

THE PTAB IS NOT AN ARTICLE III COURT, PART 3:  
PRECEDENTIAL AND INFORMATIVE OPINIONS

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**This edition is not a direct reprint from the AIPLA Q. J. as printed—it’s a “Director’s Cut” edited to meet the needs of practicing lawyers, with updates to reflect cases decided in the year between article submission and final publication. The main differences from the published edition:**

- **Obscure or difficult-to-find sources (such as the PTO’s PTAB E2E) have added “WL” cites or URLs**
- **Cites that were mis-edited are corrected here (for example, in the printed edition, prosecution file histories are cited by attorney docket number; I’ve corrected them to application serial number).**
- **A little background from earlier articles is added here.**
- **The article is updated to reflect *Hyatt v. PTO* (decided after final edit) and *Kisor v. Wilkie* (decided two weeks after the paper edition was mailed).**

**Changes to the text of the article are highlighted. Changes to footnotes are not. Before you cite with the AIPLA Q.J. cite, you may wish to consult the published version to make sure your cite is valid against that version. The \* page numbers in the electronic edition will remain consistent with the paper edition.**

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## I. \*4 INTRODUCTION

When the Patent Trial and Appeal Board (PTAB) designates a decision as “precedential,” “informative,” “representative,” or “routine,” what is the legal effect? What does the United States Patent and Trademark Office (PTO) officially state the effect to be? How does the PTAB actually treat these decisions? What effect is permitted under the administrative law? These questions should all have the same answer. Differences arise when the PTAB operates outside the authority of the Patent Act, Administrative Procedure Act (APA), and related administrative law statutes. Applicants, PTAB trial participants, and the PTAB itself should understand the limits of the PTAB’s authority and available recourse when the PTAB exceeds its authority.

Section II pulls together the various laws that govern agency rulemaking and adjudication, and assembles them to explain the role of and limits on an agency’s common law rulemaking-by-adjudication. Section III looks a little deeper, applying the general legal concepts of Section II in the specific context of the PTAB and its Standard Operating Procedures (SOP), to set broader parameters for the PTAB’s “precedential” and “informative” opinions. Section IV looks at a number of PTAB decisions through those lenses. When is the PTAB acting within its authority and for the public interest, and when otherwise? Finally, Section V concludes with recommendations for the patent bar, the PTO, and the PTAB. What tools do lawyers have to guide the PTAB to better decision-making, and to appeal from bad decision-making?

This is Part 3 of a series explaining how the administrative law applies in the context of the U.S. Patent and Trademark Office. A recurring theme is that administrative law provides tools to guide agency decision-making, or to appeal agency decisions, tools designed to help agencies provide procedural predictability and higher-quality decision making, and provide the public with tools that are powerful enough to turn loser cases into winners:

- Part 0<sup>1</sup> discusses *Cuozzo Speed Technologies v. Lee*.<sup>2</sup> At the Supreme Court, the parties argued the case on patent law grounds, and lost—but the

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<sup>1</sup> See David Boundy, *Administrative Law Observations on Cuozzo Speed Technologies v. Lee*, LANDSLIDE (ABA), vol. 9 no. 3, digital feature (Jan.-Feb. 2017), available at [https://www.americanbar.org/publications/landslide/2016-17/january-february/administrative\\_law\\_observations\\_cuozzo\\_speed\\_technologies\\_v\\_lee.html](https://www.americanbar.org/publications/landslide/2016-17/january-february/administrative_law_observations_cuozzo_speed_technologies_v_lee.html).

<sup>2</sup> *Cuozzo Speed Technologies, LLC v. Lee*, 136 S.Ct. 2131, 119 USPQ2d 1065 (2016).

majority and dissenting opinions explain that it could have been an easy winner case had it been argued on administrative law grounds.

- \*5 Part 1<sup>3</sup> is a general primer on administrative rule making. At the 2018 Federal Circuit Judicial Conference, in the day’s opening remarks, Judge Plager (the court’s administrative law expert) urged that the patent bar would do well to develop a deeper understanding of the administrative law, and recommended Part 1 of this article series as a good place to start.
- Part 2<sup>4</sup> explains *Aqua Products, Inc. v. Matal*<sup>5</sup> as a case study in *Chevron* deference. At the Federal Circuit, the case was argued as a patent law case, and those arguments lost. However, a slim majority of the *en banc* court *sua sponte* developed the case on administrative law grounds and awarded the win to Aqua.

## II. STATUTES GOVERNING RULES OF PROSPECTIVE EFFECT

Let’s begin with a brief refresher on a few issues of administrative law.

Executive branch agencies do not have “inherent authority” to make law—the legislative power is vested in Congress, and the judicial power is vested in the courts.<sup>6</sup> Agencies have only such rulemaking authority as is delegated by statute and may exercise that authority *only* within procedures set by a number of statutes and executive orders.<sup>7</sup>

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<sup>3</sup> See David Boundy, *The PTAB is Not an Article III Court, Part 1: A Primer on Federal Agency Rule Making*, LANDSLIDE (ABA), vol. 10, no. 2, at 9-13, 51-57 (Nov.-Dec. 2017).

<sup>4</sup> See David Boundy & Andrew B. Freistein, *The PTAB Is Not an Article III Court, Part 2: Aqua Products v. Matal as a Case Study in Administrative Law*, LANDSLIDE (ABA), VOL. 10, NO. 5, at 44-51, 64 (May-Jun 2018).

<sup>5</sup> *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1296, 124 USPQ2d 1257, 1258 (Fed. Cir. 2017) (holding that a rule promulgated by PTAB adjudication was invalidly promulgated, and that in absence of proper rulemaking procedure, the rule was ineligible for *Chevron* deference).

<sup>6</sup> See U.S. Const. art. I, § 1; art. III, § 1; see generally Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 10.

<sup>7</sup> See *Chrysler Corp. v. Brown*, 441 U.S. 281, 303 (1979) (any regulation promulgated “must conform with any procedural requirements imposed by Congress. . . [A]gency discretion is limited not only by substantive, statutory grants of authority, but also by the procedural requirements which ‘assure fairness and mature consideration of rules of general application’”); see generally Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*.

A few specific applications of those two general principles—agencies (or agency components like the PTAB) can only act within the authority granted by statute, and then only within procedure—are especially important in understanding the PTAB’s authority to act by precedential or informative \*6 decision. So, let’s look at the various delegations of authority to the various components of the PTO, a few relevant provisions of the APA and related statutes as they apply to all agencies, and a few implications of *Chevron*<sup>8</sup> and *Auer*<sup>9</sup> deference to rulemaking. Then in Section III, we’ll come back and look at the general administrative law concepts and focus them in on PTAB rulemaking-by-adjudication.

#### A. THE PTO’S ISLANDS OF SUBSTANTIVE RULEMAKING AUTHORITY

The general rule is that the PTO has no general substantive rulemaking authority.<sup>10</sup> The PTO’s general rulemaking grant, 35 U.S.C. § 2(b)(2)(B), covers only procedural rules.

The PTO has only a few narrow and specific “islands” of substantive rulemaking authority, such as 35 U.S.C. § 2(b)(2)(D) (recognition of attorneys); §§ 41, 311(a), and 321(a) (fee setting); § 115(d) (standards for substitute statements); § 119(e) (standards for late priority claims); § 257(d) (conduct of supplemental examination); § 316(a) (an archipelago of thirteen islands of authority for conduct of *inter partes* review); and § 326(a) (same for post-grant review proceedings).

<sup>8</sup> See *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 468 U.S. 837, 843 (1984) (explaining judicial deference to certain agency rules that interpret statute and are otherwise validly promulgated).

<sup>9</sup> See *Auer v. Robbins*, 519 U.S. 452, 457–58 (1997) (same for interpretations of regulation).

<sup>10</sup> E.g., *Koninklijke Philips Elecs. N.V. v. Cardiac Sci. Operating Co.*, 590 F.3d 1326, 1336–37, 93 USPQ2d 1227, 1234 (Fed. Cir. 2010) (“The PTO lacks substantive rulemaking authority. ... Judicial precedent is as binding on administrative agencies as are statutes. We remind ... the Board that they must follow judicial precedent instead of [PTO regulations] because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent,” citations and quotations omitted); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (statute “does NOT grant the Commissioner the authority to issue substantive rules”); see also *Brand v. Miller*, 487 F.3d 862, 869 n.3, 82 USPQ2d 1705, 1709 n.3 (Fed. Cir. 2007) (“[T]he Board does not earn *Chevron* deference on questions of substantive patent law.”).

