

How Fed. Circ. May Defer To PTAB In Facebook Case

By **Dorothy Auth, Danielle Tully and Michael Sebba**

(November 8, 2019, 2:13 PM EST)

Currently pending before the U.S. Court of Appeals for the Federal Circuit is Facebook Inc. v. Windy City Innovations LLC, a cross-appeal of six separate inter partes reviews filed against four patents directed to internet chat room technology.[1]

Central to the appeal is the question of whether the Federal Circuit should provide deference under Chevron USA Inc. v. Natural Resources Defense Council Inc. to the Patent Trial and Appeal Board's precedential decisions. This question has been answered differently not only by the parties but by the amici curiae, which includes the U.S. Patent and Trademark Office.

The issues raised by the appeal present an opportunity for the Federal Circuit to provide some clarity on the appropriate level of deference to be afforded PTAB holdings and may even provide a chance for the U.S. Supreme Court to weigh in. Given that Justice Neil Gorsuch and Justice Brett Kavanaugh are two frequent critics of Chevron, the case has the potential to call the entire Chevron framework into question.

Facebook v. Windy City Innovations Litigation

In 2017, Windy City sued Facebook for patent infringement of four patents including a total of 830 claims. The district court did not require Windy City to narrow the number of asserted claims within the one-year statutory bar for filing IPRs, resulting in Facebook's having filed IPR petitions against some, but not all, of the asserted claims.

After the statutory deadline passed, Facebook filed additional IPR petitions along with motions to join them to the already pending petitions. The PTAB joined the late-filed petitions with the earlier ones, relying on the PTAB's Precedential Opinion Panel Proppant decision.[2] In Proppant, the PTAB found that "Section 315(c) provides discretion to grant same party and issue joinder."[3]

Facebook successfully invalidated some but not all asserted claims during the IPR proceedings at the



Dorothy Auth



Danielle Tully



Michael Sebba

PTAB. In the current cross-appeals, the parties are disputing whether the PTAB's holding regarding whether joinder of the IPRs was proper in Proppant should be given Chevron deference by the judicial branch.

Competing Positions: To Defer or Not to Defer

The case was fully briefed and argued at the Federal Circuit before the USPTO weighed in. At the hearing, the panel expressed its view that POP decisions are unlikely to deserve Chevron deference.[4] U.S. Circuit Judge S. Jay Plager took an especially strong view, imploring Facebook to focus on the rest of its case, explaining that POP decisions have no notice and comment procedure and fail to meet the requirements of the Administrative Procedure Act, and concluding that POP decisions should not be afforded Chevron deference.[5]

The panel further noted that it would be "grammatically incorrect" to read Section 315 as ambiguous, rendering a Chevron analysis unnecessary in any event.[6] Following the completion of briefing and oral arguments, and in an effort to get a more fulsome view of the issues, the Federal Circuit invited the USPTO to file an amicus brief setting forth its view as to the appropriate level of deference that should be afforded to POP[7] opinions.

The USPTO proffered that Chevron deference to its POP opinions is appropriate because Congress has provided the USPTO the authority not only to create its own rules, but also to adjudicate decisions and provide notice and comment pursuant to the America Invents Act.[8]

Further, the USPTO emphasized that where agency rules are being interpreted in precedential decisions, those decisions should also be afforded deference because "Courts have long afforded Chevron deference to interpretations rendered through adjudication even if the agency also possessed rulemaking authority but chose not to use it." [9]

The USPTO also pointed to examples in which Chevron deference has been extended to the precedential decisions of other administrative bodies even though those administrative bodies also possess authority to issue regulations, including the National Labor Relations Board, the Board of Immigration Appeals, the U.S. International Trade Commission, and the Department of Commerce.[10] Thus, the USPTO argued, its ability to set out regulations which are afforded Chevron deference does not foreclose the possibility that its adjudicated decisions should likewise be afforded the same deference.

