

Despite *Thryv*, Federal Circuit Does Not Defer to PTO's Interpretation of 35 USC § 315(c), Reversing PTAB Decision to Allow Self-Party Joinder and Add New Claims to IPR

Facebook, Inc. v. Windy City Innovations, LLC (Fed. Cir. 2020)



Background

- Windy City Innovations, LLC (Windy City) filed a district court complaint accusing Facebook of infringing 4 patents: the '245 patent, the '657 patent, the '552 patent, the '356 patent
- Patents share a common specification and claim priority to an application filed April 1, 1996
- On June 2, 2015, Windy City filed the complaint in the U.S. District Court for the Western District of North Carolina
- Facebook was served June 3, 2015
- The complaint didn't identify which claims of the 4 asserted patents (collectively having 830 claims) Facebook allegedly infringed

Background

- On July 24, 2015, Facebook filed a motion to dismiss, arguing the complaint didn't provide adequate notice of the infringement allegations since it didn't identify which claims were asserted
- On August 25, 2015, Facebook filed a motion to transfer the case to the U.S. District Court for the Northern District of California
- The NC dist. ct. never ruled on the motion to dismiss, but granted Facebook's motion to transfer
- Upon transfer, the California dist. ct. scheduled a case management conference for July 7, 2016 which, according to local rules, would require Windy City to identify its asserted claims 14 days later, i.e., more than a month **after** expiration of the one-year time-bar for IPR

Background

- On May 4, 2016, Facebook filed a motion asking the dist. ct. to order Windy City to identify the asserted claims by May 16th – the motion was declined on May 17th
- On June 3, 2016 – the last day of one-year window – Facebook filed a petition for IPR of each of the four asserted patents, challenging some – but not all – of the claims of each patent (total of 118)
- The Patent Trial and Appeal Board (Board) instituted review of all the challenged claims and grounds in the petitions, except for 2 claims of the '552 patent (prior to *SAS Institute, Inc. v. Iancu* (2018))

Background

- More than 4 months after the one-year deadline to file IPRs (Oct. 19, 2016), Windy City identified the claims of each patent asserted in the dist. ct. case
- Included 5 claims from the '245 patent and 8 claimed from the '657 patent not challenged in Facebook's initial IPR petitions
- Facebook then prepared 2 new IPR petitions to challenge the additional asserted claims
- Since they would otherwise have been time-barred under 35 USC § 315(b), Facebook filed the petitions along with motions under 35 USC § 315(c) asking the Board to join the new proceedings to the already-instituted IPRs
- Windy City opposed the motions

Background

- The Board instituted Facebook's late-filed petitions and granted the motions for joinder, allowing the newly challenged claims to be added to the earlier proceedings
- In the same order, the Board terminated the newly instituted proceedings

Background

- 35 USC § 315(b),(c):

(b) Patent Owner's Action.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence **shall not apply to a request for joinder under subsection (c)**

(c) Joinder.—If the Director institutes an inter partes review, the Director, in his or her discretion, may **join as a party to that inter partes review any person who properly files a petition under section 311** that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

PTAB

- Board’s reasoning in granting motions for joinder:
 - “[A]lthough the newly challenged claims are not identical” to those originally challenged, “the substance is very similar such that the substance of the [new] claims...is not likely to affect the scope of the trial significantly”
 - Joinder wouldn't significantly disrupt trial schedule, briefing, or discovery
 - Facebook didn’t unduly delay in challenging the new claims
 - The dist. ct. complaint “cannot reasonably be considered an allegation that [Facebook] infringes all 830 claims of the several patents asserted”
 - Facebook could not have reasonably determined which claims were asserted against it within the 1-year time bar
 - Once the asserted claims were identified, Facebook didn’t delay in challenging the newly asserted claims by filing 2nd petitions and motions
 - Facebook “has established good cause” for joining the proceedings

PTAB

- 2 of the APJs on the panels joined concurring opinions raising concerns with permitting a party to essentially join to itself
- They said § 315(c), when properly interpreted, doesn't authorize same-party joinder because a party can't be joined to a proceeding "as a party" if it's already a party to the proceeding
- However, they also said "the Director repeatedly has taken the position...that such same-party joinder is permitted by § 315(c)," and agreed to follow that position in this case despite their disagreement

PTAB

- In the final written decision of the IPR for the **'657 patent**, the Board held that Facebook showed by prep. of evidence that 4 of the joined claims (among others) were unpatenable as obvious, but failed to show that the other 4 joined claims were unpatentable
- In the final written decision of the IPR for the **'245 patent**, the Board held that Facebook failed to show by preponderance of evidence that any of the challenged claims (including the 5 joined claims) were unpatentable as obvious