Each of these statutes delegates rulemaking authority to the agency as a whole or to the Director of the PTO, not the PTAB.

The PTAB only has authority to *adjudicate*: to decide appeals and to decide *inter partes* reviews (IPRs), post-grant reviews (PGRs), covered business method reviews (CBMs) and the like.<sup>11</sup> Whatever policy-making authority the PTO has is lodged in \*7 the Director, and even that is very limited. For example, the broadest grant of “policy” authority is in § 2(a)(2)(A)—the Director has authority to “provide policy direction . . . for the Office” but not for the public or for the patent system.

#### B. THE ADMINISTRATIVE PROCEDURE ACT

The APA governs all actions of executive branch agencies, including the PTAB’s decisions.<sup>12</sup>

##### 1. 5 U.S.C. § 553 and the Rulemaking Spectrum

The APA and other statutes set forth the basics of agency rulemaking.<sup>13</sup> The APA’s rulemaking provisions cover all statements by which an agency proposes to govern prospective conduct, whether binding or advisory, no matter what process is used by the agency.<sup>14</sup> The word “rule” is defined in the APA, § 551(4) to cover the broadest genus of agency statements having future effect:

The Administrative Procedure Act (APA), 5 U.S.C. §§ 551 et seq., broadly defines an agency rule to include nearly every statement an agency may make:

(4) “rule” means the whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or

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<sup>11</sup> E.g., 35 U.S.C. §§ 6, 134, 316(c), 318, 326(c), 328 (2012). See notes 41 and 118–125, *infra*, and accompanying text for a discussion of the “dichotomy” that the APA draws between adjudication and rulemaking.

<sup>12</sup> 5 U.S.C. § 559 (APA applies to all agencies, unless carved out explicitly by statute); *Dickinson v. Zurko*, 527 U.S. 150, 152, 50 USPQ2d 1930, 1931–32 (1999) (PTO is an “agency” within the APA).

<sup>13</sup> The basics of agency rulemaking and the major laws that govern agency rules are introduced in Part 1 of this article series. See generally Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 9. Part 1 explains rulemaking authority, procedure, and binding effect, for the spectrum of legislative rules, *Chevron* interpretations, interpretative rules, and policy statements. *Id.* at 13, 51–52.

<sup>14</sup> See *Batterton v. Marshall*, 648 F.2d 694, 700–01 (D.C. Cir. 1980).

policy or describing the organization, procedure, or practice requirements of an agency . . . or practices bearing on any of the foregoing[.]

5 U.S.C. § 551(4) (1976). \*8 The breadth of this definition cannot be gainsaid. . . . In keeping with the general commitment to public notice and participation, the APA provides only limited exceptions to these requirements.<sup>15</sup>

The default requirement for rulemaking procedure is that an agency can only bind the public through a regulation promulgated via notice-and-comment procedures.<sup>16</sup> However, there are several exemptions that permit an agency to engage in “rulemaking” without notice and comment. The three that matter to the PTO are procedural rules, interpretative rules, and general statements of policy:

- Procedural rules do not require notice and comment, unless an agency’s organic statute says otherwise<sup>17</sup> or the rule falls within the notice and comment requirement of the Paperwork Reduction Act.<sup>18</sup>
- “Interpretative rules,” that is, interpretations of **genuine** ambiguity (not to be confused with gap-filling),<sup>19</sup> may be promulgated without notice and comment, but are entitled to only limited deference under *Skidmore v. Swift*.<sup>20</sup> But “interpretative” lightweight, publication-only procedure

<sup>15</sup> *Batterton*, quoted note 14, *supra*, 648 F.2d at 700–01.

<sup>16</sup> See 5 U.S.C. § 553(b)–(d) (2012).

<sup>17</sup> 35 U.S.C. § 2(b)(2) apparently requires the PTO to use notice and comment for its procedural rules, as discussed in Part 1 of the series. Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 51–52.

<sup>18</sup> The Paperwork Reduction Act has a notice-and-comment provision that applies to most procedural rules. 44 U.S.C. §§ 3506, 3507 (2012) (see especially § 3506(c)(3)(D) and 5 C.F.R. § 1320.9(d)). The Act and its notice-and-comment requirement is introduced in Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52.

<sup>19</sup> “Genuine ambiguity” is a term of art newly coined in *Kisor v. Wilkie*, note 32, *infra*, slip op. at 4, 139 S.Ct. at 2410. Earlier editions of this article used the term “active ambiguity.”

<sup>20</sup> 5 U.S.C. § 553(b)(A) and (d)(2); *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944), discussed in Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 53–54. Dean John Manning, in his article *Nonlegislative Rules*, 72 GEO. WASH. L. REV. 893 (June 2004) noted “Among the many complexities that trouble administrative law, few rank with that of sorting valid from invalid uses of



\*9 comes with a price for the agency: until they've been blessed by an Article III court, "interpretative" rules (promulgated through less than notice-and-comment procedure, and not currently expressed as "regulations") are only an agency's "best guess" as to what a statute or regulation means, not the last word on the subject—the agency must entertain arguments for alternative interpretations.<sup>21</sup> (An agency may also "interpret" by a full-procedure regulation, and then that

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so-called 'nonlegislative rules.'" Excellent explanations of "interpretative" rules and *Skidmore* deference are found in *Drake v. Honeywell, Inc.*, 797 F.2d 603, 607 (8th Cir. 1986) (explaining how an interpretative rule is persuasive and does not have the force of law); Robert A. Anthony, *Interpretive Rules, Policy Statements, Guidances, Manuals, And The Like--Should Federal Agencies Use Them To Bind The Public?*, 41 DUKE L.J. 1311, 1322-23 (Jun. 1992) (citations omitted); JEFFREY S. LUBBERS, A GUIDE TO FEDERAL AGENCY RULEMAKING Part II, § 1(D)(3) at 73-105; and Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 53-54.

- <sup>21</sup> *Perez v. Mortgage Bankers Assn.*, 575 U.S. \_\_\_, \_\_\_, 135 S.Ct. 1199, 1204 (2015) ("[T]he critical feature of interpretive rules is that they are 'issued by an agency to advise the public of the agency's construction of the statutes and rules which it administers.' The absence of a notice-and-comment obligation makes the process of issuing interpretive rules comparatively easier for agencies than issuing legislative rules. But that convenience comes at a price: Interpretive rules do not have the force and effect of law and are not accorded that weight in the adjudicatory process," citations and internal quotations omitted); GOOD GUIDANCE BULLETIN, note 457, *infra*, § II(2)(h) (agency may not rely on guidance to "foreclose agency consideration of positions advanced by affected private parties."); *Chrysler*, note 7, *supra*, 441 U.S. at 315 (after agency characterizes a rule as "interpretative," holding that "[A] court is not required to give effect to an interpretative regulation."); *Nat'l Latino Media Coal. v. F.C.C.*, 816 F.2d 785, 787-88 (D.C. Cir. 1987) ("[A] 'legislative rule' . . . is a rule that is intended to have and does have the force of law. A valid legislative rule is binding upon all persons, and on the courts, to the same extent as a congressional statute. . . . An 'interpretative' rule, by contrast, does not contain new substance of its own but merely expresses the agency's understanding of a congressional statute. . . . Thus an interpretative rule does not have the force of law and is not binding on anyone, including the courts. . . ."); *Drake*, note 20, *supra*, 797 F.2d at 607 ("Being in nature hortatory, rather than mandatory, interpretive rules can never be violated."); *Cubanski v. Heckler*, 781 F.2d 1421, 1426 (9th Cir. 1986) ("[A]n interpretive rule is one issued without delegated legislative power. . . . Such rules are essentially hortatory and instructional in that they go more 'to what the administrative officer thinks the statute or regulation means.'").

interpretation is a “legislative” rule with all the accompanying force of law.<sup>22</sup>)

- **\*10** An agency may issue hortatory “general statements of policy” by simply publishing them.<sup>23</sup> Policy statements are nonbinding rules of thumb, suggestions for conduct, tentative indications of an agency’s hopes; they have no binding effect whatsoever.<sup>24</sup> A policy statement “genuinely leaves the agency and its decisionmakers free to exercise discretion,” and “a statement of policy may not have a present effect: a ‘general statement of policy’ is one that does not impose any rights and obligations.”<sup>25</sup>

Legislative rules, *Chevron* interpretations, interpretative rules, and policy statements lie on a spectrum: requirements for delegation of rulemaking authority, procedure for promulgating a rule, and binding effect of the rule, vary together along that spectrum. This spectrum and diagram are explained in Part 1 of this article series.<sup>26</sup>

<sup>22</sup> RICHARD PIERCE, ADMINISTRATIVE LAW, § 6.4 at 433-34 (5th ed. 2010) (“A rule that performs [an] interpretative function is a legislative rule rather than an interpretative rule if the agency has the statutory authority to promulgate a legislative rule and the agency exercises that power.”).

