

# A Closer Look At Fed. Circ. Ruling On PTAB Joinder

By **Lucas Walker and Benjamin Sirolly** (April 30, 2020)

The U.S. Court of Appeals for the Federal Circuit's recent decision in *Facebook Inc. v. Windy City Innovations LLC*[1] is the rare case where the dicta might matter more than the holding.

The case's holding resolved significant issues regarding joinder in inter partes review proceedings. But the additional views of the judges, offered in an unusual concurring opinion, are likely to sweep more broadly still.

That concurring opinion — joined by all three judges who heard the case — argued that courts should never defer to the Patent Trial and Appeal Board's Precedential Opinion Panel on questions of statutory interpretation.

If that view takes hold at the Federal Circuit, it will shape practice before the PTAB and Federal Circuit for years to come.

## Facebook v. Windy City Innovations: A Recap

Windy City sued Facebook for infringing patents containing more than 800 claims. In response, Facebook requested inter partes review of many, but not all, of the patents' claims. The U.S. Patent and Trademark Office granted Facebook's petitions and instituted review.

Meanwhile, the infringement action continued to develop. More than a year after the suit began, Windy City informed Facebook that it was asserting several claims on which Facebook had not sought IPR.

Under the America Invents Act, an IPR petition must be filed within one year after the challenger is sued for infringement. That one-year time limit had run for any new, stand-alone IPRs. But the limit does not apply to a challenger's request to be "join[ed] as a party to" an existing IPR proceeding.[2]

Facebook thus filed two additional petitions challenging Windy City's newly asserted claims, and paired them with requests to be joined to Facebook's already pending IPRs.

Windy City objected. It argued that the AIA's joinder provision does not allow a challenger to join a proceeding to which it is already a party ("same-party" joinder), or to introduce new issues — such as challenges to additional claims — into a pending proceeding ("new-issue" joinder). The PTAB panel disagreed, and allowed Facebook (and its new challenges) to join Facebook's existing IPR proceeding.

The IPRs proceeded to final decision, with the PTAB invalidating some patent claims while upholding others. Both parties appealed to the Federal Circuit.

While the appeal was pending, the PTAB's Precedential Opinion Panel, or POP, addressed the AIA's joinder provision in another case. The POP — a panel consisting of the director of the patent office, the commissioner of patents, and the PTAB's chief administrative patent judge — concluded that the statute allowed both same-party and new-issue joinder.



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In the Facebook appeal, the parties disputed whether the POP's decision merited Chevron deference. Under Chevron, a court generally will defer to a federal agency's reasonable interpretation of an ambiguous statute that the agency administers. Facebook and the patent office both argued that the POP's interpretation of the AIA was reasonable and so entitled to deference.

The Federal Circuit, however, held that Chevron did not apply because the statute was unambiguous. Under the plain statutory language, the court unanimously held, the AIA's joinder provision does not permit either same-party or new-issue joinder. Rather, it simply allows a challenger to become a party to another challenger's IPR, without altering the scope of the proceeding.

### **"Additional Views"**

The panel could have left its discussion of the POP and Chevron deference at that: a case-specific ruling that the relevant statute is clear. Instead, the panel went much further, and in a rather unusual way. All three judges — Chief Judge Sharon Prost, Judge Kathleen O'Malley and Judge S. Jay Plager — signed a separate, 15-page opinion titled "Additional Views." That concurring opinion articulated the judges' view that, even if the statute were ambiguous, the POP's interpretation still would not deserve Chevron deference.

The concurrence explained that courts will afford Chevron deference to agency interpretations of ambiguous statutes only if certain requirements are satisfied. For example, Congress must have granted the agency authority to make rules carrying the force of law, and the agency must have exercised that authority when interpreting the statute.

The concurrence found that POP opinions fail to meet those requirements. Congress did not create the POP, nor did it delegate to the POP authority to interpret statutory provisions. Although Congress granted the director power to issue regulations governing the conduct of IPRs, it did not authorize him to set rules through POP adjudications. And while the POP generally solicits amicus briefs from interested persons before issuing its decisions, the concurrence found that procedure falls short of the traditional notice-and-comment rulemaking that could merit Chevron deference.

The upshot, in the concurrence's view, is that POP opinions are never entitled to Chevron deference.

### **Pop Goes the POP?**

What does this mean for the POP going forward? Perhaps nothing. The concurrence's "additional views" were technically dicta — unnecessary to the court's decision — and so do not necessarily bind panels in future cases. A later Federal Circuit panel may choose to go in a different direction.