Quick Summary

- Windy City filed dist. ct. complaint against Facebook for several patents (having 830 claims total), without identifying the claims being asserted for more than a year after filing complaint
- Facebook timely petitioned for inter partes review (IPR) of several claims from those patents
- Windy City identified the asserted claims after the § 315(b) time bar passed
- Facebook filed petitions for IPR of asserted claims not previously challenged, along with motions for joinder to the already-instituted IPRs
- The Board instituted Facebook's new IPRs, granted Facebook's motions for joinder, and terminated the new IPR proceedings

Appeal

- Facebook appealed the Board’s finding in regard to various claims upheld by the Board
- Windy City cross-appealed, arguing that
 - 1) A POSITA would not have been motivated to combine the prior art references in each IPR, and
 - 2) The Board’s joinder decisions were improper because § 315(c) doesn’t authorize same-party joinder and doesn’t authorize joinder of new issues
- Regarding the joinder decision, Facebook argues that judicial review is precluded by 35 USC § 314(d), which provides that “[t]he determination by the Director to institute an inter partes review under this section shall be final and nonappealable”

Appeal

- USPTO (as amicus curiae) similarly, but more narrowly, argues that § 314(d) precludes judicial review of the Board's joinder when the petition filed with the request would **otherwise have been untimely**
- Unlike Facebook, USPTO doesn't argue that § 314(d) precludes judicial review of all Board joinder decisions

Supreme Court Decisions

- *Cuozzo Technologies, LLC v. Lee* (2016): § 314(d) precludes judicial review of Board’s institution decision when grounds for attacking it “consist of questions that are closely tied to the application and interpretation of statutes related to the [PTO’s] decision to initiate inter partes review”
 - Specifically, the Fed. Cir. can’t review an institution decision on basis that the petition didn’t satisfy the requirement of 35 USC § 312(a)(3) that the petition must identify the grounds of challenge “with particularity”
- *SAS Institute, Inc. v. Iancu* (2018): § 314(d) doesn’t preclude judicial review of Board’s decision to institute fewer than all claims challenged in IPR petition
 - § 314(d) doesn’t preclude review where PTO has exceeded its statutory authority

Supreme Court Decisions

- *Thryv, Inc. v. Click-to-Call Technologies, LP* (decided April 20, 2020): PTO’s application of § 315(b) time bar is “closely related to its decision whether to institute inter partes review and is therefore rendered nonappealable by § 314(d)”
 - § 315(b)’s “time limitation is integral to, indeed a condition on, institution”
 - “A challenge to a petition’s timeliness under § 315(b) thus raises ‘an ordinary dispute about the application of an institution-related statute’”

Here, Facebook argues that *Thryv* precludes review of the PTO’s decision to institute the follow-on IPRs and join them, characterizing Windy City’s attack on joinder as being that the follow-on IPRs shouldn’t have been instituted at all

Federal Circuit Decision

- March 18, 2020 opinion (before Judges Prost, Plager and O'Malley) held that:
 - § 315(c) does not authorize same-party joinder or joinder of new issues
 - Board's joinder decisions in this case, allowing Facebook to add otherwise time-barred issues to its IPRs, were improper under § 315(c)
 - Vacated Board's final written decisions with respect to the improperly added claims
 - Affirmed Board's final written decisions for remaining claims

AFFIRMED-IN-PART, VACATED-IN-PART, DISMISSED-IN-PART

Federal Circuit Holding

- September 4, 2020 modified opinion (after combined petition for panel rehearing and rehearing en banc filed by Facebook) :
 - Same panel
 - Confirmed March 18th decision, but remanded for the “Board to consider whether the termination of the instituted proceedings related to the two late-filed petitions finally resolves those proceedings”

AFFIRMED-IN-PART, VACATED-IN-PART, DISMISSED-IN-PART, AND REMANDED

§ 314(d) – Fed. Cir. Still Has Jurisdiction

- As Windy City argued, Board’s joinder decisions in this case are “a separate procedural process with separate requirements and a different purpose than institution”
- Windy City’s appeal doesn’t challenge a **conclusion** by the Board that the requirements of initiating review under § 314 were satisfied, but challenges the Board’s decisions in **already-instituted IPRs**
- Joinder under § 315(c) requires Director/Board to:
 - 1) Decide whether the joinder applicant’s petition for IPR warrants institution under § 314
 - 2) Exercise discretion to decide whether to “join as a party” the joinder applicant
- The joinder decision is made **after** the institution decision, and affects how the already-instituted IPR will proceed

