raises a “substantial new question of patentability” within three months of receiving the request.³⁴ If the PTO finds that the reexamination request *does* raise a substantial new question of patentability, then it will commence reexamination on one of two tracks, depending upon which type of reexamination the reexamination requestor has requested. If the requestor has requested an *ex parte* reexamination, then the reexamination proceeds like an initial examination of a patent application—i.e., it is a dialogue between the patent owner and the PTO examiner, with no further input from the reexamination requestor.³⁵ By contrast, if the reexamination requestor has requested an *inter partes* reexamination, he has the ability to respond throughout the reexamination process to each submission and argument made between the patent owner and the PTO examiner.³⁶

Katherine D. Prescott, *Interplay Between Reexamination and Litigation: Temporary Restraining Orders, Preliminary Injunctions, and Litigation Stays*, 908 PLI/PAT 125, 131 (2007) (“While nationally roughly fifty percent of motions for litigation stays pending reexamination are granted, the percentage is significantly higher in some jurisdictions such as the Northern District of California and significantly lower in others such as the Eastern District of Texas.”).

34. See 35 U.S.C. § 303(a). For requests filed on or after September 16, 2011, *inter partes* reexaminations will commence if “there is a reasonable likelihood that the requester would prevail,” rather than if the request raises a “substantial new question of patentability.” Leahy-Smith America Invents Act of 2011, Pub. L. No. 112-29, § 6(c)(3)(A)(i), 125 Stat. 284, 305 (to be codified at 35 U.S.C. § 312).

35. This is a slight oversimplification, since even an *ex parte* reexamination applicant has the ability to submit a single “reply” statement after the patent owner has submitted his own statement in response to the PTO’s substantial new question of patentability. 35 U.S.C. § 304. Apart from submitting this one reply statement, however, an *ex parte* reexamination applicant has no further ability to participate in the reexamination proceedings, and “reexamination will be conducted according to the procedures established for initial examination” of the patent application. 35 U.S.C. § 305.

36. See 35 U.S.C. § 314(b)(2) (“Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party [inter partes] requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner’s response thereto . . .”). It should also be noted that, as of September 16, 2012, the current *inter partes* reexamination process will be replaced by a substantially similar “*inter partes* review” process conducted before the newly-created Patent Trial and Appeal Board. See America Invents Act § 6.

III. HOW COURTS FAIL TO EXTEND NORMAL ADMINISTRATIVE RESPECT TO THE PTO

Courts' treatment of invalidity, inequitable conduct, and stays pending reexamination all show a striking lack of deference to the PTO's decisions, rules, and proceedings. Indeed, courts seem to ignore the generally accepted principles of deference to administrative agencies when confronting these issues.

A. INVALIDITY

As noted above, courts have held that the burden on a patent defendant to prove invalidity is "clear and convincing evidence."³⁷ Importantly, this "clear and convincing evidence" standard is a judicially created standard, not a statutory one. The relevant invalidity statute, 35 U.S.C. § 282, simply states that "[a] patent shall be presumed valid"³⁸ and "[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity."³⁹ The statute nowhere defines the *quantum* of proof required for a defendant to carry its burden of proving invalidity, and it certainly does not mention "clear and convincing evidence."⁴⁰

From an administrative law perspective, it is quite strange for courts to adopt a "clear and convincing evidence" standard for proving patent invalidity, absent any specific statutory basis for that standard. When a court rules a patent invalid, the court is essentially ruling that the PTO erred in granting that patent. In more general terms, a judicial invalidity ruling is the judicial overturning of an executive agency decision. Yet administrative law does not recognize "clear and convincing evidence" as a proper standard for judicial review of agency actions. Rather, the Administrative Procedure Act ("APA")⁴¹—the "fundamental statute" of administrative law⁴²—instructs courts to overturn agency actions if those actions are "arbitrary, capricious,

37. *See Enzo Biochem., Inc. v. Applera Corp.*, 599 F.3d 1325, 1331 (Fed. Cir. 2010). As recently as June 2011, the Supreme Court reiterated that "clear and convincing evidence" is the proper standard for a court to apply when determining whether a patent is invalid. *See Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2252 (2011).

38. 35 U.S.C. § 282.

39. *Id.*

40. *See id.*; *see also* James W. Dabney, KSR: *It Was Not a Ghost*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 131, 161 n.182 (2007) ("The statute [35 U.S.C. § 282] makes no reference to 'clear and convincing evidence.'").

41. Administrative Procedure Act, 5 U.S.C. §§ 500–596, 701–706 (2010).

42. *See* PETER L. STRAUSS ET AL., GELLHORN & BYSE'S ADMINISTRATIVE LAW 252 (10th ed. 2003).

an abuse of discretion, or otherwise not in accordance with law”⁴³ or “unsupported by substantial evidence.”⁴⁴ Given that a judicial invalidity ruling is simply the judicial overturning of a PTO decision, one would expect courts to apply the APA’s review standards to determine whether a patent is invalid. Conversely, there is no sound basis for courts to invent a “clear and convincing evidence” standard that is foreign to the APA. After all, the APA was intended to be a generally applicable statute that sets uniform standards for court review of agency action, regardless of the particular agency whose action is being reviewed.⁴⁵

The issue of which review standard to apply is not simply a debate over semantics. Rather, the “clear and convincing evidence” standard is a substantively stricter (i.e., less deferential) standard of review than the APA standards, and it allows courts to invalidate patents more readily than if they applied the APA standards. For example, the Supreme Court in *Dickinson v. Zurko*⁴⁶ compared the APA standards of review to the “clearly erroneous” standard that appellate courts employ when reviewing district court factual findings. The Court noted that the APA standards are “somewhat less strict” than the “clearly erroneous” standard⁴⁷ and further explained that “[t]he upshot in terms of judicial review is some practical difference in outcome depending upon which standard is used.”⁴⁸ If the APA standards are less strict than a “clearly erroneous” standard, then they presumably are also less strict than a “clear and convincing evidence” standard. After all, saying that a patent is invalid by “clear . . . evidence” is equivalent to saying that it was “clearly erroneous” for the PTO to grant that patent. In short, courts’ use of the “clear and convincing evidence” standard to judge patent invalidity results in stricter and less deferential review of the PTO’s decisions than would otherwise exist under the traditional APA standards.

The *Zurko* case—which was itself a patent case—also provides a helpful illustration of how anomalous it is for courts to eschew the normal APA review standards when judging patent invalidity. In *Zurko*, the PTO had rejected a patent application on the grounds that the claimed invention was obvious in light of the prior art.⁴⁹ The patentee appealed the PTO’s decision to the Federal Circuit, which reversed the PTO on the grounds that the

43. 5 U.S.C. § 706(2)(A).

44. § 706(2)(E).

45. *See infra* notes 135–36 and accompanying text.

46. 527 U.S. 150 (1999).

47. *See id.* at 162.

48. *Id.*

49. *See id.* at 153.

agency made “clearly erroneous” findings of fact about what the prior art covered.⁵⁰ In turn, the PTO appealed to the Supreme Court, which reversed the Federal Circuit on the grounds that the Federal Circuit should not have used a “clearly erroneous” standard to judge the accuracy of the PTO’s fact-finding. Rather, the Federal Circuit should have used the normal APA standards of review.⁵¹

If courts must employ the APA standards of review when reviewing the PTO’s denial of a patent application (as was the case in *Zurko*), then it makes little sense for courts to ignore the APA standards of review when judging the invalidity of an issued patent. After all, the two situations are mirror images of each other. When a patentee seeks judicial review of the PTO’s decision to reject his patent application, he is asking a court to rule that the PTO erred in *rejecting* the application. Likewise, when a defendant raises an invalidity defense during infringement litigation, he is asking the court to rule that the PTO erred in *granting* the patent. To be sure, an invalidity defense constitutes an indirect or collateral attack on the PTO’s decision-making (since the PTO is not a party to the suit), whereas a *Zurko* situation is a more direct form of judicial review. But this is a distinction of form rather than substance. In both cases, a litigant is seeking judicial review of the PTO’s decision with respect to a specific patent or patent application. If courts must apply the APA standards of review in *Zurko* situations, then they logically should apply those same APA standards when judging an invalidity defense during infringement litigation. In other words, the question should not be whether a defendant can prove the invalidity of the patent by “clear and convincing evidence.” The question should be whether the PTO’s decision to grant the patent was “arbitrary, capricious, an abuse of discretion” or “unsupported by substantial evidence.”⁵²

50. *See id.*

51. *See id.* at 152 (“We must decide whether § 706 [of the APA] applies when the Federal Circuit reviews findings of fact made by the Patent and Trademark Office (PTO). We conclude that it does apply, and the Federal Circuit must use the framework set forth in that section.”).

52. After *Zurko* required the Federal Circuit to apply APA standards to the review of PTO patent denials, the Federal Circuit determined that “unsupported by substantial evidence” was the appropriate APA standard to apply. *See In re Gartside*, 203 F.3d 1305, 1311 (Fed. Cir. 2000). However, the distinction between the “arbitrary and capricious” standard and the “substantial evidence” standard is generally considered to be slight if not outright trivial. *See, e.g., Assoc. of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of the Fed. Reserve Sys.*, 745 F.2d 677, 683–84 (D.C. Cir. 1984) (Scalia, J.) (finding “no substantive difference” between these two standards).

