No. 23-1217

In the Supreme Court of the United States

CHESTEK PLLC,

Petitioner,

v.

KATHI VIDAL, DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE CATO INSTITUTE AND ETHICS AND PUBLIC POLICY CENTER AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the PTO is exempt from notice-and-comment requirements when exercising its rulemaking power under 35 U.S.C. § 2(b)(2).

TABLE OF CONTENTS

QUESTION PRESENTED i

TABLE OF AUTHORITIES iii

INTEREST OF *AMICI CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 3

I. NOTICE AND COMMENT SERVES IMPORTANT VALUES OF VOICE, PROCEDURE, AND POLICY IMPROVEMENT.. 3

   A. The Notice-and-Comment Process Affords Interested Persons a Fair Process and a Voice. 5

   B. The Notice-and-Comment Process Benefits Interested Persons by Improving the Content of Rules. 7

II. CERTIORARI IS WARRANTED TO ENSURE THE PTO DOES NOT EVADE NOTICE-AND-COMMENT. 9

CONCLUSION 12

TABLE OF AUTHORITIES

Page(s)

Cases

Bloomberg L.P. v. SEC, 45 F.4th 462 (D.C. Cir. 2022) 6

Chrysler Corp. v. Brown, 441 U.S. 281 (1979) 5, 7

Cooper Techs. Co. v. Dudas, 536 F.3d 1330 (Fed. Cir. 2008) 2

CSX Transp., Inc. v. Surface Transp. Bd., 584 F.3d 1076 (D.C. Cir. 2009) 4

Hewitt v. Comm'r of IRS, 21 F.4th 1336 (11th Cir. 2021) 6

Home Box Office, Inc. v. FCC, 567 F.2d 9 (D.C. Cir. 1977) 4

Mathews v. Eldridge, 424 U.S. 319 (1976) 7

Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto. Ins. Corp., 463 U.S. 29 (1983) 9

N.C. Growers' Ass'n v. United Farm Workers, 702 F.3d 755 (4th Cir. 2012) 5, 6

NFIB v. OHSA, 142 S. Ct. 661 (2022) 11

Shell Oil Co. v. EPA, 950 F.2d 741 (D.C. Cir. 1991) 6

United Keetoowah Band of Cherokee Indians in Okla. v. FCC, 933 F.3d 728 (D.C. Cir. 2019) 6

Statutes

29 U.S.C. 655(c)(1) 11

5 U.S.C. § 553(b) 5, 7, 9

5 U.S.C. § 553(c).. 10

35 U.S.C. § 2(b) 2, 3

Other Authorities

Connor Raso, *Agency Avoidance of Rulemaking Procedures*, 67 Admin. L. Rev. 65 (2015) 10

David L. Franklin, *Legislative Rules, Nonlegislative Rules, and the Perils of the Short Cut*, 120 Yale L. J. 276 (2010) 9, 10

James Yates, *Good Cause Is Cause for Concern*, 86 Geo. Wash. L. Rev. 1438 (2018) 5, 11

Jason Webb Yackee & Susan Webb Yackee, *Testing the Ossification Thesis: An Empirical Examination of Federal Regulatory Volume and Speed*, 1950-1990, 80 Geo. Wash. L. Rev. 1414 (2012)........................ 11

Jessica Mantel, *Procedural Safeguards for Agency Guidance: A Source of Legitimacy for the Administrative State*, 61 Admin. L. Rev. 343 (2009).. 6

Jonathan Weinberg, *The Right to Be Taken Seriously*, 67 U. Miami L. Rev. 149 (2012) 4, 6, 8

Kristin E. Hickman, *Unpacking the Force of Law*, 66 Vand. L. Rev. 465 (2013).................... 4, 7, 8

Lisa Schultz Bressman, *Beyond Accountability: Arbitrariness and Legitimacy in the Administrative State*, 78 N.Y.U. L. Rev. 461 (2003) 9

Mark Seidenfeld, *A Civic Republican Justification for the Bureaucratic State*, 105 Harv. L. Rev. 1511 (1992) 8

Mark Seidenfeld, *Why Agencies Act: A Reassessment of the Ossification Critique of Judicial Review*, 70 Ohio St. L.J. 251 (2009) 8, 12

Mia Costa, Bruce A. Desmarais, & John A. Hird, *Public Comments' Influence on Science Use in U.S. Rulemaking: The Case of EPA's National Emission Standards*, 49(1) Am. Rev. Public Admin. 36 (2019) 8, 9

The Federalist No. 10 7

The Federalist No. 51 7

Todd D. Rakoff, *The Choice Between Formal and Informal Modes of Administrative Regulation*, 52 Admin. L. Rev. 159 (2000) 11

INTEREST OF *AMICI CURIAE*[1]

Amici either submit public comments on proposed rules as institutions or employ scholars who have submitted public comments in their personal capacity. *Amici* thus have a strong interest in ensuring that the right to public notice and comment is preserved for all.