§ 314(d) – Fed. Cir. Still Has Jurisdiction

- Thus, joinder decision is separate and subsequent decision to institution decision, and nothing in § 314(d) overcomes the strong presumption that court has jurisdiction to review the joinder decision
- Windy City's cross-appeal doesn't challenge Board's decision to institute Facebook's follow-on petitions, but whether joinder decisions exceeded statutory authority under § 315(c)
- Fed. Cir. has jurisdiction to review whether the Director (Board) acted outside any statutory limits under § 315(c)

§ 315(c) Doesn't Authorize Same-Party Joinder

- Plain language of § 315(c) allows director “to join **as a party** [to an already-instituted IPR] any **person**” who meets certain requirements
- In instituting Facebook’s later petitions and granting its joinder motions, the Board didn’t purport to be joining anyone “as a party”
- The Board understood that Facebook was requesting its later **proceedings** to be joined to its earlier **proceedings**
- Board essentially decided that § 315(c) authorizes 2 proceedings to be joined, rather than joining a person as a party to an existing proceeding
- This is contrary to the plain language of § 315(c)

§ 315(c) Doesn't Authorize Same-Party Joinder

- Legal terms are construed according to “customary, ordinary meaning” in law unless there’s strong reason to infer a departure
 - § 315(d) already provides authority for “consolidation” when “[m]ultiple proceedings” involving a patent are before the USPTO
 - No reason to think “join a person as a party to a proceeding” is intended to mean same thing
- Fed. Cir. recognized that, notwithstanding the language used in its decision, the Board may have intended to say it was joining Facebook as a party to its previously instituted IPRs, not joining the IPR proceedings themselves

§ 315(c) Doesn't Authorize Same-Party Joinder

- However, clear & unambiguous language confirms that § 315(c) doesn't authorize a person to be joined to a proceeding in which it's already a party
 - *Thryv* observes “that the § 315(b)-barred party can join a proceeding initiated by **another** petitioner” (140 S.Ct. at 1374, emphasis added)
 - In Fed. Rules of Civ. Proc., joinder of a person is uniformly about adding someone that isn't **already** a party
 - Court isn't aware of any legal context in which a person is permitted to join “as a party” to a proceeding in which it's already a party

§ 315(c) Doesn't Authorize Same-Party Joinder

- This holding conflicts with the Board's Precedential Opinion Panel (POP) decision in *Proppant Express Investments, LLC v. Oren Technologies, LLC*, IPR2018-00914, Paper 38 (March 13, 2019), which permitted same-party joinder
 - *Proppant* decision hinged on phrase “join as a party...**any** person” in § 315(c)
 - Board argued the word “any” carries expansive meaning
- The phrase “join as a party to a proceeding” on its face limits the range of “person[s]” covered to those capable of being joined as a party to a proceeding, and an existing party to the proceeding is not so capable
- E.g., a statute saying that “a person may marry any person who is older than 16...” would not, by virtue of the term “any person,” authorize marriage to oneself

§ 315(c) Doesn't Authorize Bringing New Issues to Existing Proceeding

- The language of § 315(c) doesn't authorize a joined party to bring new issues from its new proceeding into the existing proceeding
- Facebook's strongest case is that the statute doesn't expressly **prohibit** the introduction of new issues in the joined proceedings
- However, the lack of an express prohibition doesn't make § 315(c) ambiguous on this issue
- § 315(c) simply permits the Director to join any person **as a party to an already-instituted IPR**
- The already-instituted IPR is governed by its own petition and confined to the claims and grounds challenged in that petition
- If new claims / grounds could be introduced, this would improperly join two proceedings, which isn't authorized by § 315(c)

§ 315(c) Doesn't Authorize Bringing New Issues to Existing Proceeding

- Court's interpretation of § 315(c) is consistent with the statutory scheme of § 315 as illustrated by neighboring subsections
- For example, § 315(d) specifically contemplates "consolidation" of 2 proceedings and their respective issues:

[D]uring the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for...consolidation...of any such matter or proceeding

- This section authorizes consolidation of, e.g., multiple instituted proceedings even when the issues are not identical
- Construing § 315(c) to permit joinder of proceedings and all the new issues therein would render § 315(d) superfluous, which is disfavored in statutory interpretation

§ 315(c) Doesn't Authorize Bringing New Issues to Existing Proceeding

- Facebook argued important policy rationales run counter to the Fed. Cir.'s interpretation
 - It was appropriate for the Board to permit joinder given the unique facts of the case (Windy City had not yet identified which of 830 claims of 4 patents it was asserting against Facebook at the end of the 1-year bar)
 - Court's interpretation would give dangerous incentive for patent owners to file suit on patents containing hundreds of claims, and then use various stalling tactics during litigation to "run out the clock" on the 1-year bar before asserting claims
- However, parties like Facebook are not without options
 - Filing petitions challenging hundreds of claims is an available option for accused infringers like Facebook
 - Further, accused infringers are not obligated to challenge every, or any, asserted claim in an IPR
 - Accused infringers who are unable or unwilling to challenge claims in an IPR petition retain the ability to challenge them in district court