One rejoinder to this argument might be that defendants often base their invalidity defenses on “new” prior art—i.e., prior art that was not before the PTO⁵³—and a court logically cannot give normal administrative deference to the PTO’s decision-making with respect to prior art that the PTO never considered. But this rejoinder simply highlights another anomalous aspect of the invalidity defense—namely, the fact that defendants may base this defense on “new” prior art in the first place. After all, administrative law generally holds that a party cannot challenge administrative action by citing new evidence that was not before the agency.⁵⁴ This practice is designed to promote judicial deference to agency decisions, on the theory that the judicial consideration of “new” evidence “inevitably leads the reviewing court to substitute its judgment for that of the agency.”⁵⁵ If this theory is correct, then courts’ willingness to consider new prior art in invalidity challenges—rather than limiting their review to the prior art before the PTO—is another way in which courts fail to give normal levels of deference to PTO decisions.

In short, courts’ consideration of the invalidity defense is based on a series of administrative anomalies. For prior art that was before the PTO, administrative law appears to require that courts give APA-prescribed deference to the PTO’s analysis of this art. For prior art that was *not* before the PTO, administrative law appears to require that courts refuse to consider this art altogether.

B. INEQUITABLE CONDUCT

Like the invalidity defense, the inequitable conduct defense is also applied in a way that fails to give normal administrative deference to the PTO. Recall that the inequitable conduct defense allows a court to declare a patent

53. See *In re Portola Packaging*, 110 F.3d 786, 789 (Fed. Cir. 1997) (noting Congress’s recognition “that holdings of patent invalidity by courts were mostly based on prior art that was not before the PTO”).

54. See, e.g., *Camp v. Pitts*, 411 U.S. 138, 142 (1973) (“The appropriate standard for review was, accordingly, whether the Comptroller’s adjudication was ‘arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law,’ as specified in 5 U.S.C. § 706(2)(A). In applying that standard, the focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court.”); *Shell Offshore, Inc. v. Babbitt*, 238 F.3d 622, 630 n.8 (5th Cir. 2001) (“[I]t is well established that reviewing courts generally should, in evaluating agency action, avoid considering evidence that was not before the agency when it issued its final decision.”).

55. *Ctr. for Biological Diversity v. U.S. Fish & Wildlife Serv.*, 450 F.3d 930, 943 (9th Cir. 2006); see also *Lands Council v. Powell*, 395 F.3d 1019, 1030 (9th Cir. 2005) (“Were the federal courts routinely or liberally to admit new evidence when reviewing agency decisions, it would be obvious that the federal courts would be proceeding, in effect, *de novo* rather than with the proper deference to agency processes, expertise, and decision-making.”).

unenforceable if it finds that the patentee breached his duty of candor to the PTO by failing to submit material information during patent prosecution.⁵⁶ The duty of candor is defined in the PTO's own regulations: 37 C.F.R. § 1.56, colloquially known as "Rule 56," states in subsection (a) that

[e]ach individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.⁵⁷

Subsection (b) of Rule 56, which was promulgated fifteen years after subsection (a),⁵⁸ defines the types of information that are deemed "material" for purposes of the duty of candor:

Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or (2) It refutes, or is inconsistent with, a position the applicant takes in: (i) Opposing an argument of unpatentability relied on by the Office, or (ii) Asserting an argument of patentability.⁵⁹

However, when adjudicating an inequitable conduct defense, courts have explicitly adopted definitions of "material" information that are very different from the definition set forth in subsection (b) of Rule 56. Indeed, as explained below, courts have shifted from a definition of "material" information that is much *broader* than Rule 56(b) to one that is much *narrower* than Rule 56(b).

1. *The Pre-Therasense Judicial Definition: Broader Than Rule 56(b)*

Until May 2011, the judicial definition of "material" information was significantly broader than the PTO's own definition. As the Federal Circuit

56. *See* AstraZeneca Pharm. LP v. Teva Pharm. USA, Inc., 583 F.3d 766, 770 (Fed. Cir. 2009); Monsanto Co. v. Bayer Bioscience N.V., 514 F.3d 1229, 1233–34 (Fed. Cir. 2008).

57. 37 C.F.R. § 1.56(a) (2011).

58. As early as 1977, what is now subsection (a) of Rule 56 required patentees to disclose "material" information to the PTO. By contrast, the current definition of material information, set forth in subsection (b), was not promulgated until 1992. *See* Digital Control, Inc. v. Charles Mach. Works, 437 F.3d 1309, 1314–15 (Fed. Cir. 2006) (describing the historical evolution of Rule 56).

59. 37 C.F.R. § 1.56(b).

explained in the 2008 case *Monsanto v. Bayer Bioscience*,⁶⁰ “[a] misstatement or admission can be material for the purposes of showing inequitable conduct even if it does not meet the standard for Rule 56 if, in the totality of the circumstances, a reasonable examiner would have considered such information important in deciding whether to allow the parent application.”⁶¹ Similarly, the Federal Circuit held in *Digital Control, Inc. v. Charles Machine Works*⁶² that information is “material” for purposes of inequitable conduct if it satisfies the definition in Rule 56(b) or if it satisfies any of the “materiality” tests that courts had devised before the current subsection (b) was promulgated in 1992.⁶³

2. *The Therasense Judicial Definition: Narrower Than Rule 56(b)*

This judicial definition of “material” information changed dramatically in the May 2011 case of *Therasense, Inc. v. Becton, Dickinson & Co.*⁶⁴ In *Therasense*, the en banc Federal Circuit tightened the standards for proving inequitable conduct, largely due to its view that inequitable conduct had become an overused defense that had corrosive effects on the overall patent system.⁶⁵ As relevant here, the *Therasense* court greatly narrowed the definition of “material” information for purposes of inequitable conduct.⁶⁶ Specifically, *Therasense* held that “the materiality required to establish inequitable conduct is but-for materiality. When an applicant fails to disclose prior art to the PTO, that prior art is ‘but-for’ material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.”⁶⁷ In pronouncing this new definition, the *Therasense* court explicitly stated that “[t]his court does not adopt the definition of materiality in PTO Rule 56.”⁶⁸

60. 514 F.3d 1229.

61. *Id.* at 1237 n.11 (emphasis added).

62. 437 F.3d 1309.

63. *See id.* at 1316 (“[I]f a misstatement or omission is material under the new Rule 56 standard, it is material. Similarly, if a misstatement or omission is material under the ‘reasonable examiner’ standard or under the older three tests, it is also material.”).

64. 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

65. *See id.* at 1290 (“While honesty at the PTO is essential, low standards for intent and materiality [i.e., the intent and materiality prongs of inequitable conduct] have inadvertently led to many unintended consequences, among them, increased adjudication cost and complexity, reduced likelihood of settlement, burdened courts, strained PTO resources, increased PTO backlog, and impaired patent quality. This court now tightens the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.”).

66. *See id.* at 1294–96.

67. *Id.* at 1291.

68. *Id.* at 1293.

Indeed, it is readily apparent that the *Therasense* definition of “material” information is narrower than the Rule 56 definition. For instance, Rule 56(b)(2) holds that information is “material” if it is inconsistent with a position the patentee has previously taken during patent prosecution.⁶⁹ By contrast, the *Therasense* standard would allow applicants to withhold all manner of information that contradicts their sworn positions before the PTO, as long as this information would not actually cause the PTO to reject the pending claims. Also, Rule 56(b)(1) states that information is “material” if it merely raises a prima facie case of unpatentability.⁷⁰ But the set of information that would raise a prima facie case of unpatentability for a claim (i.e., “material” information under Rule 56(b)(1)) is broader than the set of information that would ultimately cause the PTO to reject the claim (i.e., “material” information under *Therasense*). After all, a major aspect of patent prosecution involves a back-and-forth dialogue in which patentees attempt (often successfully) to distinguish or explain away prior art that the PTO had found to be prima facie invalidating.⁷¹

3. *Both Judicial Definitions Violate Long-Standing Principles of Administrative Law*

For courts to adopt a definition of “material” information that is broader or narrower than the PTO’s definition violates a long-standing canon of administrative law. Specifically, the canon known as *Seminole Rock* deference⁷² states that an agency’s interpretation of its own regulation is entitled to “controlling weight unless it is plainly erroneous or inconsistent with the regulation.”⁷³ *Seminole Rock* deference is a close cousin to *Chevron* deference,⁷⁴ which instructs courts to defer to agency interpretations of their governing statutes.⁷⁵ As with *Chevron* deference, *Seminole Rock* deference first asks the reviewing court to determine whether the agency regulation to be interpreted

69. See 37 C.F.R. § 1.56(b)(2) (2011).

70. See *id.*

71. See *supra* note 12 and accompanying text.

72. This name is taken from *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410 (1945), the germinal case to set forth the canon.

73. *Id.* at 414; see also *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1993); *Stinson v. United States*, 508 U.S. 36, 37 (1993); *Acs v. Detroit Edison Co.*, 444 F.3d 763, 770 (6th Cir. 2006) (“*Seminole Rock* deference [is] the ‘controlling weight’ that federal courts generally give an agency’s interpretation of its own ambiguous regulation.” (internal quotation marks omitted)).

74. See Victor L. Prial & Michael Kruse, *Administrative Law*, 58 SYRACUSE L. REV. 637, 637–38 (2008) (calling *Seminole Rock* deference “*Chevron*’s less widely known cousin”).