The Cato Institute is a nonpartisan public policy research foundation founded in 1977 and dedicated to advancing the principles of individual liberty, free markets, and limited government. Cato's Robert A. Levy Center for Constitutional Studies promotes the principles of constitutionalism that are the foundation of liberty. To those ends, Cato conducts conferences and publishes books, studies, and the annual Cato Supreme Court Review.

Cato has a strong interest in enforcing separation-of-powers principles and protecting the right to access federal court when citizens have been harmed by improper administrative proceedings. Moreover, Cato scholars frequently submit comments to agencies engaged in notice-and-comment rulemaking. Cato thus has a strong interest in protecting the right to participate in that procedure.

The Ethics and Public Policy Center (EPPC) is a nonprofit research institution founded in 1976 and dedicated to applying the Judeo-Christian moral tradition to critical issues of public policy, law, culture, and politics. EPPC's programs cover a wide range of issues, including government accountability, judicial

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[1] Rule 37 statement: No part of this brief was authored by any party's counsel, and no person or entity other than *amici* funded its preparation or submission. All parties were timely notified of *amici*'s intent to file this brief.

restraint, religious liberty, and personhood and identity.

EPPC has a strong interest in protecting the right to participate in the agency rulemaking process and in preserving its own opportunities to help shape public policy. In recent years, EPPC has become an active participant in the agency rulemaking process, providing comments on proposed rules and educating others on how to engage.[2] EPPC thus has a strong interest in protecting its own and others' rights to participate in the rulemaking process.

INTRODUCTION AND SUMMARY OF ARGUMENT

Under the Administrative Procedure Act (APA), if federal agencies choose to create policy prospectively, they are typically required to do so through "notice-and-comment rulemaking." This process guarantees interested parties an opportunity to influence the development of such rules that have the force and effect of law.

This case is about whether the Patent and Trademark Office (PTO) is generally subject to this process. The PTO is authorized to "establish regulations" that "govern the conduct of proceedings in the Office." 35 U.S.C. § 2(b)(2)(A). This provision authorizes only procedural rules, which would normally be exempt from Notice and Comment. *See Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008). But in 1999, Congress amended the section to specify that those regulations "shall be made in accordance with section 553 of title 5," which prescribes notice-and-comment

[2] *See* https://eppc.org/engagement-on-agency-actions/.

requirements. 35 U.S.C. § 2(b)(2)(B); Pub. L. No. 106-113, App. I, 113 Stat. 1501A-552, 572–73 (1999).

The Petition explains why, contrary to the decision below, this amendment requires the PTO to engage in the notice-and-comment process when establishing rules like the one at issue in this case. *Amici* agree with the Petition, and *amici* submit this brief to emphasize the importance of the notice-and-comment process. The procedural requirements of notice-and-comment rulemaking are legal obligations and exist for a reason. They hold agencies accountable to the public and foster reasoned decisionmaking. They introduce a democratic element into administrative processes and create a basis by which agency rules can be invalidated when they are "arbitrary and capricious."

All interested persons, but especially regulated parties, benefit from this process. The right to notice-and-comment rulemaking is not a bare and meaningless procedural right. When agencies circumvent notice-and-comment rulemaking, it imposes real costs on parties, and public policy suffers.

This Court should grant certiorari to ensure that the PTO follows the APA's notice-and-comment requirements when making rules that can have serious consequences for private citizens.

ARGUMENT

I. NOTICE AND COMMENT SERVES IMPORTANT VALUES OF VOICE, PROCEDURE, AND POLICY IMPROVEMENT.

The requirement of notice and comment places agencies in a "two-way dialogic commitment, in which government decision-makers may not simply ignore the arguments raised by citizens." Jonathan

Weinberg, *The Right to Be Taken Seriously*, 67 U. Miami L. Rev. 149, 150 (2012).