§ 315(c) Doesn't Authorize Bringing New Issues to Existing Proceeding

- Accused infringers can make strategy choices in federal court so as to force an earlier narrowing or identification of asserted claims
- Also, no matter how valid, “policy considerations cannot create an ambiguity when the words on the page are clear” (*SAS*, 138 S.Ct. at 1358)
- That job is left to congress, not the courts

No Deference Owed to PTO's Interpretation

- Court disagrees with Facebook's argument that the POP opinion in *Proppant* deserves *Chevron* deference
- Since the clear and unambiguous language of § 315(c) does not authorize same-party joinder or joinder of new issues, the court need not defer to the PTO's interpretation of the statute
 - *Chevron, U.S.A, Inc. v. Nat. Res. Def. Counsel, Inc.*, 467 US 837, 842-43 (1984): “If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress”
 - *SAS*, 138 S.Ct. at 1358: “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”

No Deference Owed to PTO's Interpretation

- Judges Prost, Plager, and O'Malley also wrote a concurring opinion describing why a POP opinion is not due **any** deference, even if the plain meaning of the statute is ambiguous
- *Chevron* deference is only applied to an agency's implementation of a particular statutory provision "when it appears that Congress delegated authority to the agency generally to **make rules** carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority" (*United States v. Mead*, 533 US 218, 226-27 (2001))
- The AIA delegated certain rulemaking authority to the Director, expressly stating that the Director "shall prescribe regulations..."

No Deference Owed to PTO's Interpretation

- No congressional authorization in the AIA for the Director (or Board) to undertake statutory interpretation by POP opinions
- POP opinions are not equivalent to traditional notice-and-comment rulemaking
 - The announcement that a POP has been convened, and the issues it will review, is not published in the Federal Register (no formal opportunity for public comment)
 - Once decided, POP opinions are not published in the Fed. Reg.
 - Final rules published in the Fed. Reg. may be challenged by interested parties in court; there's no opportunity for amici to challenge a final POP decision in court
- Not entitled to *Skidmore* deference either (after weighing the appropriate factors)

Cited in Subsequent Federal Circuit Decision

- *Network-1 Technologies, Inc. v. Hewlett-Packard Company* (Fed. Cir. Sept. 24, 2020)
 - Network-1 sued HP, among others, for infringement of the '930 patent
 - Avaya, Inc. petitioned for IPR of the '930 patent, and the Board partially instituted its petition
 - HP filed an IPR petition and motion to join the Avaya IPR, but the petition was denied b/c it included different grounds than those already instituted
 - After HP's 1-year bar expired, HP filed a 2nd IPR petition and motion to join, this time including only the grounds already instituted
 - The Board allowed HP to join the Avaya IPR, but its final written decision held that neither of the challenged claims were unpatentable
 - At trial in dist. ct. (East. Dist. of Tx), HP argued the asserted claims were rendered obvious by different prior art than applied in the IPR petition

Cited in Subsequent Federal Circuit Decision

- *Network-1 Technologies, Inc. v. Hewlett-Packard Company* (cont'd)
 - Jury found that HP did not infringe any asserted claim of the '930 patent, and HP had shown all asserted claims are invalid
 - After verdict, Network-1 filed a motion for JMOL related to validity
 - Dist. Ct. granted motion for JMOL, concluding that because of HP's joinder to the Avaya IPR, HP should be estopped under 35 USC § 315(e) from raising the remaining obviousness challenges which it determined "reasonably could have been raised" in the Avaya IPR
 - 35 USC § 315(e)(2)

*CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter **that results in a final written decision** under section 318(a)...may not assert...in a civil action arising in whole or in part under section 1338 of title 28...that the claim is invalid on any ground that the petitioner raised **or reasonably could have raised** during that inter partes review.*

Cited in Subsequent Federal Circuit Decision

- *Network-1 Technologies, Inc. v. Hewlett-Packard Company* (cont'd)
 - HP appealed the dist. ct.'s JMOL
 - Fed. Cir. held that HP was only statutorily estopped from raising the invalidity grounds in the IPR it joined, not from raising other grounds
 - As a joining party, HP could not have raised **any** additional validity challenges in the Avaya IPR that weren't already instituted (citing *Facebook, Inc. v. Windy City Innovations, LLC*)

Any questions?

The End

