2018-1400, 2018-1401, 2018-1402, 2018-1403, 2018-1537, 2018-1540, 2018-1541

United States Court of Appeals for the Federal Circuit

FACEBOOK, INC.,

Appellant,

v.

WINDY CITY INNOVATIONS, LLC,

Cross-Appellant.

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2016-01156, IPR2016-01157, IPR2016-01158, IPR2016-01159, IPR2017-00659, IPR2017-00709

Brief of *Amicus Curiae* David E. Boundy, in Support of Neither Party

September 17, 2019

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CERTIFICATE OF INTEREST

Counsel for *amicus curiae* certifies the following:

1. The full name of every party or *amicus* represented by me is:

David E. Boundy.

2. The names of the real parties in interest represented by me as *amici* are:

As named in 1.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the *amici* represented by me are:

No *amicus* is publicly traded, and no publicly traded entity owns 10% or more of any *amicus*.

4. The names of all law firms and the partners or associates that have appeared for the party or *amici* now represented by me in the trial court or agency or are expected to appear in this court are:

David E. Boundy, Cambridge Technology Law LLC

5. A decision in this case could directly affect a number of pending *Inter partes* reviews, Post-grant reviews, and Covered Business Method Reviews. None are "related cases" as that term is defined by Federal Circuit Rule 47.5. The undersigned attorney currently has no such matter pending.

Date: September 17, 2019

/s/ David E. Boundy
David E. Boundy
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IDENTITY AND INTEREST OF AMICUS CURIAE

David E. Boundy is an individual patent attorney in Cambridge, MA, with a professional interest in the intersection of administrative law and intellectual property law. Mr. Boundy has no relationship to any of the parties, and no current client with a direct interest in the outcome of this case. Mr. Boundy's interest is that of a concerned individual attorney who represents clients before the Patent and Trademark Office (PTO), and in the just and consistent application of the law by the PTO and this Court.

By email, appellant Facebook, Inc., appellee Windy City Innovations, LLC, and the government have indicated that they do not oppose filing of this brief.

STATEMENT UNDER FRAP 29(a)(4)(E)

No party or party's counsel authored this brief in whole or in part.

No party or party's counsel contributed money that was intended to fund preparing or submitting this brief.

No person, other than *amici*, their members, and counsel, contributed money intended to fund preparing or submitting this brief.

ARGUMENT

This brief responds to the Court's August 12 request for briefing on the deference to be afforded POP precedential opinions.

This is indeed a difficult question. The PTAB and Precedential Opinion Panel have cast off the administrative law that applies to the rest of the government, and have set out to redefine a ground-up private legal system. That presents this Court with novel, puzzling, and uncharted issues.

Sections 316(a) and 326(a) require that the Director "*shall* prescribe *regulations*." This should channel the PTO into rulemaking procedures that are designed to help the agency make good decisions: notice and comment under the Administrative Procedure Act (APA), analysis of effect on small entities (including both small patent owners and small law firms) under the Regulatory Flexibility Act, analysis and minimization of paperwork burden under the Paperwork Reduction Act (PRA), and cost-benefit analysis of a rule's economic effect and regulatory cost under several executive orders. If annual effect on the economy is likely to exceed $100 million per year, the agency must prepare a Regulatory Impact Analysis. In contrast, the PTO's *sui generis* POP process avoids all of that care. Rules made by POP are freed from public comment, filings with and oversight by the Office of Information and Regulatory Affairs (OIRA) in the Executive Office of the President, and the deliberation required by "regulation."

Many agencies have a propensity to avoid rulemaking, because of the workload and oversight that comes with it (*see* the excerpt from Hickman & Pierce

at page 6 of this brief). The POP process takes that avoidance to a new level. Over the last seven months, instead of "prescribing regulations," the POP has issued ***eighteen*** precedential decisions, mostly on issues that are recurring and predictable. PTAB, *Precedential and informative decisions* web page. This avoidance of rulemaking process denies all parties the benefits and predictability of careful, informed "regulation," evades oversight by OIRA and the Small Business Administration, and as this case demonstrates, poses entirely novel legal questions. The PTAB's shortcutting creates uncertainty for the public, and will burden this Court as procedural breaches get litigated.

The APA nowhere authorizes a "Precedential Opinion Panel" as a substitute for § 553 rulemaking, at least not for predictable, recurring issues, by tribunals that do not have consolidated adjudicatory and rulemaking authority. "Deference" exists as part of the overall tapestry of administrative law. When an agency weaves itself out of that tapestry, and instead sets off to create a private alternate legal universe, the agency loses the benefits of the tapestry. The PTO's choice to opt out of the tapestry divests *Proppant* of any deference whatsoever.