<sup>23</sup> See 5 U.S.C. §§ 552(a), 553(b)(A), 553(d) (2012); Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 13, 54.

<sup>24</sup> E.g., *McLouth Steel Prods. Corp. v. Thomas*, 838 F.2d 1317, 1320 (D.C. Cir. 1988) (“A policy statement is one that first, does not have ‘a present-day binding effect,’ that is, it does not ‘impose any rights and obligations,’ and second, ‘genuinely leaves the agency and its decisionmakers free to exercise discretion.’”); *Cnty. Nutrition Inst. v. Young*, 818 F.2d 943, 946 (D.C. Cir. 1987); *Brock v. Cathedral Bluffs Shale Oil Co.*, 796 F.2d 533, 537 (D.C. Cir. 1986) (Scalia, J.) (“A general statement of policy, on the other hand, does not establish a ‘binding norm.’ It is not finally determinative of the issues or rights to which it is addressed. . . . A policy statement announces the agency’s tentative intentions for the future.”); *Burroughs Wellcome Co. v. Schweiker*, 649 F.2d 221, 224 (4th Cir. 1981) (“[A] policy statement must leave the agency free to exercise its discretion and must not establish a ‘binding norm.’ It must not be finally determinative of the issues or rights to which it is addressed.”).

<sup>25</sup> *Cnty. Nutrition Inst.*, note 24, *supra*, 818 F.2d at 946.

<sup>26</sup> See Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 13 (presenting the spectrum in table form).

← greater procedure, greater binding effect		less procedure, less binding effect →	
legislative rules and <i>Chevron</i> gap-fills	<i>Chevron/Auer</i> interpretations	interpretative rules	policy statement
housekeeping legislative rules	housekeeping <i>Chevron/Auer</i> interpretation	housekeeping interpretative rules	housekeeping policy statements
agency-facing substantive		agency-facing substantive	agency-facing substantive
substantive	public-facing substantive legislative rules and <i>Chevron</i> gap fills	public-facing substantive interpretative	public-facing substantive policy statement
	A gap-filling regulation that sets claim interpretation standard to either “broadest reasonable interpretation” or to “ordinary meaning,” or any allocation of the burden of proof—if the statute is silent, such rules must be promulgated by “legislative” regulation. Valid if within a grant of statutory rule making (e.g., §§ 316(a)/326(a)), and invalid if under § 2(b)(2).	<p>MPEP § 201.22(II)(B), which interprets 35 U.S.C. § 120 to permit filing of a continuation application on the day that the patent issues.</p> <p>The elaboration of the CREATE Act in MPEP § 706.02(I).</p>	<p>37 C.F.R. § 1.75(e), stating that patent claims “should” be in a format that eases examination (but no one follows this rule—and the PTO does not penalize).</p> <p>PTO’s policy to accept an attorney’s statement of common ownership to gain benefit of pre-AIA § 103(c) or post-AIA § 102(c), but leaving discretion for inquiry.</p>
procedural	public-facing procedural legislative rules and <i>Chevron</i> gap fills	public-facing procedural interpretative	public-facing procedural policy statement
	Most of the familiar regulations by which agencies specify procedures before the agency, e.g., 37 C.F.R. Part 1 governing patent applications	Elaboration of agency procedural statutes and regulations in guidance—public-facing statements in agency staff manuals offering interpretations of agency procedural rules. E.g., MPEP § 607.02 interpreting refund provisions of 35 U.S.C. § 42.	Manual of Patent Examining Procedure § 503, concerning Patent Office policy, explaining a sufficient condition for showing “lost in the mail” and asking the Patent Office to accept a substitute, but not implying that these are necessary conditions.



Rules classify on five characteristics –

- Does the agency (and the specific part of the agency) have relevant rulemaking authority?
- Is the rule directed to regulating conduct of agency staff, or directed to conduct of the public? This table shows this as the two layers (the dimension into the paper, shown in lighter color).
- Is the rule procedural or substantive? That's the two rows.
- Is the rule stated in mandatory language or hortatory?
- Is the rule an interpretation of a "genuine ambiguity"<sup>27</sup> in an underlying statute or regulation, vs. is it a rule without interpretive grounding?

The columns reflect a spectrum of options for rule making procedure, and are determined by the last two of the five characteristics. For rules with "large" effect against any member of the public, the agency must use high formality procedure, toward the left. For rules of "small" effect, an agency has a range of options, from low-formality procedure (the right-most columns), to higher procedure (to the left). The agency's choice of procedure governs the degree of binding effect on the public and courts.

These characteristics (and the cell of the table that the characteristics sort into) determine –

- The authority of the agency to promulgate the rule (or even have an opinion)
- The procedure that the agency must use to promulgate the rule. The two main points on that spectrum under the Administrative Procedure Act are mere publication notice in the Federal Register vs. notice and comment. There are variants on those themes arising under the Paperwork Reduction Act, Regulatory Flexibility Act, Executive Order 12,866, Good Guidance Bulletin, etc.
- The degree of binding effect of the rule –
  - If directed to the public, does a member of the public have to follow it, may that person argue for an exception or carve-out, or can the public just plain ignore it and dare the agency to try to enforce it?
  - If directed to agency staff, does an agency employee have sufficient authority to create an exception or carveout (and which employees have sufficient authority to do so and with what formality), or does the agency have to go through notice and comment?

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<sup>27</sup> "Genuine ambiguity" is a term of art newly coined in *Kisor v. Wilkie*, note 32, *infra*, slip op. at 4, 139 S.Ct. at 2410. Earlier editions of this article used the term "active ambiguity."

With that understanding, every rule fits into one cell of a three-dimensional grid. Rulemaking and judicial review proceed through the following steps:

1. During initial agency rulemaking, the five characteristics determine a starting cell for the rule in the three-dimensional grid. The operative facts in this initial classification are:
  - a. Whether the rule governs the public or governs the agency—this determines which layer.
  - b. Whether the rule is substantive or procedural—this determines which row.
  - c. The degree to which the rule is grounded in text of an underlying law, and whether the rule uses “must” or “should” language—this determines a starting column.<sup>28</sup>

A wise agency starts with the assumption that a public-facing rule slots into the top left corner, and only moves away when sound analysis confirms that a rule is eligible for one of the exemptions.

2. Each cell has a minimum “floor” of required procedure for the rule, set by (some combination of) § 553 of the APA, §§ 3506, 3507 of the Paperwork Reduction Act, the Regulatory Flexibility Act, the Congressional Review Act, Executive Order 12,866, the *Good Guidance Bulletin*, etc.
3. So long as the agency meets that floor, the agency has discretion to choose that level of procedure, or any higher level, further to the left—
  - a. If the rule is within the agency’s rule making authority, the agency has the option to increase binding effect by increasing its level of procedure to meet a column further to the left. There’s no downside to the agency to doing so, except the work to go through the procedure (and that work can be substantial), and a lock-in for future amendments (future amendments or repeal require the same level of procedure<sup>29</sup>).

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<sup>28</sup> The distinction between the two “interpretative” columns against the “legislative” column is discussed in notes 19-22, *supra*, and 32-35, *infra*.

<sup>29</sup> *Perez v. Mortgage Bankers’ Assn.*, 575 U.S. \_\_\_, \_\_\_, 135 S.Ct. 1199, 1206-07 (2015) (“the D.C. Circuit correctly read § 1 of the APA to mandate that agencies use the same procedures when they amend or repeal a rule as they used to issue the rule in the first instance”; an agency may interpret a statutory term one way in an informal interpretive letter, and later alter its interpretation by withdrawing the earlier letter and issuing a new one, without notice and comment—even a long-standing interpretation, if not

- b. On the other hand, if no statute requires notice and comment or some other aspect of higher procedure, the agency may issue its rule by precedential decision, memorandum, etc. However, by exercising the discretion to use “lighter” procedure (e.g., guidance, rulemaking by adjudication), the agency accepts three risks: loss of judicial deference to the interpretation, risk that a court may second-guess the classification, and decide that higher procedure was required. Either of those risks may result in loss of the agency’s ability to enforce the rule.
4. The agency promulgates the rule with the level of procedure the agency chooses.
5. On judicial review, the analysis proceeds in the opposite direction, because all of the history that governed steps 1-4 have merged into the current state. Judicial review is generally clearest and easiest if a court starts at the end, and works backwards through the steps:
  - a. Ask a simple question: what degree of procedure did the agency actually use? That characterizes the rule by column (“legislative” or “*Chevron/Auer*” or “interpretative” or “policy statement”).
  - b. That column, plus the row and layer, sets a degree of binding effect that the agency may apply. If the agency is enforcing greater effect, then the usual outcome on judicial review is a decision against the agency, typically (for a rule in the public-facing layer) either that the rule is unenforceable against the public (invalid), or that the agency loses deference, or that an underlying legal text is interpreted adverse to the agency.
  - c. If the rule survives that step, then the procedure actually used determines the taxonomic column, and that in turn, determines the degree of judicial deference to the agency.