75. See *infra* notes 92–96 and accompanying text.

has a single unambiguous meaning.⁷⁶ If so, then the court need not and should not defer to an agency interpretation that contradicts the unambiguous meaning.⁷⁷ If the regulation is ambiguous, however, then the court will defer to any agency interpretation of the regulation that is not “plainly erroneous or inconsistent with the regulation.”⁷⁸

In this case, as stated above, subsection (a) of Rule 56 requires a patentee “to disclose to the [PTO] all information known to that individual to be material to patentability as defined in this section.”⁷⁹ Subsection (b) of Rule 56, promulgated fifteen years after the “materiality” requirement was first announced,⁸⁰ defines and clarifies the classes of information that are considered “material” for purposes of subsection (a).⁸¹ In other words, subsection (b) *interprets* subsection (a) by defining what is meant by the term “material”. Indeed, the PTO’s 1992 commentary on the addition in subsection (b) explained that “Section 1.56 has been amended to present a clearer and more objective *definition* of what information the Office considers material to patentability.”⁸²

This being the case, one would expect courts to defer under *Seminole Rock* to the PTO’s own interpretation of “material” information. For one, it cannot be said that the word “material” has a single unambiguous meaning, given that courts had fashioned a variety of different “materiality” tests in the years before the current subsection (b)’s definition was announced in 1992.⁸³

76. *Ohio Valley Env'tl. Coal. v. Aracoma Coal Co.*, 556 F.3d 177, 193 (4th Cir. 2009) (“Because we are asked here to review the Corps’ interpretation of its own regulations, our review is cabined to assessing the reasonableness of that interpretation. . . . In applying this principle, also known as ‘*Auer* deference’ or ‘*Seminole Rock* deference,’ we must first determine whether the regulation itself is unambiguous; if so, its plain language controls.”).

77. *Id.*; see also Scott H. Angstreich, *Shoring Up Chevron: A Defense of Seminole Rock Deference to Agency Regulatory Interpretations*, 34 U.C. DAVIS L. REV. 49, 71 (2000) (“If the court finds the regulation has a clear meaning, then for all practical purposes that is the end of the matter: if the agency disagrees, then the court will not defer; if the agency agrees, then the deference doctrine does no work.”).

78. See *Ohio Valley*, 556 F.3d at 193–94 (“If ambiguous, however, *Auer/Seminole Rock* deference is applied.”); *id.* at 193 (“This kind of review is highly deferential, with the agency’s interpretation controlling unless plainly erroneous or inconsistent with the regulation.” (internal quotation marks omitted)).

79. See 37 C.F.R. § 1.56(a) (2011).

80. See *supra* note 58.

81. See § 1.56(b).

82. Duty of Disclosure, 57 Fed. Reg. 2021, 2024 (Jan. 7, 1992) (codified at 37 C.F.R. § 1.56) (emphasis added).

83. *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1315 (Fed. Cir. 2006) (“[S]everal different standards of materiality [have] emerged from the courts. These standards included: the objective ‘but for’ standard, where the misrepresentation was so

Nor has any court ever claimed that subsection (b)'s definition is plainly erroneous or inconsistent with the overall duty of candor set forth in subsection (a). Rather, courts simply ignore the *Seminole Rock* canon altogether when they reject subsection (b)'s definition of "material" and instead adopt a broader or narrower definition for purposes of the inequitable conduct defense.

Courts' refusal to defer to the PTO's definition of "material" information is particularly distressing given the policy rationales behind *Seminole Rock* deference, which strongly support deference to the PTO in this situation. As one leading treatise explains, *Seminole Rock* deference is based on the principle that an "agency typically is in a superior position to determine what it intended when it issued a rule, how and when it intended the rule to apply, and the interpretation of the rule that makes the most sense given the agency's purposes in issuing the rule."⁸⁴ These rationales strongly support deference to the PTO in this case. The PTO is the agency that established the duty of candor, and it is the agency to whom the duty is owed. It is uniquely qualified to determine what the duty of candor is intended to mean and how it is intended to apply. Accordingly, courts should respect the PTO's prerogative to set forth the metes and bounds of the duty by defining the types of "material" information that the duty covers.

Furthermore, as Professor John Manning has explained, *Seminole Rock* deference can be justified on the theory that "an agency's interpretation of a regulation may entail the exercise of judgment grounded in policy concerns."⁸⁵ In this case, there are competing policy concerns that the PTO must weigh when determining what types of information a patentee must disclose during patent prosecution. On the one hand, an overly narrow duty of disclosure would make it more likely that the PTO would fail to receive relevant information during patent prosecution. On the other hand, given the hundreds of thousands of patent prosecutions that the PTO must handle every year,⁸⁶ an overly broad duty of disclosure could overwhelm the PTO

material that the patent should not have issued; the subjective 'but for' test, where the misrepresentation actually caused the examiner to approve the patent application when he would not otherwise have done so; and the 'but it may have' standard, where the misrepresentation may have influenced the parent [sic] examiner in the course of prosecution.").

84. KENNETH CULP DAVIS & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE § 6.10 (3d ed. 1994).

85. John F. Manning, *Constitutional Structure and Judicial Deference to Agency Interpretations of Agency Rules*, 96 COLUM. L. REV. 612, 629 (1996) (internal quotation marks omitted).

86. In fiscal year 2009, the PTO received roughly 485,000 patent applications and granted roughly 190,000 patents. See 2009 FISCAL REPORT, *supra* note 7, at 112 tbl.1.

with minimally relevant information and significantly slow down the patent prosecution process. The PTO is surely in a better position than the courts to weigh these competing policy concerns and craft a definition of “material” information that properly balances these concerns. Conversely, when courts ignore the PTO’s definition of “material” information and instead adopt a broader or narrower definition for the purpose of the inequitable conduct defense, they upset this balance.

For instance, the pre-*Therasense* judicial definition of “material” information tilted the balance in favor of fulsome and potentially overbroad disclosure. After all, a prudent patentee had every incentive to obey the courts’ broader definition of “material” information—not the PTO’s narrower definition—in order to proactively guard against an inequitable conduct charge in future infringement litigation.⁸⁷ In other words, by refusing to defer to the PTO’s interpretation of “material” information, courts usurped the PTO’s role of setting policy for the duty of candor. This type of usurpation is precisely what *Seminole Rock* deference is designed to prevent.

Conversely, the *Therasense* definition tilts the balance toward overly narrow disclosure, by incentivizing patentees to ignore the dictates of Rule 56(b) and disclose only the narrower subset of information that would be considered “material” under *Therasense*. This may seem counterintuitive at first—one might think that prudent patentees would disclose “*Therasense*-material” information to guard against inequitable conduct charges and would also disclose the broader set of “Rule 56-material” information in order to satisfy Rule 56 itself. In practice, however, the PTO depends heavily on the threat of inequitable conduct charges to enforce compliance with Rule 56 and has little ability to enforce Rule 56 compliance by itself.⁸⁸ After all, when an applicant violates Rule 56 by withholding material information from the PTO, the PTO is by definition unaware of this violation. And while a defendant in infringement litigation typically has the means and motivation

87. Robert A. Armitage, *The Conundrum Confronting Congress: The Patent System Must Be Left Untouched While Being Radically Reformed*, 5 J. MARSHALL REV. INTEL. PROP. L. 267, 285 (2006) (noting that, under current law, “[t]he inventor has an incentive to do two things in order to proactively defend against allegations of inequitable conduct. First, there is the incentive to tell the Patent Office everything, no matter how trivial its relationship to patent examination might seem. If a person under the duty of candor withholds any information, no matter how seemingly trivial, the withholding can be later alleged to have been material, permitting an inference of intentionally deceptive conduct.”).

88. *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1306 (Fed. Cir. 2011) (Bryson, J., dissenting) (“The PTO advises us that the prospect of enforcing the duty of disclosure other than through the threat of inequitable conduct claims is not possible or practical.”).

to depose the patentees and subpoena documentation to try to unearth evidence of inequitable conduct, the PTO hardly has the resources to investigate the hundreds of thousands of patentees who submit successful patent applications each year. Even random audits are probably beyond the PTO's ability, given that the PTO is chronically overworked as it is⁸⁹ and also lacks the tools to conduct meaningful investigations of patentee conduct.⁹⁰ Thus, in the post-*Therasense* world, patentees have strong incentives to disclose only “*Therasense*-material” information and to quietly sweep other “Rule 56-material” information under the rug, particularly if disclosing such information would harm their chances of successfully navigating patent prosecution.

From an administrative law perspective, are there any persuasive arguments *against* according *Seminole Rock* deference to the PTO's definition of “material” information? Perhaps. *Seminole Rock* deference may be deemed inapplicable to this situation because Rule 56(a) (which establishes the duty to disclose “material” information) and Rule 56(b) (which defines the term “material”) are part of the same overall regulation—namely, Rule 56 itself. Thus, rather than viewing subsection (b) as an interpretation of the otherwise-ambiguous subsection (a), one might instead view Rule 56 as a unitary, self-defined regulation that needs no further interpretation.