This dialogic requirement is marked by several well-known procedures under the APA. For instance, the notice-and-comment rulemaking process includes a "general notice of proposed rulemaking." 5 U.S.C. § 553(b). To meaningfully alert the public of an expected regulatory action, the notice "must disclose in detail the thinking that has animated the form of a proposed rule and the data upon which that rule is based." *Home Box Office, Inc. v. FCC*, 567 F.2d 9, 35 (D.C. Cir. 1977). This is followed by a "comment period," in which the agency must "give interested persons an opportunity to participate in the rule making through submission of written data, views, or arguments." 5 U.S.C. § 553(c). Together, both notice and the comment period exist "to make criticism or formulation of alternatives possible." *Home Box Office, Inc.*, 567 F.2d at 35–36.

At the end of the comment period and "consideration of the relevant matter presented," any final rule published in the Federal Register must be a "logical outgrowth" of the proposed rule. *CSX Transp., Inc. v. Surface Transp. Bd.*, 584 F.3d 1076, 1079–82 (D.C. Cir. 2009).[3] Further, a final rule must be accompanied by a "concise general statement of [the rule's] basis and purpose." 5 U.S.C. § 553(c). This requirement includes an obligation "to identify and respond to relevant, significant issues raised during those

[3] The "logical outgrowth" test requires an agency to issue an additional notice and solicit further comments whenever an agency "changes its mind about a critical element of a proposed rule." Kristin E. Hickman, *Unpacking the Force of Law*, 66 Vand. L. Rev. 465, 473–74 (2013).

proceedings." *N.C. Growers' Ass'n v. United Farm Workers*, 702 F.3d 755, 769 (4th Cir. 2012).

These procedures are not mere formalities. The notice-and-comment process facilitates the important democratic value of allowing interested parties and the public to participate in deliberative lawmaking. This participation is critical to the creation of rational rules that are not "arbitrary or capricious." And public participation guards against imposing unnecessary compliance costs on regulated parties due to harms in a rule that an agency could have been alerted to.

A. The Notice-and-Comment Process Affords Interested Persons a Fair Process and a Voice.

The notice-and-comment process provides several crucial benefits to interested persons during agency rulemaking. First among them, the process promotes "fairness" by "affording interested persons notice and an opportunity to comment." *Chrysler Corp. v. Brown,* 441 U.S. 281, 316 (1979). Without the democratizing elements of notice and comment, rulemaking in the administrative system would "go relatively unchecked by the public." James Yates, *Good Cause Is Cause for Concern*, 86 Geo. Wash. L. Rev. 1438, 1442 (2018). "[M]eaningfully representative democratic procedures" such as notice and comment help legitimize agency action. This is not only because of the general assumption that *all* lawmaking should follow some democratic process, but also because those procedures have intrinsic value for interested persons.

Regardless of a particular comment's effect on the outcome of the rulemaking process, the opportunity to comment accords a voice to interested parties through

the "obligation of government to attend and respond." Weinberg, *supra*, at 162–63, 174; *see also* Jessica Mantel, *Procedural Safeguards for Agency Guidance: A Source of Legitimacy for the Administrative State*, 61 Admin. L. Rev. 343, 346 (2009) ("Social psychology also has shown that fair procedures that reinforce the legitimacy of the administrative state strengthen individuals' normative commitment to obey the law.").

This obligation to "attend and respond" to the concerns of interested persons is exemplified by two procedural demands: an agency's responsibility to respond to all "relevant, significant issues raised during" the comment period, *N.C. Growers' Ass'n*, 702 F.3d at 769, and the requirement that final rules must be a "logical outgrowth" of the preceding notice of proposed rulemaking. *See Shell Oil Co. v. EPA*, 950 F.2d 741, 747 (D.C. Cir. 1991). The former requirement ensures that agencies do not ignore the concerns of interested parties, since failure to respond to such concerns can result in the invalidation of the action. *See, e.g.*, *Bloomberg L.P. v. SEC*, 45 F.4th 462, 476–78 (D.C. Cir. 2022) (invalidating the SEC's decision to approve new reporting requirements proposed by FINRA because the Commission neglected to give a reasoned explanation in response to Bloomberg's concerns about the costs that FINRA, as well as market participants, will incur from the requirement); *Hewitt v. Comm'r of IRS*, 21 F.4th 1336, 1338 (11th Cir. 2021) (similarly finding that the agency erred by not adequately responding to comments); *United Keetoowah Band of Cherokee Indians in Okla. v. FCC*, 933 F.3d 728, 741–45 (D.C. Cir. 2019) (same). And the latter requirement likewise ensures that agencies give interested parties a voice for concerns on all "critical element[s]" of a proposed rule. *See* Hickman, *supra* n.3, at 473–74.