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issued with notice and comment procedure, can be amended), *overruling* *Alaska Professional Hunters Ass’n v. FAA*, 177 F.3d 1030 (D.C. Cir. 1999) and *Paralyzed Veterans of Am. v. D.C. Arena L.P.*, 117 F.3d 579 (D.C. Cir. 1997); *Clean Air Council v. Pruitt*, 862 F.3d 1, \_\_\_ (D.C. Cir. 2017) (EPA cannot “stay” a legislative rule via a Federal Register notice—repeal or stay of a notice and comment rule requires notice and comment rulemaking). The “same level of procedure” embeds the exemptions—for example, an exception or repeal of a legislative rule that “grants or recognizes an exemption or relieves a restriction” can be promulgated with simple publication, without notice and comment, under § 553(d)(1).

Alternatively, on judicial review, the analysis can start at a slightly different end point, and work backwards through a slightly different set of steps:

- d. How is the agency using the rule? What degree of binding effect does the agency attribute to the rule?
- e. Did the agency observe sufficient procedure to create that level of binding effect?

By 5 U.S.C. § 553(b)(A) and (d)(2), Congress delegated blanket authority to agencies to *interpret* and resolve ambiguity in statutes or regulations. In the course of agencies' adjudication of matters that are properly before them, issues from other bodies of law arise, and as a matter of practical necessity, each agency must do the best it can to resolve those issues of "foreign" law.<sup>30</sup> Those rulings, of course, have effect for the parties to single cases, subject to the ordinary appeal path of review. But for a decision to have any prospective effect against other parties, the agency's authority is specified by the Administrative Procedure Act. *Gap-filling* authority exists only where expressly delegated, and only when the agency exercises that authority under the procedures specified by Congress.<sup>31</sup> Authority to "interpret" (within the agency's scope of rulemaking authority or not) requires only minimal procedure, but that leniency exists only for "genuine ambiguity," such as a conflict, careless drafting, an awkward or ambiguous term, a sentence with an ambiguous parse, an aspirational or general term, a sentence with an opaque construction, or a sentence whose meaning is susceptible to more than one reading when applied to a fact pattern that the agency could not have reasonably foreseen, or a reflection of "the well-known limits of expression or knowledge."<sup>32</sup> Prof. Robert \*11 Anthony, who was Chairman of the Administrative Conference of the United States 1974-79, explained that:

<sup>30</sup> *E.g., Covidien LP v. University of Florida Research Foundation Inc.*, IPR2016-01274, paper 21 (P.T.A.B. Jan. 25, 2017) (on a motion to dismiss an IPR on constitutional sovereign immunity grounds, applying the law of the Florida Supreme Court to decide that the Research Foundation is a state actor).

<sup>31</sup> *See Chrysler*, *supra* note 7, 441 U.S. at 309.

<sup>32</sup> *Kisor v. Wilkie*, [https://www.supremecourt.gov/opinions/18pdf/18-15\\_9p6b.pdf](https://www.supremecourt.gov/opinions/18pdf/18-15_9p6b.pdf) No. 18-15, slip op. at 4, 139 S.Ct. 2400, 2410, 588 U.S. \_\_\_\_ (2019) ("For various reasons, regulations may be genuinely ambiguous. They may not directly or clearly address every issue; when applied to some fact patterns, they may prove susceptible to more than one reasonable reading. Sometimes, this sort of ambiguity arises from careless drafting—the use of a dangling modifier, an awkward word, an opaque construction. But often, ambiguity reflects the well-known limits of expression or knowledge. The subject matter of a rule 'may be so specialized and varying in nature as to be



[Interpretive rules] are rules that interpret statutory [sic: or regulatory] language which has some tangible meaning, rather than empty or vague language like ‘fair and equitable’ or ‘in the public interest.’ ... [W]hen an agency uses rules to set forth new policies that will bind the public, it must promulgate them in the form of legislative rules.”<sup>33</sup>

A passive silence in the underlying statute or regulation filled by a new rule, or a new rule that is merely “consistent with” or “not negated” by the underlying statute or regulation, are almost never sufficient bases to exercise § 553(b)(A) “interpretative” publication-only procedure.<sup>34</sup> There must be an underlying statute or regulation that *itself* has force of law, and that underlying law must require interpretation.<sup>35</sup>

This area, especially the dividing line between interpretative and legislative rules, has vexed courts for decades.<sup>36</sup> Only recently has order begun to

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impossible”—or at any rate, impracticable—to capture in its every detail.”); see LUBBERS, note 20, *supra* at 90 (an agency may promulgate an “interpretative” rule “only if the agency’s position can be characterized as an ‘interpretation’ of a statute or legislative regulation rather than as an exercise of independent policymaking authority”), quoting Manning, note 20, *supra*.

<sup>33</sup> Anthony, note 20, 41 DUKE L.J. at 1312-13.

<sup>34</sup> *Kisor*, note 32, *supra*, slip op. at 12-13, 139 S.Ct. at 2415 (“in a vacuum, our most classic formulation of the test—whether an agency’s construction is ‘plainly erroneous or inconsistent with the regulation’—may suggest a caricature of the doctrine, in which deference is ‘reflexive.’ But in fact *Auer* does no such thing.”); *Mission Grp. Kan., Inc. v. Riley*, 146 F.3d 775, 783 n. 8 (10th Cir. 1998) (quoting Richard A. Posner, *The Rise and Fall of Administrative Law*, 72 CHI.-KENT L. REV. 953, 962 (1997) (mere “consistency” between a rule and regulation does not establish a valid “interpretive rule” by itself, if there’s no underlying language to be interpreted).

<sup>35</sup> LUBBERS, note 20, *supra* at 90 (an agency may promulgate an “interpretative” rule “only if the agency’s position can be characterized as an ‘interpretation’ of a statute or legislative regulation rather than as an exercise of independent policymaking authority”).

<sup>36</sup> See, e.g., Manning, note 20, *supra*; Richard Pierce, *Distinguishing Legislative Rules from Interpretative Rules*, 52 ADMIN. L. REV. 547 (Spring 2000) (“For over fifty years, courts and commentators have struggled to identify, and to apply, criteria that are appropriate to distinguish between legislative rules and interpretative rules. The results have not been pretty.”); *Community Nutrition*, *supra* note 24, 818 F.2d at 946, 947 n. 8 (citing past decisions characterizing the distinction as “tenuous,” “fuzzy,” “blurred,” “baffling,”

emerge from chaos, largely through a new focus on precise vocabulary.<sup>37</sup> But the \*12 old chaos continues to influence recent decisions. For example, in *Aqua Products*, Judge Hughes' dissent starts with the proposition that the words "rule" and "regulation" are "used interchangeably."<sup>38</sup> The two words are *not* equivalent. While it is true that all "regulations" are also "rules"—the APA defines "rule" as the broadest genus<sup>39</sup>—it does not follow that every "rule" is a "regulation."

The *Aqua* dissent then expresses a concern that forcing an agency to follow the procedural steps of § 553 and the other statutes that govern agency rulemaking would "make the administrative process inflexible and incapable of dealing with many of the specialized problems which arise."<sup>40</sup> The *Aqua* dissent overlooks the "dichotomy" between agency adjudication and rulemaking.<sup>41</sup> Further, this dissent cites a case—at the specific page of the case—in which the Supreme Court discourages "*ad hoc* adjudication to formulate new standards of conduct" when issues are predictable, and encourages use of statutory rulemaking procedure except for issues that the agency "could not reasonably foresee."<sup>42</sup> The dissent overlooks ways that the APA differentiates what an agency can do in adjudicating a single case vs. what it can do in promulgating a rule of prospective effect.<sup>43</sup>

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and "enshrouded in considerable smog" and acknowledging that a prior attempt at a "real dividing point" was an oversimplification).