While this unitary view of Rule 56 would eliminate the need for *Seminole Rock* deference—because there would be no extrinsic PTO “interpretation” of Rule 56 to defer to—it does not justify courts' failure to adopt the Rule 56 definition of “material” information. Rather, even under a unitary view of Rule 56, administrative law principles would require that courts defer to the

89. See, e.g., Jack George Abid, *Software Patents on Both Sides of the Atlantic*, 23 J. MARSHALL J. COMPUTER & INFO. L. 815, 836 (2005) (“Unfortunately, the PTO is notoriously overworked”); Michael H. Davis, *Patent Politics*, 56 S.C. L. REV. 337, 370 n.131 (2004) (“Everyone seems to recognize that the PTO is overworked and underfunded.”).

90. *Therasense*, 649 F.3d at 1306 (Bryson, J., dissenting) (“The PTO explains that it rarely has access to relevant facts regarding inequitable conduct, because it lacks investigative resources.”). Indeed, unlike the parties in infringement litigation, the PTO generally lacks the power to issue subpoenas—a fact that the PTO pointed out in its amicus brief in *Therasense*. See Brief for the United States as Amicus Curiae on Rehearing En Banc in Support of Neither Party at 16, *Therasense*, 649 F.3d 1276 (Fed. Cir. 2010) (No. 2008-1511), 2010 WL 3390234 (“[T]he agency is constrained in its ability to investigate ‘fraud on the PTO’ because OED [the PTO's Office of Enrollment and Discipline] cannot issue subpoenas during their investigations.”). Without the power to subpoena the documents and testimony of patentees, it is very difficult to determine whether those patentees failed to disclose material information during patent prosecution.

Rule 56 definition of “material” when judging whether a patentee has engaged in inequitable conduct.⁹¹

Chevron deference would likely be the operative framework here, as opposed to *Seminole Rock* deference. *Chevron* addresses the level of deference that courts must give to agency regulations that interpret or effectuate the agency’s governing statute. In its most familiar form, *Chevron* states that courts should defer to agencies’ “reasonable” interpretations of ambiguous language in the statutes that they administer.⁹² This deference “is premised on the theory that a statute’s ambiguity constitutes an *implicit* delegation from Congress to the agency to fill in the statutory gaps.”⁹³ However, *Chevron* also recognized that Congress’s delegation of power to an agency can be explicit rather than implicit,⁹⁴ and deference to agency regulations is just as appropriate in cases of explicit delegation.⁹⁵ Specifically, where “there is an express delegation of authority to the agency to elucidate a specific provision of the statute by regulation[,] [s]uch legislative regulations are given controlling weight unless they are arbitrary, capricious, or manifestly contrary to the statute.”⁹⁶

In this case, the PTO’s governing statute—35 U.S.C. § 2—explicitly grants the PTO authority to establish regulations to “govern the conduct of proceedings in the Office”⁹⁷ and “govern the recognition and conduct of agents, attorneys, and other persons representing applicants or other parties before the Office.”⁹⁸ By establishing the duty of candor as set forth in Rule 56, the PTO is simply exercising its statutorily granted authority to set regulations governing the “conduct” of individuals who appear before it.

Accordingly, one would expect courts to defer under *Chevron* to the Rule 56 standards for determining what sorts of “material” information must be disclosed during patent prosecution. Indeed, the Federal Circuit has acknowledged that the PTO’s procedural regulations are generally entitled to *Chevron* deference, given the PTO’s broad statutory mandate to establish

91. See *infra* notes 92–101 and accompanying text.

92. See *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 843–44 (1984); Manning, *supra* note 85, at 613 (“*Chevron* . . . settled the now familiar principle of federal administrative law that a reviewing court must accept an agency’s ‘reasonable’ interpretation of a gap or ambiguity in a statute the agency is charged with administering.”).

93. *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 159 (2000) (emphasis added).

94. *Chevron*, 467 U.S. at 844.

95. See *id.* at 843–44.

96. *Id.*

97. 35 U.S.C. § 2(b)(2)(A) (2006).

98. § 2(b)(2)(D).

regulations governing the conduct of its own proceedings.⁹⁹ The duty of candor set forth in Rule 56 is one such procedural regulation, which fills in a broad statutory gap about the conduct of PTO proceedings and (more specifically) the required conduct of individuals who appear before the PTO. Yet, like *Seminole Rock* deference, the concept of *Chevron* deference is simply absent from courts' analysis of inequitable conduct and Rule 56.

When courts refuse to defer to the Rule 56 definition of "material" information and instead create their own broader or narrower definition for purposes of the inequitable conduct defense, they vitiate the very purpose of *Chevron* deference. They effectively set the standard for what sorts of "material" information must be disclosed to the PTO, since (as discussed above) patentees have strong incentives to follow the courts' definition of "material" information and to ignore the PTO's definition.¹⁰⁰ Despite the PTO's statutory authority to regulate the conduct of those who appear before it, the courts effectively usurp the PTO's authority by setting a new standard of disclosure, which prudent patentees are bound to follow. This usurpation is directly antithetical to *Chevron*, since *Chevron* recognized that agencies—not courts—have the authority to fill in statutory gaps through regulation.¹⁰¹

In sum, either *Seminole Rock* or *Chevron* would seem to require that courts defer to the PTO's definition of "material" information for purposes of the inequitable conduct defense. Courts' failure to defer to the PTO's definition of this term constitutes a severe departure from the normal principles of administrative law.

C. STAYS PENDING REEXAMINATION

Finally, courts also ignore general principles of administrative law in their determinations of whether and when to stay infringement litigation pending reexamination of the patent-in-suit. As noted above, courts grant roughly half of all motions to stay litigation pending reexamination of the patent.¹⁰²

99. See *Cooper Tech. Co. v. Dudas*, 536 F.3d 1330, 1337 (Fed. Cir. 2008) ("Because the Patent Office is specifically charged with administering statutory provisions relating to 'the conduct of proceedings in the Office,' 35 U.S.C. § 2(a)(2)(A), we give *Chevron* deference to its interpretations of those provisions.").

100. See *supra* text accompanying notes 87–90.

101. See *Chevron*, 467 U.S. at 843 ("The power of an administrative agency to administer a congressionally created . . . program necessarily requires the formulation of policy and the making of rules to fill any gap left, implicitly or explicitly, by Congress.") (quoting *Morton v. Ruiz*, 415 U.S. 199, 231 (1974)).

102. See *supra* text accompanying note 33.

In determining whether to stay the litigation, courts generally consider: (1) the stage of the litigation, (2) whether a stay will simplify the issues in the litigation, and (3) whether a stay will prejudice the nonmoving party.¹⁰³ Curiously, however, courts virtually *never* consider a general administrative law doctrine—the primary jurisdiction doctrine—that would seem highly relevant to the question of whether the litigation should be stayed.¹⁰⁴

As explained by the Supreme Court, the primary jurisdiction doctrine

is a doctrine specifically applicable to claims properly cognizable in court that contain some issue within the special competence of an administrative agency. It requires the court to enable a ‘referral’ to the agency, staying further proceedings so as to give the parties reasonable opportunity to seek an administrative ruling.¹⁰⁵

While “[n]o fixed formula exists for applying the doctrine of primary jurisdiction,”¹⁰⁶ it is particularly appropriate “in cases raising issues of fact not within the conventional experience of judges.”¹⁰⁷ The benefits of applying the doctrine include “the desirable uniformity which would obtain if initially a specialized agency passed on certain types of administrative questions”¹⁰⁸ and the ability to invoke “the expert and specialized knowledge of the agencies involved.”¹⁰⁹

When a patent defendant requests reexamination of the patent before the PTO, this would seem to be a strong candidate for a court to invoke the primary jurisdiction doctrine and stay the suit pending the outcome of the reexamination. The question of whether an invention meets the standards for patentability is presumably within the “special competence” of the PTO, given that the PTO is tasked with deciding this very question for every patent

103. *See, e.g.*, *TouchTunes Music Corp. v. Rowe Int’l Corp.*, 676 F. Supp. 2d 169, 177 (S.D.N.Y. 2009); *Premier Int’l Assoc. L.L.C. v. Hewlett-Packard Co.*, 554 F. Supp. 2d 717, 720 (E.D. Tex. 2008); *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006).

104. Indeed, a review of the case law indicates only one instance in which a Federal court considered the primary jurisdiction doctrine in determining whether to stay a patent suit pending reexamination of the subject patent. *See Ralph Gonnocci Revocable Living Trust v. Three M Tool & Mach., Inc.*, No. 02-74796, 2003 WL 22870902, at *4–5 (E.D. Mich. Oct. 7, 2003). This court, applying questionable logic, held that the primary jurisdiction doctrine should not apply. *See infra* note 115.

105. *Reiter v. Cooper*, 507 U.S. 258, 268 (1993).

106. *United States v. W. Pac. R.R.*, 352 U.S. 59, 64 (1956).

107. *Id.* (citation omitted).