There is a good chance, however, that future Federal Circuit panels will follow the Facebook concurrence's lead and adopt its reasoning. The 15-page opinion is thoughtful and thorough, and the fact that all three judges took the unusual step of joining a separate opinion speaks to its persuasive strength. It would not surprise us if the Facebook panel's "additional views" soon became the precedential views of the entire Federal Circuit. Litigants faced with adverse POP rulings would be well advised to press that position in their own appeals.

If the Federal Circuit ultimately adopts the concurrence's approach, the POP may not be long for this world. The POP is a relatively new and untested institution. It was established in September 2018, for the purpose of "establish[ing] binding agency authority concerning major policy or procedural issues ... through adjudication before the Board."<sup>[3]</sup> To date, the POP has issued decisions in just three cases (and granted review in one more).

The POP's stated purpose will be significantly undercut if its decisions are deemed ineligible for Chevron deference. The POP cannot establish truly binding authority if all of its decisions are subject to de novo reconsideration by the Federal Circuit. Even within the patent office, its decisions would be binding only until the Federal Circuit weighs in. And, without deference, there would be no thumb on the scale that might give some assurance of the Federal Circuit ultimately endorsing the POP's position.

Indeed, using the POP to announce the patent office's position on "major policy or procedural issues" may prove counterproductive. As the Facebook concurrence explains, the Federal Circuit will defer to the patent office's positions on such issues if they are announced through appropriate administrative procedures, such as notice-and-comment rulemaking. Similar pronouncements by the POP, however, would carry no weight. Continued reliance on the POP thus might weaken, rather than strengthen, the patent office's ability to influence "major policy or procedural issues." As a result, we may increasingly see the patent office turning to regulations to address such matters.

Denying the POP deference would not necessarily render it impotent. It could still serve a role in providing guidance to — and ensuring consistency among — the PTAB's 200-plus administrative patent judges.

But even then the patent office has other means for achieving the same end. In addition to the POP, the PTAB has a process for designating significant panel decisions as precedential and thus binding on other PTAB panels. Indeed, that designation process is used far more often than the POP to resolve recurring issues facing the PTAB. Without Chevron deference, the POP would lose one of its perceived advantages over the standard precedential-designation mechanism. That, too, may portend the POP's demise.

### **Chevron in the Crosshairs?**

The Facebook concurrence may also reflect another recent trend in the law: growing judicial skepticism of Chevron deference. The opinion does not criticize Chevron overtly. But it is significant that all three judges signed on to a separate opinion explaining — at considerable length — why POP decisions should never be given Chevron deference. At a minimum, that suggests the judges were keen to emphasize Chevron's limits and the need for courts to rigorously enforce them.

In that regard, the Facebook panel is hardly alone. Chevron deference is an increasingly high-profile, and increasingly controversial, doctrine. Multiple federal judges — including several U.S. Supreme Court justices — have called for rethinking, reining in, or even overruling Chevron.

Justice Clarence Thomas, for example, has criticized Chevron deference as an unconstitutional "abdica[ion]" of the judicial power.<sup>[4]</sup> As court of appeals judges, Justice Neil Gorsuch and Justice Brett Kavanaugh both wrote opinions questioning Chevron. And before his retirement, Justice Anthony Kennedy noted his "concern with the way in which the Court's opinion in Chevron ... has come to be understood and applied."<sup>[5]</sup> These and similar criticisms have encouraged parties to launch challenges to Chevron deference. Some

court watchers predict that Chevron deference may be narrowed or even eliminated in the years to come.

The Federal Circuit, of course, cannot overrule Chevron. But the Facebook panel's decision to issue 15 pages of dicta detailing why it would never defer to the POP is a powerful sign that the court is not eager to give Chevron an expansive reach. Litigants seeking to challenge patent office and other agency decisions should take note, and chart their appellate strategies appropriately.

## **Conclusion**

Facebook provides patent litigators plenty of food for thought. Its holding limiting joinder in IPRs will require infringement defendants to rethink how and when they challenge patents before the PTAB. But the panel's additional views on the propriety of Chevron deference may ultimately have the broader impact: They may prove the beginning of the end for the POP, and presage a reevaluation of the relationship between the Federal Circuit and the patent office.

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[1] Facebook, Inc. v. Windy City Innovations , LLC, Nos. 18-1400 et al., 2020 WL 1285039 (Fed. Cir. Mar. 18, 2020).

[2] 35 U.S.C. §315(c); see 35 U.S.C. §315(b).

[3] Patent Trial and Appeal Board, Standard Operating Procedure 2 (Revision 10) at 2 (Sept. 20, 2018) <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

[4] Baldwin v. United States , 140 S. Ct. 690, 691 (2020) (Thomas, J., dissenting from denial of certiorari).

[5] Pereira v. Sessions , 138 S. Ct. 2105, 2120 (2018) (Kennedy, J., concurring).