<sup>37</sup> See *Kisor*, note 32, *supra*, slip op. at 12-13, 139 S.Ct. at 2410 (defining "genuine ambiguity"); *Perez*, note 21, *supra* (clarifying use of the terms "interpretive" vs. "legislative" rules); Boundy, *Part 1: Rulemaking Primer*, note 3, *supra* at 51 (explaining the older confusing vocabulary and emerging, more precise, new vocabulary).

<sup>38</sup> *Aqua*, note 5, *supra*, 872 F.3d at 1365, 124 USPQ2d at 1304 (Hughes, J., dissenting).

<sup>39</sup> 5 U.S.C. § 551(4); *Batterton*, notes 14 and 15, *supra*.

<sup>40</sup> *Aqua*, note 5, *supra*, 872 F.3d at 1365, 124 USPQ2d at 1277 (Hughes, J., dissenting), citing *SEC v. Chenery Corp. (Chenery II)*, 332 U.S. 194, 202 (1947).

<sup>41</sup> E.g., U.S. DEPT. OF JUSTICE, ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT (1947) at 14 ("the entire Act is based upon a dichotomy between rule making and adjudication."); compare § 553 (rulemaking) with § 554 (formal adjudication). This dichotomy is further developed at notes 118-125, *infra*, and accompanying text.

<sup>42</sup> *Chenery II*, note 40, *supra*, 332 U.S. at 202-03.

<sup>43</sup> *Aqua*, note 5, *supra*, 872 F.3d at 1360-67, 124 USPQ2d at 1301-06 (Hughes, J., dissenting).

The *Aqua* dissent's dismissive view of statutory rulemaking procedure is an outlier from a "near unanimous" recognition of the importance of public participation, agency deliberation, policy balancing, and notice.<sup>44</sup> This dissent's \*13 minimalist view of an agency's procedural obligations is in tension with decades of Supreme Court's case law.<sup>45</sup> Over the last two decades, the Supreme Court has recognized that § 553 rulemaking and its procedures are crucial to *Chevron* and *Auer* deference.<sup>46</sup> The *Aqua* dissent observes—correctly—that an agency may *interpret* statutes and regulations by lightweight procedures less formal than notice-and-comment and regulation. Of course § 553(a) and (d) assure us of that. But the dissenters would have extrapolated the § 553 lightweight procedure exemption beyond its statutory role of *interpreting ambiguity*, and would have affirmed a rule that the PTAB made up on the fly, with no textual grounding.<sup>47</sup>

Congress displays acute care in its choice of words in the Patent Act, to track general principles of administrative law. The Patent Act is quite consistent in delegating authority to promulgate "regulations" for issues that are foreseeable and determine substantial rights.<sup>48</sup> In contrast, authority to act by "rule" or to set

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<sup>44</sup> ATTORNEY GENERAL'S MANUAL, note 41, *supra*, at 15 (explaining reasons that Congress enacted procedural requirements for rulemaking); PIERCE, note 22, *supra* § 6.8 at 496, *The Many Advantages of Rules and Rulemaking* ("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 to issue rules." and collecting cases).

<sup>45</sup> *E.g.*, *Chrysler*, note 7, *supra*, 441 U.S. at 303; *Gonzalez*, note 132, *infra*, 546 U.S. at 255-56, and accompanying text.

<sup>46</sup> See note 93, *infra*, and its accompanying text.

<sup>47</sup> *Aqua*, note 5, *supra*, 872 F.3d at 1367, 124 USPQ2d at 1306 (Hughes, J. dissenting); Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, at 44-51.

<sup>48</sup> The following statutes grant the Director (or the Office) the authority to promulgate *regulations*. 35 U.S.C. § 2(b)(2) ("The Office ... may establish" general procedural regulations), § 2(b)(2)(D) ("The Office ... may establish regulations ... [to] govern the recognition and conduct of agents [and] attorneys"); § 41 ("The Director may by regulation provide for [fee] refund"); § 115(d) and (h) ("the Director may ... by regulation" specify circumstances for substitute statements), § 119(a) and (e) ("The Director may prescribe regulations" for priority claims to foreign applications and provisional applications), § 123(a) (Director may issue regulations to define small

\*14 “procedures” is delegated only for (a) supervision of acts of agency employees,<sup>49</sup> (b) issues where equitable discretion is needed to adjudicate one-off past facts (for example, to cure lost mail or missed deadlines) but foresight of all possible future situations is nigh impossible,<sup>50</sup> and (c) ministerial acts that do not effect substantial rights.<sup>51</sup> 35 U.S.C. § 257(d)(2) is particularly instructive on the difference between “regulation” and non-regulation: the Director shall issue *regulations* for the public to follow in requests for supplemental examination, and *procedures* for PTO employees to follow in reviewing those requests.

“Nearly every statement an agency may make” with prospective effect is governed by the APA, and the PTO should not “end run” it.<sup>52</sup>

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entities); § 132(b) (“The Director shall prescribe regulations” for RCEs); § 135 (“The Director shall prescribe regulations... for the conduct of derivation proceedings”); § 154(b)(2) and (3) (“The Director shall prescribe regulations” for term adjustment); §§ 206, 208 (“The Secretary of Commerce is authorized to promulgate regulations” for Bayh-Dole); § 257(d) (“The Director shall issue regulations” to govern supplemental examination), 311(a) (“The Director shall establish, by regulation, fees” for IPR), § 312(a)(4) (“Director may ... by regulation” govern IPR petitions); § 316(a) and (d)(2) (“The Director shall prescribe regulations” for IPRs), § 321(a), § 322(a)(4), § 326 (same for PGR), discussed in Section II.A.

<sup>49</sup> See the discussion of “housekeeping rules” and the *Accardi* principle, Section II.E, *infra*.

<sup>50</sup> See the discussion of *Chenery II* note 42, *supra*, and accompanying text.

<sup>51</sup> The following statutes grant to the Director (or Secretary of Commerce) rulemaking authority *without* regulation. 35 U.S.C. § 21(a) (“The Director may by rule” specify rules for lost mail); § 23 (“The Director may establish rules” for affidavits and depositions); § 25 (“The Director may by rule” prescribe declaration in lieu of oath); § 27 (“The Director may establish procedures” to revive an unintentionally abandoned application); §§ 119, 120, and § 365(b) (“The Director may establish procedures” for an unintentionally delayed priority claim); § 122(b)(1)(A) (The Director will determine procedures for publication of applications); § 122(c) (“The Director shall establish appropriate procedures” governing protest or pre-issuance opposition); § 122(d) (“The Director shall establish appropriate procedures” governing secrecy orders); § 181 (Secretary of Commerce to prescribe rules for appeal of secrecy orders); § 384 (“The Director may establish procedures” for review of filing date for Hague design application).

<sup>52</sup> See *Batterton*, notes 14 and 15, *supra*, and accompanying text; *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1339, 124 USPQ2d at 1287 (Reyna, J. concurring) (“The Patent Office cannot effect an end-run around its congressionally

2. *The Notice Requirements of 5 U.S.C. §§ 552 and 553*

Basic notions of due process require agencies to give notice to the public of all rules and interpretations of rules. Each agency is required by § 552(a)(1) to publish in the Federal Register all “statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available”; rules of procedure; substantive rules; statements of general policy; and each amendment, revision, or \*15 repeal. Section 552(a)(1) further provides that notice may be given in three ways: (i) bodily in the Federal Register; (ii) when the document is “reasonably available to the class of persons affected thereby,” and incorporated by reference into the Federal Register with the approval of the Director of the Federal Register;<sup>53</sup> or (iii) personal, actual, and timely notice to affected individuals. The statute gives the public an extraordinarily powerful right:

Except to the extent that a person has actual and timely notice of the terms thereof, a person may not in any manner be required to resort to, or be adversely affected by, a matter required to be published in the Federal Register and not so published. For the purpose of this paragraph, matter reasonably available to the class of persons affected thereby is deemed published in the Federal Register when incorporated by reference therein with the approval of the Director of the Federal Register.

Other materials, including “final opinions, including concurring and dissenting opinions, as well as orders, made in the adjudication of cases,” “statements of policy and interpretations which have been adopted by the agency and are not published in the Federal Register,” and “administrative staff manuals and instructions to staff that affect a member of the public,” are covered by § 552(a)(2). If they don’t meet the § 552(a)(1) requirement for publication in the Federal Register, the agency must make them available in an electronic reading room, and index them.<sup>54</sup> Similarly:

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delegated authority by conducting rulemaking through adjudication without undertaking the process of promulgating a regulation. ... “).