Together, these procedural protections respect the fundamental right of those who are affected by public policy to have a fair process for and a voice in its creation. When that right is denied, interested persons are denied the voice that notice and comment was designed to afford.

B. The Notice-and-Comment Process Benefits Interested Persons by Improving the Content of Rules.

The notice-and-comment process also benefits interested persons by promoting "informed administrative decisionmaking" and reducing the likelihood of arbitrary and capricious rules. *See Chrysler Corp.*, 441 U.S. at 316. A crucial tenet of our republican system is that government action should not be captive to the arbitrary will of a powerful faction. Public policy should not be dictated by a single interest group, but rather should attempt to advance the public interest as a whole. *See* The Federalist No. 51 ("In the extended republic of the United States . . . a coalition of a majority of the whole society could seldom take place on any other principles than those of justice and the general good."); *cf. Mathews v. Eldridge*, 424 U.S. 319, 334–35, 344 (1976) (reasoning that the key factor in determining whether a given process is due an individual is the extent to which the asserted procedural right increases the accuracy of the government's determination.). Thus, all policymakers—whether in legislatures or agencies—are legitimized in part by their institutional capacity to "refine and enlarge the public views." *See* The Federalist No. 10.

Notice-and-comment rulemaking helps to foster "deliberative decisionmaking aimed at furthering public rather than private values." Mark Seidenfeld, *A*

Civic Republican Justification for the Bureaucratic State, 105 Harv. L. Rev. 1511, 1554 (1992). Even when they have high-minded motivations, agency decisionmakers, like all decisionmakers, "routinely start the day with incomplete information, unexamined biases, and a limited sense of the possible." Weinberg, *supra*, at 160. Notice-and-comment rulemaking counteracts these biases and helps to "increase the substantive quality of decisions," because it encourages input from a much broader group with different sets of knowledge and interests. *See id.* at 159. Both the regulated parties and the beneficiaries of a proposed rule have direct knowledge of their own needs—knowledge that an agency may not have. And notice-and-comment rulemaking also helps gather input from a greater number of agency staff members and offices than the more informal procedures for creating "interpretive rules" or "policy statements." Mark Seidenfeld, *Why Agencies Act: A Reassessment of the Ossification Critique of Judicial Review*, 70 Ohio St. L.J. 251, 303–04 (2009). In short, the solicitation of information from all interested persons helps expand the "limited sense" of decisionmakers. Weinberg, *supra*, at 160

Moreover, because a notice of a proposed rule must "include sufficient information about the data and reasoning upon which the agency relied in developing its proposed rules," the public is able to provide more constructive critiques. Hickman, *supra* n.3, at 474. Studies have shown that agencies will constructively respond to comments, such as by improving the evidentiary basis for a rule. *See generally* Mia Costa, Bruce A. Desmarais, & John A. Hird, *Public Comments' Influence on Science Use in U.S. Rulemaking: The Case of EPA's National Emission Standards*, 49(1) Am. Rev. Public Admin. 36 (2019). Public input thus facilitates

"logical and thorough consideration of policy." Lisa Schultz Bressman, *Beyond Accountability: Arbitrariness and Legitimacy in the Administrative State*, 78 N.Y.U. L. Rev. 461, 542 (2003).

Finally, the opportunity for so-called "hard look" judicial review improves the quality of rules. In *Motor Vehicle Manufacturers Ass'n v. State Farm Mutual Automobile Insurance Corp.*, 463 U.S. 29 (1983), this Court held that agencies must articulate the basis for their policy decisions. The Court endorsed the "reasoned decisionmaking" requirement, also known as the "hard look" doctrine. *Id.* at 43. That doctrine "calls on agencies, as a condition of judicial validation of their policy decisions, to engage in the type of decisionmaking that tends to produce rational decisions." Bressman, *supra*, at 528 n.313. "Robust public participation," among other things, "enhances the later process of judicial review by bringing to light technical issues that generalist judges might not otherwise spot, thereby enabling courts to engage in meaningful scrutiny of the resulting rules." David L. Franklin, *Legislative Rules, Nonlegislative Rules, and the Perils of the Short Cut*, 120 Yale L. J. 276, 318 (2010). That scrutiny is critical to the promulgation of well-reasoned rules.