Deference. The Court asks "what level of deference should be afforded" to PTAB precedential opinions. An exhaustive answer to this question, with cites to many of the relevant cases, is in my article *The PTAB is Not an Article III Court, Part 3: Precedential and Informative Opinions*, 47 AIPLA Q. J. 1 (Jun. 2019).

Chevron/Auer. Very few (if any) PTAB decisions can be eligible for high *Chevron* or *Auer* deference. My *Part 3* article, at *23-*26 and *34-*40, collects

"only if" preconditions for high deference, and shows that very few public-facing PTAB decisions meet those "only if's." For example, §§ 316(a) and 326(a) delegate rulemaking authority to the Director. In contrast, unlike the agency tribunals cited the PTO's brief, the PTAB has no delegation of rulemaking authority. *See Martin v. Occupational Safety & Health Review Comm'n*, 499 U.S. 144, 154 (1991) ("Insofar as Congress did not invest [the agency's adjudicatory component] the power to make law or policy by other means, we cannot infer that Congress expected [the component] to use its adjudicatory power to play a policymaking role."). Likewise, amendments to rules that call for paperwork must follow procedures of the PRA, 44 U.S.C. §§ 3506(c)(2), 3507(a), 5 C.F.R. §§ 1320.3(c)(4)(i), 1320.10, and without that procedure, such amended rules are unenforceable. § 3512. POP decisions do not go through PRA procedure. The *simplest* obligation of all is to publish all rules in the Federal Register, § 552(a)(1)(C) and (D), else they are not enforceable. § 552(a)(1), last paragraph. The POP hasn't even done *that*. POP decisions are "procedurally defective," and unenforceable as rules, and thus ineligible for high deference. *Encino Motorcars LLC v. Navarro*, 136 S. Ct. 2117, 2125 (2016).

***Skidmore*.** *Proppant* holds that § 315(c) is ambiguous, and interprets it to permit joinder in certain situations. This Court should, "first and foremost," ensure that the statute is genuinely ambiguous, by "exhaust[ing] all the 'traditional tools' of construction." *Kisor v. Wilkie*, 139 S.Ct. 2400, 2415 (2019). *If* the Court agrees with the PTAB that § 315(c) is ambiguous, then "interpretation" of statutory or

regulatory language (as opposed to a whole-cloth rule with no textual grounding, like *Aqua Products*) gets through door one of *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944). *If* so, *Skidmore* moves to weighing of a number of factors. One of those factors is thoroughness and procedural formality of the agency's deliberation, and "validity of the agency's reasoning." 323 U.S. at 140. However, as discussed *supra*, the POP process shortcuts major components of formality, thoroughness, and validity. Various rulemaking laws provide checklists of issues to be analyzed in a Notice of Proposed Rulemaking and/or OIRA filing, but the POP process sidesteps them all. Further, the POP process, by shortcutting public comment,[1] leaves the agency uninformed of relevant issues, and unable to deliberate about them. We'll never know what would have been learned in a properly-noticed notice-and-comment proceeding, or how the Director would have resolved those issues. These two omissions block *Proppant* at *Skidmore*'s door two. The analysis never reaches *Skidmore* door three, to "respect" agency reasoning that doesn't exist. This Court may interpret § 315(c) *de novo*, without deference.

Accardi. Agency-facing or "housekeeping" subregulatory rules directed only to confining procedural discretion of agency employees, with no burden on the

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[1] As far as I know, *Proppant* is the only one of ninety precedential decisions in which the PTAB called for briefing at all, and that only by a stealth order posted where no one would see it except by fortuitous accident, for 25 days over the Christmas holiday. *See* my *Proppant* POP *amicus* brief and *Part 3*, at *15-*19.

public, can have nearly the same effect as regulation. *Accardi v. Shaughnessy*, 347 U.S. 260 (1954). But *Proppant* is a public-facing rule, and thus not eligible for this form of deference.

PTAB adjudications. Agency adjudicatory tribunals can decide issues in the context of deciding single cases, *N.L.R.B. v. Wyman-Gordon Co.*, 394 U.S. 759, 764-65, 768-69 (1969) (though the NLRB couldn't promulgate a rule without APA procedure, it could issue the same directive in single-case orders). But unlike tribunals with consolidated rulemaking and adjudicatory authority (*e.g.*, the ITC, NLRB, or Board of Immigration Appeals), the POP lacks rulemaking authority to turn its single-case decisions into "rules" of prospective extra-agency effect.