<sup>53</sup> Procedures by which an agency may incorporate by reference into the Federal Register are set forth in 1 C.F.R. § 51.5 *et seq.* It’s a procedure of some formality.

<sup>54</sup> The requirements for Federal Register publication of “rules” under § 552(a)(1) and for availability-and-indexing of § 552(a)(2) are not mutually exclusive. *Gray v. Sec’y of Veterans Affairs*, 875 F.3d 1102, 1114-15 (Fed. Cir. 2017). Precedential decisions that an agency intends to rely on as “rules” must be published through both channels.

A final order, opinion, statement of policy, interpretation, or staff manual or instruction that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—

- (i) it has been indexed and either made available or published as provided by this paragraph; or
- (ii) the party has actual and timely notice of the terms thereof.

To be exempt from § 552(a)(1) Federal Register publication, the agency provision must not purport to have force of law, must not purport to state how the issue should or will be decided by the final agency decisionmaker, and must not contain any “statement of general ... applicability and future effect designed to implement ... or prescribe ... law or policy.”<sup>55</sup>

Instead, the PTO issues “rules” to which the PTO attaches binding prospective effect through dozens of channels:

- Some rules and interpretations are published in the Federal Register—as they are supposed to be.
- Some in the PTO’s *sui generis* Official Gazette.<sup>56</sup> Sometimes the Official Gazette is months behind in publishing notices, or they never get published at all.<sup>57</sup>

<sup>55</sup> *LeFevre v. Sec’y of Veterans Affairs*, 66 F.3d 1191, 1192-93 (Fed. Cir. 1995); *Disabled Am. Veterans v. Sec’y of Veterans Affairs*, 859 F.3d 1072, 1074 (Fed. Cir. 2017) (where “manual provisions are interpretations adopted by the agency, not published in the Federal Register, not binding on the Board itself, and contained within an administrative staff manual, they fall within § 552(a)(2) —not § 552(a)(1)”; *Cathedral Candle Co. v. Int’l Trade Comm’n*, 400 F.3d 1352, 1370 (Fed. Cir. 2005) (“An agency interpretation that merely restates the requirements of a statute, on its face or as construed, need not be published, since it is the statutory directive, not the agency’s interpretation, that governs in such cases. [After an Article III court construes a statute], the Commission’s failure to publish its interpretation of section 777 does not bar the enforcement of the statute as we have construed it.”).

<sup>56</sup> For example, the “Pre-Appeal Brief Request for Review” exists only in O.G. notices, not in a regulation, not in a Federal Register notice. See Joseph J. Rolla, *New Pre-Appeal Brief Conference Pilot Program*, 1296 OFFICIAL GAZETTE PAT. & TRADEMARK OFF. 67, 69 (2005) (PTO rules inconsistent with the pilot program are waived “until regulations directed to pre-appeal brief conferences are promulgated”). A memorandum is a permissible mechanism for promulgating such a rule, because the pre-appeal rule operates in favor of

- Some in agency staff manuals—the Manual of Patent Examining Procedure (MPEP) contains *hundreds* of interpretations, and dozens of non-interpretative rules with no regulatory antecedent.<sup>58</sup> The MPEP was never published in the manner required by statute before January 2018.<sup>59</sup>
- \*16 Some as checkboxes on forms for agency personnel to check off (using text that clashes with the agency’s regulations).<sup>60</sup>
- Some as memoranda, Q&A or FAQ web pages, webinars, or PowerPoint slides (some of which directly clash with the agency’s regulations or interpretations in the Federal Register),<sup>61</sup> some of which evade

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the public, and it is therefore authorized under the Housekeeping Act. *See* Section II.E, *infra*. However, lots of other rulemaking laws *do* apply. For example, because pre-appeals involve “a written application, petition, or other request,” 5 U.S.C. § 555(e) requires that the appeal conference gives a written “statement of grounds” for any adverse decision, not a bare checkbox. Because the agency collects information, pre-Appeals are covered by the Paperwork Reduction Act, note 18, *supra*, etc.

<sup>57</sup> See an example in note 62.

<sup>58</sup> For example, the MANUAL OF PATENT EXAMINING PROCEDURE [hereinafter MPEP] § 1207.04 (9th ed. Rev. 8, Jan. 2018), which purportedly gives an examiner the ability to unilaterally abort an applicant’s appeal to the PTAB without the procedural protections of 37 C.F.R. § 41.39(b)(2) (2017), is unlawful.

<sup>59</sup> U.S. Patent and Trademark Office, *Notice of Publication, Manual of Patent Examining Procedure, Ninth Edition, Revision of January 2018*, 83 Fed. Reg. 4473 (Jan. 31, 2018) (after 70 years, the PTO runs its first-ever Federal Register notice informing the public of a new revision of the MPEP).

<sup>60</sup> For example, the checkboxes on Form PTOL-303 (*reprinted in* MPEP § 1206) “Advisory Action Before the Filing of an Appeal Brief” do not agree with the grounds for admitting an after-final amendment set forth in 37 C.F.R. § 1.116(b). This *sub silentio* abrogation of § 1.116(b)(3) is unlawful.

<sup>61</sup> For example, the PTO’s informal guidance, webinars, and FAQ pages on “Application Data Sheets” impose requirements that are stricter than options that are left open in the relevant regulations, in terms that are not “interpretative” of ambiguities in the text. *Contrast* MPEP § 601.05(a) as rewritten in July 2015 to raise many new requirements, *with* earlier versions of the MPEP and the text of 37 C.F.R. §§ 1.41, 1.46, and 1.76, which are more permissive. Promulgating new rules by guidance, without the procedure required by law, is beyond the PTO’s authority.

rulemaking law to impose immense costs on the public but are kept secret from the public for years,<sup>62</sup> etc.

<sup>62</sup> For example, in April 2007, John Love, then the Deputy Commissioner for Patent Examination Policy, issued a memo to the examining corps that relaxed the requirements for restricting claims and dividing applications. John Love, *Changes to Restriction from paragraphs*, INTERNET ARCHIVE WAYBACK MACHINE (Apr. 25, 2007), [http://web.archive.org/web/20100610034958/http://www.uspto.gov/web/offices/pac/dapp/opla/documents/20070425\\_restriction.pdf](http://web.archive.org/web/20100610034958/http://www.uspto.gov/web/offices/pac/dapp/opla/documents/20070425_restriction.pdf) Shortly after that, applicants began to see curious “abbreviated” analyses of restrictions, with “abbreviated” form paragraphs that required examiners to make many fewer showings. The cost to the public was easily in the high eight, perhaps nine figures per year. But the memo was kept from the public, so applicants had no way to know how to respond or traverse. The memo eventually became public on the PTO’s web site, in June 2009 (about two years after it was issued). I raised this with Director Kappos shortly after his confirmation in 2009. Instead of conforming its behavior to the requirements of law, the PTO doubled down: The Love memo was removed from public visibility, and replaced with a second memo, this time by Robert Bahr. Memorandum from Robert W. Bahr to Patent Examining Corps, *Changes to Restriction Form Paragraphs* (Jan. 21, 2010) [https://www.uspto.gov/sites/default/files/patents/law/exam/20100121\\_rstrctn\\_fp\\_chngs.pdf](https://www.uspto.gov/sites/default/files/patents/law/exam/20100121_rstrctn_fp_chngs.pdf). This Bahr memo likewise imposed nine-figure costs on the public. Mr. Bahr continued the PTO’s pattern of disregard for laws that govern rulemaking, and laws that require fair cost accounting and cost-benefit analysis under the Paperwork Reduction Act, Executive Order 12,866, and the Regulatory Flexibility Act. *See, e.g.*, Paperwork Reduction Act, note 18, *supra* (see especially 44 U.S.C. § 3501, presenting the purposes of the Paperwork Reduction Act, including the goal of minimizing burdens and maximizing benefits for different parties); Executive Order 12,866 of September 30, 1993, *Regulatory Planning and Review*, reprinted in 58 Fed. Reg. 51,735, 51,735 (Oct. 4, 1993) (all costs and benefits should be assessed); Regulatory Flexibility Act, 5 U.S.C. § 603 (2012) (a notice of proposed rulemaking must be accompanied by an analysis of the impact of the rule on small entities). The illegality of the PTO’s actions were explained in public comment letters, *e.g.*, Stephen Malaska, *Comments on Proposed Changes to Restriction Practice in Patent Applications* (Aug. 13, 2010), <https://www.uspto.gov/sites/default/files/patents/law/comments/intellectualventures13aug2010.pdf> [<https://perma.cc/HYC8-JJPV>]; David E. Boundy, *Comments on Proposed Changes to Restriction Practice in Patent Applications* (Aug. 16, 2010), <https://www.uspto.gov/sites/default/files/patents/law/comments/boundy16aug2010.pdf> [<https://perma.cc/F5Y6-THEM>]. The PTO still took no observable