108. *Id.*

109. *Id.*

application filed in the United States.¹¹⁰ Likewise, the question of whether a given invention is patentable over the prior art often involves “issues of fact not within the conventional experience of judges.”¹¹¹ Even though courts may routinely adjudicate invalidity defenses during patent litigation,¹¹² the invalidity question often turns on extremely technical and abstruse issues of fact. Particularly for patents on the cutting edge of biotechnology, computer science, or chemical composition, the question of how a given patent maps against prior inventions is simply not the sort of factual question that generalist district judges are well-equipped to answer.¹¹³ Thus, the goals of the primary jurisdiction doctrine would be well served if courts faced with technically complex invalidity issues were willing to invoke the primary jurisdiction doctrine, stay the case pending reexamination, and thereby harness the “expert and specialized knowledge of the [PTO]”¹¹⁴ to help decide the invalidity question.¹¹⁵

The most obvious rejoinder to this argument would be that the PTO has *already* brought its “expert and specialized knowledge”¹¹⁶ to bear on the patent in question before the infringement suit even began, as no patent can issue until the PTO is satisfied that the invention meets the standards for patentability. On this theory, invoking the primary jurisdiction doctrine in order to harness the PTO’s expert and specialized knowledge yet again would be duplicative and unwarranted.

110. See 35 U.S.C. § 2 (2006).

111. *W. Pac. R.R.*, 352 U.S. at 64 (citation omitted).

112. See Rose & Jessup, *supra* note 17.

113. See David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 260–61 (2008) (“The issues in a typical patent case may be so complex that legal minds without a background in science cannot appropriately resolve them. . . . Various judges have acknowledged that deciding patent law issues is extremely difficult without fully understanding the underlying technology. Thus, the technology itself may be insurmountable for generalist trial court judges.”).

114. *W. Pac. R.R.*, 352 U.S. at 64.

115. For this reason, the lone case to consider the interplay between primary jurisdiction and stays pending reexamination, *Ralph Gonnocci*, took an overly simplistic view of this issue. *Ralph Gonnocci Revocable Living Trust v. Three M Tool & Mach., Inc.*, No. 02-74796, 2003 WL 22870902 (E.D. Mich. Oct. 7, 2003). The *Ralph Gonnocci* court held that the primary jurisdiction doctrine did not apply because “the determination as to whether a patent is valid is a question of law ‘within the conventional experience of judges.’” *Id.* at *5. As discussed above, however, the invalidity determination is often based on complex scientific or technical questions of fact that are not within the conventional experience of generalist judges. In any event, invalidity based on anticipation is a factual question through and through, not a “question of law” as the *Ralph Gonnocci* court suggested. See *Orion IP, L.L.C. v. Hyundai Motor Am.*, 605 F.3d 967, 974 (Fed. Cir. 2010).

116. *W. Pac. R.R.*, 352 U.S. at 64.

While this rejoinder has some force, it is ultimately unsatisfying. For one thing, defendants bringing reexamination requests usually cite new prior art that was not before the PTO during the initial patent prosecution.¹¹⁷ By definition, the PTO has not had a chance to consider this new prior art, so there is every reason to stay the suit so that the PTO may take the first crack at analyzing whether and how the new prior art affects the validity of the patent.

Moreover, whether a reexamination request is based on new or old prior art, the reexamination cannot proceed until the PTO determines that the request raises a “substantial new question of patentability” (for *ex parte* requests)¹¹⁸ or that “there is a reasonable likelihood that the requester petitioner would prevail” (for *inter partes* requests).¹¹⁹ By making this determination, the PTO is effectively conceding that its initial examination was inadequate and that it would like the chance to examine the patent anew. Thus, the fact that the PTO had previously examined the patent during the original patent prosecution is no reason to abandon the primary jurisdiction doctrine or refuse to stay a suit pending the outcome of the reexamination.

This is not to say that courts must *necessarily* invoke the primary jurisdiction doctrine to stay a patent case *whenever* the PTO has initiated a reexamination. Indeed, it is not clear whether the primary jurisdiction doctrine is mandatory or merely discretionary. Some courts have held that a court *must* invoke the doctrine to stay a case whenever the policies and rationales of the doctrine would be served by a stay,¹²⁰ while others have stressed that the doctrine is a discretionary one.¹²¹ But even those courts that

117. See Tun-Jen Chiang, *Fixing Patent Boundaries*, 108 MICH. L. REV. 523, 532 (2010) (“A reexamination is typically initiated by someone other than the patentee, because the third party discovers new prior art that raises a substantial question as to the validity of the patent.”).

118. See 35 U.S.C. § 303(a) (2006).

119. See Leahy-Smith America Invents Act of 2011, Pub. L. No. 112-29, § 6(c)(3)(A)(i), 125 Stat. 284, 305 (to be codified at 35 U.S.C. § 312).

120. See, e.g., *United States v. Gen. Dynamics Corp.*, 828 F.2d 1356, 1364 n.15 (9th Cir. 1987) (“In discussing the [primary jurisdiction] doctrine, the Supreme Court frequently has used language at odds with the notion of discretionary application.”); *Phone-Tel Commc’ns, Inc. v. AT&T Corp.*, 100 F. Supp. 2d 313, 321 (E.D. Pa. 2000) (“[A]pplication of the doctrine of primary jurisdiction is not discretionary. Rather, once the court determines that a claim ‘contain[s] some issue within the special competence of an administrative agency, [the doctrine of primary jurisdiction] requires the court to refer the matter to the administrative agency.’”).

121. See, e.g., *Tassy v. Brunswick Hosp. Ctr., Inc.*, 296 F.3d 65, 72 (2d Cir. 2002) (“We emphasize that primary jurisdiction is a discretionary doctrine whose applicability in any given case depends on ‘whether the reasons for the existence of the doctrine are present and

emphasize the discretionary nature of the doctrine generally hold that a court *should* apply the doctrine when doing so would bring administrative expertise to bear on complex questions that judges are not well equipped to answer.¹²²

Accordingly, given the special expertise that the PTO has (or should have) in comparing patents against the prior art, and given that this comparison often involves highly technical issues not within the conventional experience of generalist judges, it seems strange and unjustified that courts would ignore the primary jurisdiction doctrine when determining whether to stay suits pending reexamination. Even if primary jurisdiction is considered to be a discretionary rather than a mandatory doctrine, it should at least be a heavy “thumb on the scale” that weighs in favor of a stay whenever the invalidity question (and pending reexamination) involves complex scientific or technical questions that the district judge is ill equipped to answer. Conversely, courts’ near-universal failure to even *consider* this doctrine is a puzzling and seemingly unjustified departure from the normal principles of administrative law.

IV. WHY COURTS FAIL TO EXTEND NORMAL ADMINISTRATIVE RESPECT TO THE PTO AND WHAT CAN BE DONE ABOUT IT

There are few clear explanations for *why* courts fail to give normal levels of administrative deference to the PTO. This is because courts usually do not acknowledge—much less attempt to justify—their lack of deference. For instance, there are no on-the-record judicial explanations for why courts eschew the APA standards when judging patent invalidity or why they fail to give *Seminole Rock* or *Chevron* deference to the PTO’s definition of “material” information for purposes of inequitable conduct. Rather, the APA review standards and the *Chevron* and *Seminole Rock* canons are simply absent from

whether the purposes it serves will be aided by its application in the particular litigation.’”); *Wahi v. Charleston Area Med. Ctr.*, No. 2:04-CV-0019, 2004 U.S. Dist. LEXIS 21726, at *67 (S.D. W. Va. Oct. 27, 2004), *aff’d*, 562 F.3d 599 (4th Cir. 2009) (“[T]he primary jurisdiction doctrine is a discretionary tool that allows a court to *refer* certain complex factual questions to an administrative body for an *initial* determination.”).

122. The Second Circuit, for instance, has taken a decidedly discretionary view of the doctrine. *See Tassy*, 296 F.3d at 72. Yet it has also acknowledged that “[a] court should delay forging ahead when there is a likelihood that agency action may render a complex fact pattern simple” and has construed Supreme Court primary jurisdiction opinions as holding that “issues of fact not within the ordinary ken of judges and which required administrative expertise should be resolved preliminarily by the agency.” *Golden Hill Paugussett Tribe of Indians v. Weicker*, 39 F.3d 51, 60 (2d Cir. 1994).

court opinions. Similarly, there appears to be only *one* case in which a federal court explicitly addressed whether to apply the primary jurisdiction doctrine to stay a suit pending reexamination of the subject patent.¹²³

Thus, determining why courts fail to give normal administrative deference to the PTO requires a certain amount of inference. Nonetheless, this Article proposes that two broad factors can explain the lack of deference: (1) judicial dissatisfaction with the quality of PTO decision-making and expertise; and (2) judicial dissatisfaction with the speed of PTO decision-making.¹²⁴ This Part discusses these factors and the ways in which they likely discourage judicial deference to the PTO. It also proposes ways to combat these factors to possibly increase judicial deference.

A. JUDICIAL DISSATISFACTION WITH THE QUALITY OF PTO DECISION-MAKING AND EXPERTISE

One reason why the PTO fails to receive normal administrative deference may be that courts are simply unimpressed with the quality of PTO decision-making and expertise. While judicial decorum prevents judges from making on-the-record criticisms of the PTO,¹²⁵ numerous non-judicial commentators have routinely leveled these types of criticisms against the PTO. For instance, one criticism is that the PTO conducts insufficiently rigorous examinations and grants patents far too liberally.¹²⁶ Indeed,

123. See *Ralph Gonnocci Revocable Living Trust v. Three M Tool & Mach., Inc.*, No. 02-74796, 2003 WL 22870902, at *4–5 (E.D. Mich. Oct. 7, 2003).

