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Facebook v. Windy City Settles It: The CAFC Does Not Care About the PTAB's Opinions

BRAD CLOSE

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> "The Patent Office itself must follow the Board's guidance until contradicted by the Federal Circuit. Beyond that, at the court level, the Precedential Opinion Panel's opinions are little more than an indication of how their briefs will read."

The Supreme Court in SAS (*SAS Institute Inc. v. Iancu*) was quite clear that the Patent Trial and Appeal Board (PTAB or Board) has to follow the statute when conducting Inter Partes Review (IPR). So, when Facebook sought to enter patent claims into their IPR against Windy City Innovations past the one-year deadline dictated by 35 USC § 315(b), the PTAB had conveniently written themselves an opinion that allowed Facebook to join Facebook to circumvent the deadline. The Board's Precedential Opinion Panel (POP) used the language in USC § 315(c) and had written that the statutory use of the words "any person" allowed them to join a party to itself. See *Proppant Express Invs., LLC v. Oren Techs., LLC*, No. IPR2018-00914, Paper 21, at 4–6 (P.T.A.B. Nov. 8, 2018).

No Deference Owed

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vacating the allowance of Facebook adding new claims in that joinder, which otherwise would have been past the one-year deadline.

The main opinion in Windy City looked into what deference the Court owed the POP:

> *We now turn to the question of what, if any, deference is owed to the PTO's interpretation of § 315(c). Because we conclude that the clear and unambiguous language of § 315(c) does not authorize same-party joinder or joinder of new issues, we need not defer to the PTO's interpretation of § 315(c). See Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 842–43 (1984).* [Pg. 23]

The reason the CAFC addressed *Chevron* is because Facebook and the PTAB argued in their brief that the POP opinion deserved deference in view of *Chevron*. As stated above, they found that argument non-applicable. This, even though the deference owed in *Chevron* is minimal:

> *"Even under Chevron, we owe an agency's interpretation of the law no deference unless, after 'employing traditional tools of statutory construction,' we find ourselves unable to discern Congress's meaning." SAS, 138 S. Ct. at 1358 (quoting Chevron, 467 U.S. at 843 n.9).* [Id.]

In other words, they look for plain meaning. If that is not clear, then they look to Congressional intent. Only after the attempt to divine Congressional intent has failed should the courts defer to an agency's interpretation. Note that the main opinion did *not* say that the

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Chief Judge Prost, as well as Judges Plager and O'Malley, were concerned enough about the nuances of that distinction that they went on to pen a concurring opinion. In that concurrence they detail why a POP opinion is not due *any* deference, even if the plain meaning of the statute is ambiguous. In short, they say the Director would have *Chevron* deference only if Congress were to expressly delegate the ability to adopt legal standards and procedures by prescribing regulations. What they determined was:

> *There is no indication in the statute that Congress either intended to delegate broad substantive rulemaking authority to the Director to interpret statutory provisions through POP opinions or intended him to engage in any rulemaking other than through the mechanism of prescribing regulations.* [Concurrence, pg. 7.]

The result of this is any opinion of the POP on statute has no effect:

> *In light of the limited authority delegated by the AIA, we decline to defer to the POP opinion on this issue of statutory interpretation—a pure question of law that is not within the specific expertise of the agency.* [pgs. 10-11.]
>
> The Court also determined that the *Skidmore* deference, which is even less deferential than *Chevron*, does not apply either.
>
> *In sum, even if § 315(c) were ambiguous—which it is not—we would conclude in the alternative that on appeal the PTO's interpretation set forth in the POP opinion in Proppant is not deserving either of Chevron or Skidmore deference.* [pg 15]

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Do Not Accept the Board's Interpretation

Therefore, any POP statutory interpretation is irrelevant. Practitioners should not accept any conclusions made by the Board about a statute, and petitioners should be more assured that a reasoned argument will prevail. Originally, the Board tried to pick and choose what parts of the statute to use. (The practices of the PTAB were likely unconstitutional, though they were never challenged on the proper grounds). When that was stopped, they started making up their own interpretations, even when it clearly conflicted with the unambiguous meaning of the statute. This will hopefully put an end to that practice.

If the opinion in *Windy City* holds, then the obvious question is "what use is any POP opinion on statutory interpretation?" The Patent Office itself must follow the Board's guidance until contradicted by the Federal Circuit. Beyond that, at the court level, the POP's opinions are little more than an indication of how their briefs will read. Of course, the Court also noted–ironically enough—that the Board has often issued conflicting decisions on statutory interpretation.

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David Boundy

March 27, 2020 12:05 pm

Dear Night Writer @ 6 and TFCFM @ 1 —

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In the last 10 years (starting in 2006), the Supreme Court and Courts of Appeals have largely gotten into agreement, and the law of rulemaking has fallen into a nice regular pattern. Both Justice Breyer and Justice Scalia taught admin law, and they did a lot to shave the shaggy dogs.

I produced a nice "periodic table" of rules — it's a little more complex than Mendeleeyev's, but has similar explanatory power. The best published explanation of it is in my article

David Boundy, *The PTAB Is Not an Article III Court, Part 3: Precedential and Informative Opinions*, the SSRN update edition at **HTTPS://SSRN.COM/ABSTRACT=3258694**

TFCFM, the upshot is that PTAB decisions can be eligible for *Skidmore* deference, but not *Chevron*.

Read the first 25 pages and let me know what you think.

David

Curious

March 27, 2020 10:40 am

Judges abhor bright-line tests because it prevents them from doing *what they think is the right thing. Conversely, they love flexible tests because they want to be able to craft distinctions to justify their preordained conclusion as to how any particular case should come out.*

As a matter of business/economics, bright-line tests are far preferable. They are easier (i.e., cheaper) to administer. They are more reliable. They are more predictable. Unpredictability is the bane of business. There are businesses that will invest in a project that only produces 10% profit if they are very certain that it will always produce 10% profit. However, a lot of business won't touch a project that has the potential to produce 50% profit if there is a substantial chance that the project will also product a loss.

Unpredictability is sand thrown into the gears of our economy, and judges seem to excel at creating unpredictability with the law.

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