The USPTO was not alone in providing its opinion to the Federal Circuit, however, and a separate amicus brief, filed by a private attorney, argues that POP opinions deserve much lower deference. Specifically, David Boundy of Cambridge Technology Law LLC took the position that the USPTO deserves Chevron deference for rulemaking, but not for POP decisions. Boundy provided a number of reasons why the POP should not be provided Chevron deference, but, most notably, he explained that agency adjudicatory tribunals can only decide issues "in the context of deciding single cases." [11]

Boundy also differentiated policies of the ITC and Board of Immigration Appeals from those of the USPTO because, he argued, those tribunals have "consolidated rulemaking and adjudicatory authority." [12] A third amicus curiae, Jeremy Doerre of Tillman Wright PLLC argued that adjudications issued on behalf of the director should be given Chevron deference, but those issued by the PTAB alone should not. "Congress in the AIA chose to grant rulemaking power to 'prescribe regulations establishing and governing inter partes review' to the Director, but chose to grant adjudicatory power to 'conduct each inter partes review' to the Board." [13]

In a supplemental briefing filed Oct. 1, Facebook concurred with the USPTO's position, writing that it did "not have anything to add to that discussion."^[14] Instead it used the brief as another opportunity to compare the instant facts to those in *Proppant*. Windy City took the position that the USPTO was given Congressional authority to make legal standards only through regulations as opposed to adjudications, and so the POP should not receive Chevron deference.^[15]

Windy City went on to argue that even if the POP decisions should be given Chevron deference as a rule, in the instant case, the statute at issue is "unambiguous and at odds with [the POP's] interpretation of the statute."^[16] Thus, Chevron deference would not apply in this case due to the error of the POP's interpretation.^[17]

How Will the Federal Circuit Decide?

The Federal Circuit addressed Chevron deference as it applies to IPRs as recently as 2017 in *Aqua Products Inc. v. Matal*, when the court considered whether Chevron deference should be granted to the USPTO in interpreting the statute-directed amendments in IPRs.

The *Aqua Products* court was divided, issuing five separate opinions,^[18] and ultimately concluded that, under the circumstances, the USPTO did not deserve Chevron deference because "§ 316(e) unambiguously requires the petitioner to prove all propositions of unpatentability, including for amended claims."^[19] That is, the statute in question was unambiguous and so no Chevron deference was necessary to decide the issue.

Prior to *Aqua Products*, the Federal Circuit had deferred to the USPTO's decisions that centered on procedural issues. For example, in *Intra-Cellular Therapies Inc. v. Matal*, the Federal Circuit held that the USPTO's interpretation of patent applicant delay should be afforded Chevron deference.

However, the Federal Circuit has declined to defer to the USPTO on substantive issues and has expressly held that the patent statute does not authorize the USPTO to "issue substantive rules."^[20] Whether or not the Federal Circuit will view the issue of joinder that is central to *Facebook v. Windy City* as truly procedural in nature will likely turn on its analysis of whether, pursuant to Section 315, it was proper for the PTAB to join issues as opposed to parties.

Interestingly, at oral hearing, the panel, and Judge Plager in particular, emphasized that POP decisions do not meet the necessary standards for Chevron deference.^[21] However, the Federal Circuit did seek out the USPTO's position by inviting it to file an amicus brief after the hearing presumably to create a more complete record on the issue.

Perhaps Windy City's argument that, even if extending Chevron deference to the USPTO's POP opinions is appropriate, it would not be appropriate in this circumstance because the statute is unambiguous, may allow the Federal Circuit to avoid the issue altogether.

Given that the Federal Circuit indicated at the hearing that it may agree with Windy City on that issue alone, it may not wade into the rest of a Chevron analysis and instead may bypass the controversial issues. However, given the Federal Circuit's request for amicus briefs and supplemental briefing, it seems likely that it intends to address the issue head-on. Moreover, in view of the positions taken by the panel at the hearing, the Federal Circuit may ultimately deny POP opinions Chevron deference entirely.

The Future of Chevron Deference: The Supreme Court's View

Whether or not the Federal Circuit grants Chevron deference to the USPTO's POP opinions, its decision may capture the attention of the Supreme Court on appeal by either party. The parties and amici curiae have set forth competing views as to whether and how to apply Chevron deference to precedential POP opinions. These conflicting views are illustrative of the current tension in the judiciary that could call into question the entire Chevron framework.

The two newest Supreme Court justices, Justice Gorsuch and Justice Kavanaugh, are vocal opponents of the size and power of administrative agencies and Chevron. Justice Gorsuch has routinely refused to invoke Chevron deference^[22] and has hinted that he hopes to address whether Chevron should remain in place.^[23] While sitting on the 10th Circuit, Judge Gorsuch penned a concurrence to his own opinion in a case concerning the Board of Immigration Appeals to address Chevron. He explained that:

Chevron and Brand X permit executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers' design.^[24]

He also denounced Chevron deference as “no less than a judge-made doctrine for the abdication of the judicial duty.”^[25] He further criticized Chevron for no longer allowing “a court [to] independently decide what the statute means and whether it has or has not vested a legal right in a person[.]”^[26]

Justice Kavanaugh's views on Chevron are similarly negative. In the past, he has written that he believes Chevron encourages administrative agencies to attempt to expand their powers to determine their limits.^[27] Justice Kavanaugh has argued that determining whether a statute is ambiguous is an unclear standard for a threshold determination.^[28] Given the direction in which the court is moving and the ambiguity in the present case, the court may see *Facebook v. Windy City Innovations* as an opportunity to redefine the breadth of Chevron deference.