124. At this point, the reader might question whether courts' lack of deference to the PTO can be explained by a third factor—namely, the idea that the Federal Circuit (the circuit with nearly exclusive jurisdiction over patent appeals) is a relatively specialized “patent court” that lacks familiarity with the general principles of administrative deference. As discussed in Part V, *infra*, this Article concludes that such an explanation is unconvincing and fails to account for the Federal Circuit's significant familiarity with administrative law.

125. See, e.g., *W. Elec. Co. v. Piezo Tech., Inc.*, 860 F.2d 428, 433 (Fed. Cir. 1988) (“It is no more appropriate to question a patent examiner's technical expertise than it is to question the quality of a judge's law school education or judicial experience.”).

126. See, e.g., Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1495 (2001) (“The PTO has come under attack of late for failing to do a serious job of examining patents, thus allowing bad patents to slip through the system.”); see also Jay P. Kesan, *Carrots and Sticks To Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 765 (2002) (“Commentators have long complained about the performance of the U.S. Patent & Trademark Office Much of this criticism is directed at the quality of the patents that are granted by the Patent Office. It is widely suggested that the Patent Office issues patents that are either ‘facially’ invalid or broader than the actual innovation disclosed in the patent application.”); Jay P. Kesan & Andres A. Gallo, *Why “Bad” Patents Survive in the Market and How Should We Change? The Private and Social Costs of Patents*, 55 EMORY L.J. 61, 63 (2006) (“The common criticism from all sides is that the Patent Office grants patent claims that are

commentators have suggested that PTO examiners have incentives to allow rather than reject patent applications, in part because examiners must set forth reasoned explanations when rejecting an application but have no such obligation when issuing a patent.¹²⁷ Commentators have also criticized the expertise of PTO examiners, claiming they often are too young and inexperienced to conduct a thorough examination.¹²⁸ In particular, some argue that PTO examiners lack the skill and the time to conduct thorough prior art searches,¹²⁹ which is a crucial part of the examination process.¹³⁰

Assuming that judges share these negative views about the quality of PTO decision-making and the expertise of the decision-makers, it is hardly surprising that they would resist giving normal levels of administrative deference to the PTO. For instance, a judge would presumably be disinclined to apply highly deferential APA review to the PTO's decision to grant a patent if she suspected that the PTO's decision was made hurriedly by a

broader than what is merited by the invention and the prior art, resulting in so-called 'bad' or improvidently granted patents.”).

127. See John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305, 324–25 (“Patent Office practice requires that examiners articulate their reasons for a rejection, while most often examiners need say nothing if they chose to allow a case. The belief is widely held that this regime encourages examiners to allow rather than to reject applications.”); see also Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63, 75 (2004) (stating that “an examiner faced with a determined applicant has every incentive to give in and allow the patent”).

128. See, e.g., Jason D. Grier, *Chasing Its Own Tail? An Analysis of the USPTO's Efforts To Reduce the Patent Backlog*, 31 HOUS. J. INT'L L. 617, 645 n.222 (2009) (noting that “55% of the patent examiners at the USPTO had less than five years experience” even though “[a] patent examiner needs three to five years experience to achieve proficiency”); see also Ashley Chuang, *Fixing the Failures of Software Patent Protection: Detering Patent Trolling by Applying Industry-Specific Patentability Standards*, 16 S. CAL. INTERDISC. L.J. 215, 243 (2006) (“Patent examiners face high turnover rates, with only forty-five percent having more than five years of experience. A recent study conducted by the National Academy of Public Administration finds that the USPTO ‘lacks an adequate number of seasoned patent examiners to operate efficiently.’ Patent examiners in the USPTO are under-trained and overworked, thus compromising the quality of patents.”).

129. See, e.g., Beth Simone Noveck, *“Peer to Patent”: Collective Intelligence, Open Review, and Patent Reform*, 20 HARV. J.L. & TECH. 123, 135 (2006) (“Empirical data confirms the inadequacy of USPTO search capabilities. In a recent study of 502,687 utility patents, examiners were found to have a disadvantage in searching for non-patent prior art or foreign patents.”); Michael Risch, *The Failure of Public Notice in Patent Prosecution*, 21 HARV. J.L. & TECH. 179, 196 (2007) (“[P]atent examiners often perform inadequate searches of prior art. A high-quality prior art search is difficult because of resource and time limitations.”).

130. See MPEP, *supra* note 10, at ch. 900 (“Prior Art, Classification and Search”); see also 35 U.S.C. §§ 304–305 (2006).

young and unseasoned examiner. As Professor Mark Lemley somewhat caustically remarked:

I've seen what happens in the U.S. PTO. The average amount of time that an examiner spends on a patent application in the U.S. PTO is something on the order of ten hours. . . . There is simply no reason that a court should be bound by the outcome of this abbreviated proceeding.¹³¹

Likewise, courts' willingness to consider "new" prior art that was not before the PTO during prosecution may be based on a lack of confidence in the PTO's ability to locate all of the relevant prior art. Finally, courts' refusal to defer to the PTO's definition of "material" information for purposes of inequitable conduct, and their prior, pre-*Therasense* insistence on a broader definition of the term, may have been a judicial attempt to force a greater volume of relevant information before the PTO to compensate for the perceived deficiencies in searching for relevant prior art.¹³²

This is not to say that courts are *correct* to eschew APA standards when judging patent invalidity or to ignore the PTO's own definition of "material" information when judging inequitable conduct. Given the Supreme Court's clear mandate in *Zurko* that the APA standards apply to judicial review of PTO decisions,¹³³ it would seem that courts should also follow the APA standards when judging patent invalidity. After all, an invalidity challenge simply seeks judicial review of the PTO's decision to grant a patent, even though this review occurs in the context of private litigation.¹³⁴ Furthermore, the *Zurko* Court rejected the notion that any specific deficiencies of the PTO justified a departure from the normal APA review standards. Rather, *Zurko*

131. Mark A. Lemley, *Reconceiving Patents in the Age of Venture Capital*, 4 J. SMALL & EMERGING BUS. L. 137, 146 (2000).

132. Paradoxically, even the *Therasense* definition of "material" information might evince a judicial skepticism with the quality of PTO decision-making. As noted above, *Therasense* requires patentees to disclose only information that would ultimately cause the PTO to reject the pending claims, while Rule 56(b) requires patentees to disclose information that would create a prima facie case of unpatentability. *See* 37 C.F.R. § 1.56(b) (2011); *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291 (Fed. Cir. 2011) (en banc); *see also supra* note 58 and Section III.B. By holding that disclosure of prima facie invalidating art is unnecessary and only actually invalidating art must be disclosed, *Therasense* effectively denigrates the back-and-forth dialogue between patentees and the PTO, during which patentees commonly seek to distinguish art that the PTO found to be prima facie invalidating. *Therasense*, 649 F.3d at 1291. The *Therasense* position is entirely consistent with that of a court that distrusts PTO examiners' ability to hold their ground against skilled and determined patent applicants who are seeking to distinguish prima facie invalidating art. *Id.*

133. *See Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

134. *See* Administrative Procedure Act, 5 U.S.C. § 706(2)(A), (E) (2010).

stressed that “[t]he APA was meant to bring uniformity to a field full of variation and diversity”¹³⁵ and further noted that there was no apparent reason why judicial review of the PTO “demands a stricter fact-related review standard than is applicable to other agencies.”¹³⁶ That being the case, it would seem improper for courts to eschew APA standards for invalidity challenges simply because of the PTO’s perceived deficiencies.

Likewise, even if PTO examiners are relatively unskilled at locating prior art or sparring with patentees, that would not justify courts’ refusal to adopt the PTO’s own definition of “material” information for purposes of inequitable conduct. As noted above, any standard for the sorts of “material” information patentees must disclose is an inherent compromise between a narrow duty of disclosure (which would increase the likelihood that some relevant information might never come to the PTO’s attention) and a broad duty of disclosure (which might slow down the patent prosecution process by swamping the PTO with minimally relevant information).¹³⁷ The PTO is surely better equipped than courts to weigh the inherent trade-offs between narrow and broad disclosure requirements—and to craft a definition of “material” information that strikes the appropriate balance in light of the PTO’s own workload and capacity to process information from patentees. It follows that courts should defer to the PTO’s own definition of “material” information, as set forth in Rule 56.

Nonetheless, if this Article is correct that courts’ lack of deference to the PTO stems from judicial dissatisfaction with the quality of PTO decision-making, then perhaps the best way to increase the level of judicial deference to the PTO would be to increase the quality of PTO decision-making (which, admittedly, would be a worthy goal even leaving aside issues of judicial deference). Commentators have proposed various strategies to increase the quality of PTO decision-making. For instance, Professor John Thomas has proposed offering cash bounties to third parties who bring relevant prior art to the PTO’s attention during the patent prosecution process.¹³⁸ Under Thomas’s proposal, a bounty would be paid to any member of the public who submits noncumulative art that the PTO ultimately relies upon to reject one or more claims of the patent application.¹³⁹ These bounties might even be funded by fines on patentees whose applications are rejected, rendering

135. *Zurko*, 527 U.S. at 155.

136. *Id.* at 165.

137. *See supra* note 86 and accompanying text.

138. *See* Thomas, *supra* note 127, at 342–44.