- \*17 Some as “Standard Operating Procedures,” some of which are published, some held as secret.<sup>63</sup>
- \*18 Some in agency adjudicatory decisions spread among nearly a dozen lists scattered around the agency’s web site, some published in the United States Patents Quarterly, some not (although the agency’s guidance continues to urge USPQ citation when such exists<sup>64</sup>), some not listed anywhere.<sup>65</sup> Sometimes decisions are designated for elevated status *years* after they are issued, with no meaningful notice to the public.<sup>66</sup>

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action to conform itself to the law. *See also* David Boundy, *Agency Bad Guidance Practices at the Patent and Trademark Office: a Billion Dollar Problem*, 2018 Patently-O Patent Law Journal 20 (2018) at [http://ssrn.com/abstract\\_id=3258040](http://ssrn.com/abstract_id=3258040).

- <sup>63</sup> The PTAB’s Standard Operating Procedure page lists only SOP’s 1, 2, and 9. PTO, STANDARD OPERATING PROCEDURES, *available at* <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/procedures/standard-operating-procedures-0> [<https://perma.cc/7PE4-AMRX>] (last visited Nov. 12, 2018). What and where are SOPs 3 through 8? In preparing this article, I requested them by FOIA; the PTO provided only SOP’s 4 and 5. My understanding is that at least one of the still-hidden SOPs relates to SAWS, the infamous secret Sensitive Application Warning System. *See* Alyssa Bereznak, *The U.S. Government Has a Secret System for Stalling Patents*, <https://finance.yahoo.com/news/the-u-s-government-has-a-secret-system-for-104249688314.html> (Dec. 3, 2014); Dennis Crouch, *Hyatt v. USPTO: Mandamus Action Requesting an Impartial Administrative Review*, PATENTLY-O (May 22, 2018), <https://patentlyo.com/patent/2018/05/requesting-impartial-administrative.html> [<https://perma.cc/5JSE-FE85>] (explaining the SAWS program and alleging that SAWS was an umbrella for unlawful conduct by the PTO). Section 552(a)(1)(B) reads “[e]ach agency shall separately state and currently publish in the Federal Register for the guidance of the public . . . statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available.” 5 U.S.C. § 552(a)(1)(B) (2012). The statute doesn’t leave a lot of wiggle room for secret procedures.
- <sup>64</sup> Trademark Manual of Examining Procedure § 705.05 (5th ed. 2007); Trademark Trial and Appeal Board Manual of Procedure § 101.03 (June 2018).
- <sup>65</sup> For example, despite issuing about 40 precedential decisions per year (an order of magnitude greater than the PTAB’s rate), the Trademark Trial and Appeal Board apparently maintains no consolidated or indexed list of precedential opinions analogous to the PTAB’s. Where the PTAB seldom

- Some in statements by individual employees, either to create new rules against the public, or to create “just for today” exceptions from rules that \*19 purport to set standards for agency staff, with no identifiable grounding in any written document.<sup>67</sup>
- And some in important notice-and-comment periods announced through “Press releases” with no corresponding notice in the Federal Register.<sup>68</sup>

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speaks at all, the TTAB speaks only in obscurity. What should be a rich body of trademark precedent is of compromised value because there’s no practical way to divine its content. The best one can do is find a list maintained on a “catch as catch can” basis by individual lawyers. *E.g.*, John L. Welch, *TTAB Issued 40 Precedential Rulings in 2017*, TTABLOG (Jan. 10, 2018) <http://thettablog.blogspot.com/2018/01/ttab-issued-36-precedential-rulings-in.html> or try a search on the TTAB’s reading room, <https://e-foia.uspto.gov/Foia/TTABReadingRoom.jsp> [<https://perma.cc/6LUH-3SSU>] for decisions using a specific keyword during a selected time period, and then in “Search by Identifier:” select “Citable as Precedent of TTAB” and for “Precedent Indicator:” select “Yes,” then click “Get Info” button to (hopefully) find pertinent precedential decisions.

<sup>66</sup> For example, *Ariosa Diagnostics v. Isis Innovation Ltd.*, IPR2012-00022, paper 55, 2013 Pat. App. LEXIS 9877 (P.T.A.B. Aug. 7, 2013) was issued in August 2013, and designated “informative” five years later, in July 2018. It’s not uncommon for a decision to lie latent as “routine” for over a year and then suddenly emerge as precedential or informative.

<sup>67</sup> *E.g.*, App. Ser. No. 09/611,548, advisory action (May 5, 2009) (in response to a request for examination within MPEP instructions, replying that following the MPEP “would not be in keeping with proper examination procedure.”)

<sup>68</sup> For example, the PTO sought comment on its “Draft 2018-2022 Strategic Plan” only through a “Press Release.” PTO, USPTO SEEKING PUBLIC COMMENTS ON DRAFT 2018-2022 STRATEGIC PLAN (Aug. 22, 2018), *available at* <https://www.uspto.gov/about-us/news-updates/uspto-seeking-public-comments-draft-2018-2022-strategic-plan> [<https://perma.cc/3NPB-KWZ6>]. I can find no announcement of the Strategic Plan comment period in any channel in which the PTO gives notice of other requests for comment. On the PTO’s web site for press releases, in the window of time visible, this is the only comment period so announced. *See* PTO, CONTENT TAGGED “PRESS RELEASES”, <https://www.uspto.gov/topic/press-releases>. Burying a notice in a *sui generis* “press release,” when the APA directs the public’s attention to the Federal Register, is questionable with respect to the Constitutional due process standard, “notice reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an

Congress intended to give the public a single communications channel at which the public can find all important news, delivered with an authoritative, consistent voice, and to give the agency a simple point to consolidate self-discipline and self-consistency. In contrast, the PTO's fragmented communications practices can feel a bit like being in a sports bar with sixteen monitors showing sixteen different games. In spring 2019, at conference I asked one of the PTO's senior-most lawyers about § 552 publication and the need for consistency. The answer was "Mr. Boundy, aren't you elevating form over substance? We publish our notices through the web site, press releases, ..." The senior PTO lawyer was very clear that statute and its underlying concerns for single-channel consistency were not factors in the PTO's behavior (and six months later as I write this update, the PTO has not conformed its behavior to that statute). Without § 552 and the Federal Register as a central gatekeeper or focal point, the PTO's blur of uncoordinated *sui generis* statements creates unpredictability and costs for the public and the PTO.

### 3. *The Publication, Indexing, and Noncitation Requirements of § 552*

The APA also governs advisory or non-binding agency decisions.<sup>69</sup> Each agency is required, by § 552(b)(2), to make available, in electronic format, all final opinions, including concurring and dissenting opinions; all orders made in adjudication of cases, all staff manuals and instructions to staff; and any other policy or interpretation not published in the Federal Register. The agency must, \*20 in addition, provide an electronic index of all these materials.<sup>70</sup> Adjudicatory decisions cannot even be cited against the public unless the decision (a) is within the agency's rulemaking authority and (b) meets additional publication, notice, and indexing requirements of § 552 of the APA.<sup>71</sup>

This is enforced by one of the frequent statements of asymmetry in the APA—note how § 552(a)(2) requires that the public is only bound by statements promulgated with appropriate procedure and for which notice was given, but allows the agency's own statements to be used against the agency itself:

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opportunity to present their objections." *Mullane v. Cent. Hanover Bank & Tr. Co.*, 339 U.S. 306, 314 (1950).

<sup>69</sup> See generally 5 U.S.C. §§ 552(a)(1)(B) (requiring Federal Register publication of "the nature and requirements of all formal and informal procedures available").

<sup>70</sup> § 552(a)(2).

<sup>71</sup> §§ 552(a)(2)(i) and (ii).

A final order, opinion, statement of policy, [or] interpretation . . . that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—

- (i) it has been indexed and either made available or published as provided by this paragraph; or
- (ii) the party has actual and timely notice of the terms thereof.