Dorothy R. Auth is a partner, Danielle V. Tully is special counsel, and Michael Sebba is an associate at Cadwalader Wickersham & Taft LLP.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir.).

[2] *Proppant Exp. Invs., LLC v. Oren Techs., LLC*, No. IPR2018-00914, Paper 38 (P.T.A.B. Mar. 13, 2019)

[3] *Id.* at 21.

[4] Oral Argument, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Aug. 7, 2019), <http://www.cafc.uscourts.gov/node/25082> (2018-1400.mp3)

[5] *Id.*

[6] *Id.*

[7] The POP comprises the Director, the Commissioner for Patents, and the Chief Judge of the PTAB and designates certain PTAB opinions to be precedential or informative.

[8] Brief for the United States as Amicus Curiae at 5, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Sept. 17, 2019), ECF No. 76 (“USPTO Amicus”) (citing *United States v. Mead Corp.*, 533 U.S. 218, 226-27 (2001)).

[9] USPTO Amicus at 10.

[10] USPTO Amicus at 10 (citing 29 U.S.C. §156; *Holly Farms Corp. v. NLRB*, 517 U.S. 392, 398-99 (1996)); USPTO Amicus at 10-11 (citing *INS v. Aguirre-Aguirre*, 526 U.S. 415, 424-25 (1999); 8 U.S.C. §1103(g)(2)); USPTO Amicus at 11 (citing *Suprema, Inc. v. ITC*, 796 F.3d 1338, 1345-46 (Fed. Cir. 2015) (en banc); *Pesquera Mares Australes Ltda. v. United States*, 266 F.3d 1372, 1382 (Fed. Cir. 2001)).

[11] Brief of Amicus Curiae David E. Boundy, in Support of Neither Party at 5, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Sept. 17, 2019), ECF No. 79 (“Boundy Amicus”) (citing *NLRB v. Wyman-Gordon Co.*, 394 U.S. 759, 764-65, 768-69 (1969)).

[12] Boundy Amicus at 5.

[13] Brief of Amicus Curiae Jeremy C. Doerre in Support of Neither Party at 2, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Oct. 1, 2019), ECF No. 90 (“Doerre Amicus”) (citing 35 U.S.C. §316(a)(4) and (c)).

[14] Brief for Appellant Pursuant to August 12, 2019 Order at 1, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Oct. 1, 2019), ECF No. 91 (“Facebook Supplemental Brief”).

[15] Cross-Appellant’s Response to Brief for the United States as Amicus Curiae at 7-8, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Oct. 1, 2019), ECF No. 92 (“Windy City Supplemental Brief”) (citing *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1330 (Fed. Cir. 2017) (en banc)).

[16] Windy City Supplemental brief at 8.

[17] Windy City Supplemental brief at 8-9.

[18] *Aqua Prods.*, 872 F.3d at 1291.

[19] *Id.* at 1296.

[20] See, e.g., *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) (holding that 35 U.S.C. § 6 authorizes the USPTO to “promulgate regulations directed only to ‘the conduct of proceedings in the PTO,’” but not “to issue substantive rules”) (citation omitted).

[21] Oral Argument, *Facebook, Inc. v. Windy City Innovations, LLC*, No. 18-1400 (lead) (Fed. Cir. Aug. 7, 2019), <http://www.cafc.uscourts.gov/node/25082> (2018-1400.mp3)

[22] *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018).

[23] *Id.* (“But whether Chevron should remain is a question we may leave for another day.”).

[24] *Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1149 (10th Cir. 2016) (Gorsuch, J. concurring).

[25] *Id.* at 1152.

[26] *Id.*

[27] Brett M. Kavanaugh, *Fixing Statutory Interpretation*, 129 *Harv. L. Rev.* 2118, 2151 (2016) (reviewing Robert A. Katzmann, *Judging Statutes* (2014)).

[28] *Nomination of Brett Kavanaugh to be an Associate Justice on the Supreme Court, Pt. 2: Transcript of Hearing before the S. Comm. on the Judiciary, 115th Cong.*, at 43, 86, 119-20, 125-26 (Sept. 5, 2018) (CQ Transcriptions) (available on LEXIS).