139. *See id.* at 342.

the system as a whole revenue-neutral.¹⁴⁰ By deputizing members of the public to act as “private patent examiners,”¹⁴¹ Thomas’s bounty system has the potential to increase the quantity and quality of prior art that patent examiners may draw upon when judging the patentability of an invention. And given the common belief that patent examiners are ill equipped to conduct their own prior art searches,¹⁴² proposals such as Thomas’s that bring more relevant prior art to examiners’ attention are likely to improve the quality of PTO decision-making.

A less capitalistic and more regulatory proposal for increasing the prior art at patent examiners’ disposal would be to require patentees to affirmatively *search* for prior art, rather than simply requiring them to disclose material prior art of which they are aware.¹⁴³ Such “prior art search duties” have been a feature of various patent reform bills throughout the past decade,¹⁴⁴ though such a duty has never been passed into law.

Meanwhile, the best way to increase the collective expertise of patent examiners would probably be to increase retention of experienced examiners. The presently high attrition rate of experienced examiners, and their replacement by unseasoned recruits, results in an examiner corps that is collectively quite young and inexperienced.¹⁴⁵ If this attrition could be slowed or halted, then the collective experience of the examiner corps would inevitably rise.

An obvious way to decrease attrition might be to increase the pay of patent examiners. By way of illustration, the European and Japanese Patent Offices pay their examiners significantly more than the U.S. PTO, and neither of these offices faces the kind of attrition problems that plague their

140. *Id.*

141. *Id.* at 343.

142. *See supra* note 129 and accompanying text.

143. *See* Kevin M. Baird, *Business Method Patents: Chaos at the USPTO or Business as Usual?*, 2001 U. ILL. J.L. TECH & POL’Y 347, 360 (2001) (“Currently, the patentee has a ‘duty of disclosure’ to the USPTO requiring the patentee to disclose all relevant prior art known to them. However, this duty does not go so far as to require the patentee to actually conduct any search of the prior art whatsoever. . . . An affirmative duty on the patentee that goes beyond a ‘duty of disclosure’ would help assure that more of the relevant prior art was disclosed during examination.”).

144. *See* Gina M. Bicknell, *To Disclose or Not To Disclose: Duty of Candor Obligations of the United States and Foreign Patent Offices*, 83 CHI.-KENT L. REV. 425, 455 (2008) (discussing the inclusion of mandatory prior art search duties in the House and Senate versions of the abortive Patent Reform Act of 2007).

145. *See* Grier, *supra* note 128, at 645; Chuang, *supra* note 128, at 243.

American counterpart.¹⁴⁶ Yet increased examiner pay might be difficult if not impossible to enact in an era of budget deficits and government cutbacks—cutbacks which have already impacted the PTO's budget and operations.¹⁴⁷

Another way to decrease attrition of experienced examiners might be for the PTO to aggressively promote flextime, work-from-home options, maternity and paternity leaves, and other benefits that would presumably be most attractive to older, more experienced examiners who must balance work and family obligations. The PTO is certainly aware of these possibilities—indeed, it has instituted a “telework” program in recent years that allows certain employees (including certain patent examiners) to work from home up to four days a week.¹⁴⁸ In a similar vein, the 2011 America Invents Act authorizes the PTO to establish satellite offices around the country in an effort to “enhance patent examiner retention.”¹⁴⁹ While it is too early to tell whether these specific efforts will bear fruit, the PTO should continue to pursue such quality-of-life and work-flexibility initiatives if it wishes to stem the attrition of experienced patent examiners.

B. JUDICIAL DISSATISFACTION WITH THE SPEED OF PTO DECISION-MAKING

Ironically, while Professor Lemley and others complain about the abbreviated and even cursory nature of PTO examinations, the PTO has also been criticized for the slow pace of reexaminations.¹⁵⁰ Despite a statutory requirement that the PTO conduct reexamination proceedings with “special dispatch,”¹⁵¹ it is undeniable that reexaminations are often quite slow and protracted. One recent survey found that the average inter partes

146. See Grier, *supra* note 128, at 649.

147. Indeed, the PTO was forced to temporarily freeze hiring in 2009 due to the challenging economic climate. See 2009 FISCAL REPORT, *supra* note 7, at 3.

148. See generally U.S. PATENT & TRADEMARK OFFICE, 2008 TELEWORK ANNUAL REPORT 6–8 (2008), available at http://archive.teleworkexchange.com/pdfs/uspto_2008_telework_annual_report.pdf.

149. Leahy-Smith America Invents Act of 2011, Pub L. No. 112-29, § 23(b)(2), 125 Stat. 284, 336.

150. See, e.g., Gene Quinn, *Patent Litigation Stayed Before PTO Grants Reexam Request*, IPWATCHDOG.COM (Jan. 17, 2010), <http://www.ipwatchdog.com/2010/01/17/patent-litigation-stayed-before-ptto-grants-reexam-request/id=8446> (“As an entrepreneur I just shudder to think about the delay that is imposed while a patentee waits for the Patent Office to go through the excruciatingly slow reexamination process. As a former law professor, and one who has taught both Patent Litigation and Civil Procedure, I find it extremely distasteful that the entire process would be made to drag out for so long.”).

151. 35 U.S.C. § 305 (2006).

reexamination takes twenty-seven months,¹⁵² while another recent article found that the average ex parte reexamination takes twenty-four months.¹⁵³ By way of comparison, some district courts take an average of less than twelve months to litigate an entire patent case¹⁵⁴—including infringement issues as well as the validity issues that are present in reexamination proceedings.

Unlike judges' decorous refusal to directly criticize the quality of PTO decision-making or the expertise of its examiners, judges are quite willing to voice their displeasure with the slow pace of reexaminations—and often cite the length of the reexamination process as a reason not to stay suits pending reexamination.¹⁵⁵ This is hardly a surprising position. Courts generally consider potential prejudice to the nonmoving party in deciding whether to grant a stay pending reexamination,¹⁵⁶ and there are numerous circumstances in which a patent plaintiff might be prejudiced by a protracted stay. Even beyond the general maxim of “justice delayed is justice denied,”¹⁵⁷ a lengthy stay may allow for the loss of documentary evidence or fading witness

152. See Roger Shang, *Inter Partes Reexamination and Improving Patent Quality*, 7 NW. J. TECH. & INTELL. PROP. 185, 194 (2009).

153. E. Patrick Ellisen & Daniel McCloskey, *Cost Effective Defense of Patent Infringement Suits Brought by Non-practicing Entities*, 21 INTELL. PROP. & TECH. L.J., no. 10, 2009, at 1, 3 (relying on 2007 data).

154. See David P. Enzminger & David P. Dalke, *Selecting a Litigation Forum from Among the District Courts and the International Trade Commission*, 1020 P.L.I./PAT 283, 287 (2010) (“[C]ases in the Western District of Wisconsin proceed[] to trial, on average, in about 8 months, while cases in the Eastern District of Virginia progress to trial in just under one year.”).

155. See, e.g., *Affinity Labs. of Tex. v. Apple Inc.*, No. 09-4436, 2010 WL 1753206, slip. op. at *2 (N.D. Cal. Apr. 29, 2010) (“As of December 31, 2009, the average length of an inter partes reexamination is 36.2 months. The average length of delay is likely to increase considering the steady rise in the number of reexaminations filed in the past several years. . . . Overall, these significant delays weigh heavily against granting the stay.”); *Alltech, Inc. v. Cenzone Tech., Inc.*, No. 06-153, 2007 WL 935516, at *2 (S.D. Cal. Mar. 21, 2007) (denying stay in part because “a stay lasting possibly twenty-one months would likely cause undue prejudice to Plaintiffs”); *Lexington Lasercomb I.P.A.G. v. Unger*, No. 06-80079, 2006 WL 2370247, at *1 (S.D. Fla. July 31, 2006) (“A stay for purposes of reexamination of a patent is within the court’s discretion, and is not a requirement for reexamination. Here, a stay of this action could result in an [sic] delay of months, if not years. Accordingly, this Court declines to stay, and thus prolong for an indefinite period of time, the instant litigation.” (citations omitted)).

156. See, e.g., *TouchTunes Music Corp. v. Rowe Entl. Corp.*, 676 F. Supp. 2d 169, 177 (S.D.N.Y. 2009); *Premier Int’l Assoc. L.L.C. v. Hewlett-Packard Co.*, 554 F. Supp. 2d 717, 720 (E.D. Tex. 2008); *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006).

157. This legal maxim is generally attributed to nineteenth century British Prime Minister William E. Gladstone, though this attribution has not been verified. See LAWRENCE J. PETER, *PETER’S QUOTATIONS: IDEAS FOR OUR TIME* 275 (1977).

recollections¹⁵⁸ and can also prevent a plaintiff from halting ongoing infringement through injunctive relief.¹⁵⁹

The prejudice that can result from a protracted stay of litigation might also explain why courts studiously ignore the primary jurisdiction doctrine in determining whether to grant a stay pending reexamination. As discussed above, the primary jurisdiction doctrine has mandatory or quasi-mandatory application in cases involving complex factual issues that judges are ill equipped to answer.¹⁶⁰ Yet district judges, concerned with the prejudice that could result from a lengthy stay of litigation, might not *want* to be constrained by a mandatory or quasi-mandatory doctrine that would require them to grant a stay. Thus, instead of confronting and applying the primary jurisdiction doctrine, they simply ignore it.