II. CERTIORARI IS WARRANTED TO ENSURE THE PTO DOES NOT EVADE NOTICE-AND-COMMENT.

Agencies are inevitably incentivized to avoid notice-and-comment rulemaking. Absent strong judicial enforcement, perverse incentives will continue to push agencies toward legal arguments that attempt to avoid notice and comment requirements. Indeed, it is frequently in an agency's own short-term interest to

avoid notice-and-comment rulemaking and the deliberation and accountability it brings. Rulemaking procedures can force agencies to choose "between altering their preferred policy decisions and implementing preferred policies at a higher political cost," and can require "agencies to provide reasoned responses to public criticism, which is subject to additional public criticism and judicial review." Connor Raso, *Agency Avoidance of Rulemaking Procedures*, 67 Admin. L. Rev. 65, 78–79 (2015). It is therefore to be expected that agencies will often find it more convenient to circumvent the notice-and-comment process to quickly achieve their policy goals. *See* James R. Copland, *The Unelected: How an Unaccountable Elite is Governing America* 77–78 (2020) (arguing it has become "all too easy for agencies to avoid the rulemaking process established by Congress and effectively to rule by fiat"); Leor Sapir, *Regulate Now, Explain Later: Understanding the Civil Rights State's Redefinition of "Sex"* 35 (Aug. 2020) (Ph.D. dissertation, Boston College) ("In practice . . . agencies have come to use guidance letters and other 'interpretations' as a means of producing desired regulatory goals without going through rulemaking procedures.").[4]

Empirical evidence supports this supposition. Agencies issue a greater number of rules without notice and comment than they do with those procedures. Franklin, *supra*, at 306. For example, from 1995 to 2012, agencies "avoided the notice-and-comment process on almost 52% of rules." Raso, *supra*, at 91. Agencies commonly justify this choice by attempting to shoehorn agency rules into notice-and-comment exceptions. One example of this strategy is claiming that

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[4] Available at https://bit.ly/40Mwdxz.

their rules are exempted "interpretative rules" or "policy statements." Todd D. Rakoff, *The Choice Between Formal and Informal Modes of Administrative Regulation*, 52 Admin. L. Rev. 159, 166 (2000). Another example is invoking the "good cause" exception to notice-and-comment rulemaking as a legal justification. Yates, *supra*, at 1440. And agencies may also attempt to avoid notice-and-comment rulemaking by invoking extremely narrow exceptions found in other statutes. *See* 29 U.S.C. 655(c)(1) (permitting immediate effect of an OSHA emergency temporary standard where a "grave danger" exists in the workplace); *NFIB v. OHSA*, 142 S. Ct. 661 (2022) (noting that of the nine times OSHA invoked this exception, only one was "upheld in full"). Given the motivations to avoid notice-and-comment rulemaking, the Court should be skeptical of a statutory theory would exempt an agency from notice-and-comment requirements.

Finally, there is little empirical evidence suggesting that the procedural requirements imposed by the APA and the courts have inordinately stifled agencies' ability to promulgate rules. *See* Jason Webb Yackee & Susan Webb Yackee, *Testing the Ossification Thesis: An Empirical Examination of Federal Regulatory Volume and Speed*, 1950-1990, 80 Geo. Wash. L. Rev. 1414, 1437–38, 1454–57 (2012). More importantly, because the "costs and benefits of regulation to society differ greatly from the costs and benefits that the agency experiences when it regulates," notice and comment can "counterbalance[] other influences that might cause agencies to be unduly prone to act when regulation is not warranted." Seidenfeld, *Why Agencies Act*, *supra*, at 321.

In short, agencies are incentivized to, and often do, avoid notice-and-comment rulemaking. This Court should ensure that the PRO cannot circumvent the notice-and-comment process.

CONCLUSION

For the foregoing reasons, and those presented by the Petitioner, this Court should grant certiorari.

Respectfully submitted,

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