Context. *Proppant* is a symptom of a larger disease: PTO officials at all levels claim to be exempt from the administrative law that provides predictability for the rest of the government.[2] Over the years, I have had a number of written and oral conversations with APJs, Vice Chief APJs, Deputy Commissioners, and other senior PTO lawyers about black-letter administrative law. In my experience, PTO lawyers lack appreciation that some laws are intended to protect the public from

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[2] Decision on Petition, 14/266,013 (May 29, 2019) at 3 (Supreme Court precedent "does not have any bearing on patent prosecution," because the Supreme Court case at issue arose from the State Department); Decision on Petition, 10/113,841 (Jul. 14, 2011) at 19-20 (denying authority of the President, and refusing to implement a directive from OIRA in the Executive Office of the President).

agency overreach, and compliance with those laws might require the PTO to spend time to improve the precision and completeness of work product, or might reduce PTO revenues for work that isn't complete.[2] The PTAB's recent "ordinary meaning" rulemaking demonstrates shortcutting by two of the PTAB's Vice Chief APJs that will undermine validity of these regulations and certainty of adjudications. *An Administrative Law View of the PTAB's "Ordinary Meaning" Rule*, WESTLAW J. INTELL. PROP. at 13-16 (Jan. 30, 2019).

The leading administrative law treatise collects cases, and summarizes them as follows: "Over the years, commentators, judges, and Justices have shown near unanimity in extolling the virtues of the rulemaking process over the process of making 'rules' through case-by-case adjudication. *** The Supreme Court continues to criticize agencies that refuse…" Kristin Hickman & Richard Pierce, ADMINISTRATIVE LAW (6th ed. 2019) § 4.8 at 517. *Kisor*, 139 S.Ct. at 2421, urges that principles of deference be applied to incentivize use of rulemaking procedure, not to shortcut. The "regulation" process is intended to foster deliberation over the full palette of issues in a subject matter area, to reach an integrated solution that hangs together as a balanced whole. Further, the Paperwork Reduction Act requires agencies to reduce the cost of ascertaining the agency's instructions, *see* 44 U.S.C. § 3502(2)(A) and (C). In contrast, instead of presenting the public with a consolidated, organized comment period that matures into a consolidated, organized set of regulations, POP fragments the PTAB's deliberation and rules into dozens of disconnected bits (and the *Trial Practice Guide* aggravates the problem,

with its multiple updates that aren't consolidated into a unified text). That's incompatible with the §§ 316(a)/326(a) obligation to act by "regulation," the integrated deliberation of the APA, and the efficiency concerns of the PRA. A tribunal that lacks rulemaking authority can "interpret" to resolve unpredictable edge cases, but violates three statutes when it bypasses statutory rulemaking as a routine course of business for recurring, central issues such as those in *Proppant*.

POP is not inherently unlawful. Precedential decisions are entirely appropriate *when issued within the framework of the APA* (*e.g.*, "interpretative" resolution of genuine, unforeseeable, rarely-recurring ambiguity), and those decisions could warrant *Skidmore* deference. But the PTAB's historical practice, accelerating recent trend of bypassing rulemaking for frequently-recurring issues (as in *Proppant*), and general neglect of basic administrative law,[3] are concerning.

The APA offers a perfectly good, well-paved road that works just fine for other agencies: the Director can issue an interim rule in the Federal Register, 5 U.S.C. § 553(d)(3), and then follow up with notice-and-comment rulemaking. In

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[3] Historical patterns of misuse and inadequate procedure are discussed in *Part 3*. In 2019, one recent POP decision goes beyond interpretation into territory that requires "legislative" rulemaking, *Lectrosonics, Inc. v. Zaxcom, Inc.*, IPR2018-01129 Paper 15 (Feb. 25, 2019); others rely on subregulatory guidance as if it had force of law, *DePuy Synthes Prods. v. Medidea, LLC*, IPR2018-00315 Paper 29 (Jan. 23, 2019). *Part 3* offers recommendations for reform at pp. *86 to *96.

contrast, when an agency invents its own legal system, and declines a statutory obligation to "prescribe regulations," the agency puts everyone at risk. When a rule is invalidated, unwinding and redeciding the adjudications that were based on that rule will impose immense cost. The POP, at least as the PTO uses it in 2019, is a dangerous and destabilizing abrogation of law. It should not be encouraged.

Conclusion. *Proppant* is entitled to no deference—this Court may interpret the relevant statutes *de novo*.

Date: September 17, 2019

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CERTIFICATE OF COMPLIANCE

1. This brief is less than 7½ pages, half the length set for the opening brief, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) or Federal Rule of Federal Circuit Rule 28.1 and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6).

This brief has been prepared in a proportionally spaced typeface using Microsoft Word 2003, in Times New Roman 14 pt.

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CERTIFICATE OF SERVICE

I certify that, on this day, September 17, 2019, I caused copies of the foregoing Brief of *Amicus Curiae* David E. Boundy, to be served via the Court's CM/ECF on all counsel registered to receive electronic notices.

Additionally, 18 paper copies will be sent to the Court within the time allowed by Rule.

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