Again, this is not to say that it is *correct* for patent courts to ignore the primary jurisdiction doctrine simply because invoking that doctrine could cause a lengthy stay of litigation. For one thing, there is some dispute among the courts about whether the possibility of delay is ever a valid factor to consider when deciding whether to invoke the primary jurisdiction doctrine.¹⁶¹ In addition, there are ways to ameliorate the potential delay that could result from application of the primary jurisdiction doctrine, short of ignoring the doctrine altogether. For instance, courts in non-patent contexts have sometimes invoked the doctrine and stayed a case, but built a “time limit” into their stay order that allows the litigation to resume if the agency does not decide the relevant issue within a reasonable period of time.¹⁶²

158. See *BarTex Research, LLC v. FedEx Corp.*, 611 F. Supp. 2d 647, 651–52 (E.D. Tex. 2009) (“A stay could potentially prevent BarTex from enforcing its rights for 6.5 years. This extreme delay . . . could allow for a loss of critical evidence as witnesses could become unavailable, their memories may fade, and evidence may be lost.”).

159. See *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, No. 04-32, 2008 WL 4809093, at *2 (E.D. Tex. Oct. 29, 2008).

160. See *supra* notes 120–22 and accompanying text.

161. Compare *Ellis v. Tribune Television Co.*, 443 F.3d 71, 90 (2d Cir. 2006) (“[S]uch considerations of judicial economy should not be considered because ‘the Supreme Court has consistently held that there are only two purposes to consider in determining whether to apply the primary jurisdiction doctrine—uniformity and expertise’ and ‘the Supreme Court has never identified judicial economy as a relevant factor.’”), with *Am. Auto. Mfrs. Ass’n v. Mass. Dep’t of Env’tl. Prot.*, 163 F.3d 74, 81 (1st Cir. 1998) (“These factors, however, must be balanced against the potential for delay inherent in the decision to refer an issue to an administrative agency.”).

162. See *Am. Auto.*, 163 F.3d at 82 (“[A] court might refer a matter to an administrative agency, explicitly providing, however, that if the agency fails to rule within a reasonable amount of time, the court would . . . vacate the referral order and decide the matter itself”); *Wagner & Brown v. ANR Pipeline Co.*, 837 F.2d 199, 206 (5th Cir. 1988)

Nonetheless, while it may not be correct for patent courts to ignore the primary jurisdiction doctrine just because of the possibility of delay, this Article contends that courts' fear of delay does indeed cause their reluctance to invoke the doctrine and stay cases pending reexamination. Accordingly, one way to increase courts' willingness to invoke the primary jurisdiction doctrine and stay suits pending reexamination—i.e., increase their deference to parallel PTO proceedings—would be to reduce the time that it takes to conduct a reexamination. This, in turn, may be as simple as readjusting the workload among PTO reexaminers. Since 2005, reexaminations have been conducted exclusively by an elite cadre of examiners in the PTO's newly created Central Reexamination Unit ("CRU").¹⁶³ CRU examiners, who are selected from among the general PTO examiner corps, have "an average of 17 years of examining experience"—far more than the median PTO examiner—and often possess "advanced technical and/or legal degrees."¹⁶⁴ Yet while the PTO allocates a single examiner to each initial patent examination, it allocates *three* CRU examiners to each reexamination.¹⁶⁵ Given the high level of expertise that each CRU examiner can bring to bear, this is probably an inefficient use of scarce CRU resources.¹⁶⁶ After all, the lion's share of reexaminations is still *ex parte* reexaminations,¹⁶⁷ which are conducted nearly identically to initial patent examinations.¹⁶⁸ If a single examiner is entrusted with handling each initial patent examination, then surely a single CRU examiner—who will have far more expertise than the

("[W]e direct that the district court modify its judgment by . . . staying proceedings before it for a period of 180 days to afford FERC an opportunity to rule on ANR's complaint. If no such ruling is forthcoming within that time, or such extension thereof as the district court is persuaded would not irreparably harm Wagner & Brown's rights and is required for good cause shown by FERC, then the district court should proceed to adjudicate the rights of the parties without further deference to the expertise of FERC.")

163. See Robert Greene Sterne et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 10 SEDONA CONF. J. 115, 158 (2009).

164. *Id.* at 158–59.

165. See Stephen G. Kunin & W. Todd Baker, *Inter Partes Reexamination Overview, Trends and Strategies*, 991 PLI/PAT 85, 87 (2010).

166. In 2008, the last year for which there is available data about CRU manpower, the CRU contained fifty-three examiners who collectively handled the 848 reexaminations filed that year. See Sterne, *supra* note 163, at 158; U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2008, at 127 tbls.13(a), 13(b) (2008), available at <http://www.uspto.gov/about/stratplan/ar/2008/2008annualreport.pdf>.

167. In 2009, seventy-two percent of all reexamination requests that were filed were *ex parte* requests. See 2009 FISCAL REPORT, *supra* note 7, at 124 tbls.13(a) & 13(b).

168. 35 U.S.C. § 305 (2006) ("After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination . . .").

typical examiner—could handle each ex parte reexamination. And an inter partes reexamination might be even easier for a single CRU examiner to adjudicate, since the CRU examiner has the benefit of an adversarial party (the inter partes requestor) to help critique the arguments made by the patentee. Simply put, assigning three CRU examiners to each reexamination smacks of overkill and does not seem to be an efficient use of CRU resources. The pace of reexamination might pick up significantly if the PTO assigned a single CRU examiner to each reexamination—and quicker reexaminations would likely increase courts' willingness to stay infringement suits pending the outcome of the reexamination.

V. CONCLUSION

Admittedly, the aforementioned rationales for why the PTO fails to receive judicial deference are normatively unsatisfying. Blaming this lack of deference on the quality and pace of PTO decision-making may be akin to “blaming the victim.” It is tempting, therefore, to search for alternative explanations. One facially attractive explanation may be that the Federal Circuit—the circuit court with nearly exclusive jurisdiction over patent appeals¹⁶⁹—is a relatively specialized “patent court” that is not institutionally equipped to place patent issues in the broader context of administrative law. For instance, it has been suggested that the Federal Circuit’s preoccupation with patent law gives its judges “tunnel vision” and causes them to view patent law as *sui generis*.¹⁷⁰ Under this theory, the Federal Circuit’s eschewing of APA review standards for patent invalidity, and its refusal to apply *Seminole Rock* or *Chevron* deference to the PTO’s Rule 56, might reflect the judges’ inability to “think outside the patent box” and apply general administrative law principles to patent litigation.

Yet while this explanation is superficially attractive, it is ultimately unpersuasive. For one thing, while the Federal Circuit does have specialized jurisdiction, this jurisdiction is not limited to patent cases. Rather, the Federal Circuit hears cases from a number of different subject-matter enclaves,

169. See 28 U.S.C. § 1295(a)(1).

170. See, e.g., Rochelle Dreyfuss, *Pathological Patenting: The PTO as Cause or Cure*, 104 MICH. L. REV. 1559, 1567 (2006) (“Because the Federal Circuit is so specialized and hears mainly from patent lawyers, there is always a suspicion that, in the authors’ words, the judges will ‘turn inward,’ [and] ‘be swayed by the unique importance of the field’”) (reviewing ADAM B. JEFFER & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS* (2004)); Arti K. Rai, *Engaging Facts and Policy: A Multi-institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1110 (2003) (“That the Federal Circuit’s jurisprudence would be narrowly formalist is not surprising. Tunnel vision is a well-known liability for specialist courts.”).

including appeals from such diverse tribunals as the Court of Federal Claims,¹⁷¹ International Trade Commission,¹⁷² and Merit Systems Protection Board.¹⁷³ Less than thirty percent of the Federal Circuit's docket comprises patent cases,¹⁷⁴ and its other subject-matter enclaves expose the court and its judges to a variety of administrative law issues.¹⁷⁵ Moreover, the majority of past and present Federal Circuit judges have not come from predominantly patent law backgrounds,¹⁷⁶ which further undercuts the argument that these judges are incapable of "thinking outside the patent box." In short, there is every reason to believe that Federal Circuit judges are capable of comprehending the general principles of administrative deference and applying those principles to patent cases. They simply choose not to defer.

As discussed above, the most plausible explanation for this state of affairs is that Federal Circuit judges—and judges more generally—are simply unimpressed by the quality and/or pace of PTO decision-making. Whether justified or not, the PTO is unlikely to garner increased deference from courts until it adequately addresses these issues. To put it another way, the PTO likely will not receive formal administrative "respect" as long as judges do not informally "respect" its overall decision-making process.

171. See 28 U.S.C. § 1295(a)(3).

172. See § 1295(a)(6).

173. See § 1295(a)(9).

174. See Paul D. Carrington & Paulina Orchard, *The Federal Circuit: A Model for Reform?*, 78 GEO. WASH. L. REV. 575, 580 (2010).

175. See, e.g., *Guerra v. Shinseki*, 642 F.3d 1046, 1049 (Fed. Cir. 2011) (applying *Chevron* deference to a Department of Veterans' Affairs regulation); *Cal. Indus. Prods., Inc. v. United States*, 436 F.3d 1341, 1350 (Fed. Cir. 2006) (analyzing primary jurisdiction doctrine in the context of a Customs Service dispute).

176. See John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review on Questions in Patent Law*, 56 UCLA L. REV. 657, 666 (2009).