The *Attorney General's Manual on the Administrative Procedure Act* explains:

The purpose of [§ 552] is to assist the public in dealing with administrative agencies by requiring agencies to make their administrative materials available in precise and current form. [§ 552] should be construed broadly in the light of this purpose so as to make such material most useful to the public.<sup>72</sup>

While the meaning of “indexed” under § 552(A)(2)(i) has not been litigated, under ordinary principles of statutory construction, the use of the word “indexed” must imply something more than “making available” under § 552(a)(2)(A).<sup>73</sup> The word “indexed” elsewhere in § 552 has been construed to \*21 require “specificity” as to reason, and, if the document has multiple parts, “separation” of parts that index separately.<sup>74</sup> Under a patent law analogy, a technical article is not “meaningfully indexed” to be § 102(b) “printed publication” prior art when it is indexed only by author and date, not by subject matter or keyword search.<sup>75</sup> That seems a useful standard to which the PTO could aspire for publication of its decisions.

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<sup>72</sup> ATTORNEY GENERAL'S MANUAL, note 41, *supra*, at 17.

<sup>73</sup> Henry J. Friendly, *Mr. Justice Frankfurter and the Reading of Statutes*, in BENCHMARKS 224 (1967) (“when Congress employs the same word, it normally means the same thing, when it employs different words, it usually means different things”), *quoted in Energy Research Foundation v. Defense Nuclear Facilities Safety Bd.*, 917 F.2d 581, 583 (D.C. Cir., 1990); 5 U.S.C. ANN. § 552 annotation note 115 (showing no relevant cases on the definition of “indexed”)

<sup>74</sup> *See Vaughn v. Rosen*, 484 F.2d 820, 827 (D.C. Cir. 1973) (defining “indexed” to require that the agency subdivide the document and explain in detail why each section is or is not disclosable).

<sup>75</sup> *Acceleration Bay, LLC v. Activision Blizzard, Inc.*, 908 F.3d 765, 773, 128 USPQ2d 1507, 1514 (Fed. Cir. 2018) (affirming that a reference is not “printed publication” prior art because it was not indexed, and web search too “deficient,” to make the reference searchable, indexed, or accessible); *In re*

Section 552 offers an immensely simple yet powerful tool for parties before agencies that are less than careful with their obligations under the APA: when an agency neglects its § 552 publication obligations, many rules are unenforceable, and statutes of limitations for challenges to agency rules never begin to run.<sup>76</sup>

### C. CHEVRON AND AUER DEFERENCE

Some agency interpretations qualify for *Chevron* or *Auer* deference.<sup>77</sup> “*Chevron* deference” applies to an agency’s interpretation of an ambiguous statute, or a regulation that fills a gap in a statute (if the agency has a delegation of rulemaking authority). “*Auer* deference” applies to an agency’s interpretations of ambiguities in its own regulations (but not to gap-fills in regulations).<sup>78</sup>

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*Cronyn*, 890 F.2d 1158, 1160, 13 USPQ2d 1070, 1071-72 (1989) (a graduate thesis library, indexed only by a shoebox of cards, is not indexed sufficiently to make the theses publicly-accessible “prior art”).

<sup>76</sup> E.g., *Natural Resources Def. Council v. National Highway Traffic Safety Admin.*, 894 F.3d 95, 106-07 (2d Cir. 2018) (for failure of § 552 publication, divesting an agency of a statute of limitations defense: “a regulation is not “prescribed” until it has legal effect, and it does not have legal effect until it is published in the Federal Register.”).

Section 552 is a powerful demonstration of the thesis I’ve been developing in this article series (Boundy, *Part 1*, note 3 and Boundy & Freistein, *Part 2*, note 4, *supra*): a case that’s a loser on patent law issues can be an easy winner on administrative law grounds. For example, publication in the Federal Register is the simplest act an agency could take, but the PTO doesn’t do it. In *Hyatt v. U.S. Patent and Trademark Office*, 904 F.3d 1361, 128 USPQ2d 1163 (Fed. Cir. 2018), Hyatt argued exotic claims under the patent law. Easy-winner claims under the administrative law were overlooked, that would have easily demonstrated that PTO action was “without observance of procedure” and “short of statutory right.” 5 U.S.C. § 706(2)(C) and (D). The court ruled against Hyatt on statute of limitations grounds. But the relevant rule had never been published in the Federal Register until January 2018—at the time Hyatt filed his complaint, the limitations period had not even begun to run. Hyatt lost his entire case for failure to raise a one-paragraph administrative law argument. Deep administrative law expertise is essential to a modern patent practice.

<sup>77</sup> See generally Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*.

<sup>78</sup> *Chevron*, note 8, *supra*, 468 U.S. at 843 (1984); *Auer*, note 9, *supra*, 519 U.S. at 461.

Supreme Court precedent sets out a two-step analysis for analyzing an agency's interpretation of an ambiguity, or filling of a gap. Under step one, a court asks whether a statute or regulation is either ambiguous, or whether the agency is operating under a grant of rulemaking authority.<sup>79</sup> Under step two, a court evaluates whether an agency's interpretation (of a "genuine ambiguity" in either a statute or regulation) or gap-fill (of a statute under a delegation of rulemaking authority) \*22 is "permissible" or "reasonable," that is, whether the interpretation "come[s] within the zone of ambiguity the court has identified after employing all its interpretive tools."<sup>80</sup> If so, that interpretation or gap-fill is binding on the public, on courts, and on the agency itself, as if it had been promulgated as a regulation in the Code of Federal Regulations.<sup>81</sup>

*Chevron* and *Auer* only create a standard of review; they are not nonstatutory grants of additional rulemaking authority.<sup>82</sup> A rule is only eligible for deference if it first meets all statutory requirements to be a valid rule, and **not only** ineligible **but invalid**, if it is "procedurally defective."<sup>83</sup> This can be seen in the trend since 2000: the pendulum at the Supreme Court has been steadily swinging in the direction of narrowing the range of agency interpretations that warrant deference. For example, in the 1990s, Justice Scalia was responsible for much of the expansion of *Chevron* deference and authored the majority opinion in *Auer* in 1997.<sup>84</sup> He also wrote a sharp dissent to the 2001 *Mead* decision (*Mead* was

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<sup>79</sup> *Kisor*, note 32, *supra*, slip op. at 11, 139 S.Ct. at 2414 ("the possibility of deference can arise only if a regulation is genuinely ambiguous. And when we use that term, we mean it—genuinely ambiguous, even after a court has resorted to all the standard tools of interpretation."); *Chevron*, note 8, *supra*, 468 U.S. at 842–43; *Auer*, note 9, *supra*, 519 U.S. at 461–62; *Christopher v. SmithKline Beecham Corp.*, 567 U.S. 142, 155 (2012) ("*Auer* ordinarily calls for deference to an agency's interpretation of its own ambiguous regulation," with exceptions when "the agency's interpretation is 'plainly erroneous or inconsistent with the regulation'" or "when there is reason to suspect that the agency's interpretation 'does not reflect the agency's fair and considered judgment on the matter in question.'")

<sup>80</sup> *Kisor*, note 32, *supra*, slip op. at 14, 139 S.Ct. at 2415–16; *Christopher*, 567 U.S. at 155; *Auer*, note 9, *supra*, 519 U.S. at 462; *Chevron*, note 8, *supra*, 468 U.S. at 843–44.

<sup>81</sup> *Chevron*, note 8, *supra*, 468 U.S. at 844; *Auer*, note 9, *supra*, 519 U.S. at 462; *Christopher*, 567 U.S. at 155.

<sup>82</sup> See cases cited note 89, *infra*.

<sup>83</sup> See note 92, *infra*.

<sup>84</sup> *Auer*, note 9, *supra*, 519 U.S. at 452.

the beginning of the pendulum-swing back, to narrow *Chevron*, by adding both “step zero” rulemaking authority and “procedurally defective” as concerns).<sup>85</sup> But by the end of his life, Scalia had become *very* skeptical of the entire *Chevron/Auer* exercise, and was calling for overruling at least *Auer*.<sup>86</sup> The persistent trend since 2000 has been to \*23 scale back the scope of agency decisions eligible for *Chevron* or *Auer* deference by strictly construing steps zero, one, and two (and adding a number of “step three’s”) to *Chevron* and *Auer* deference.<sup>87</sup> Two weeks after the issue bearing this article was mailed, the Supreme Court decided *Kisor v. Wilkie*, which enumerated many of the limits on *Chevron* and *Auer* deference, to collect those limits and trends expressly:<sup>88</sup>

- *Chevron* and *Auer* deference only apply in subject matter areas where the agency has rulemaking authority delegated by Congress.<sup>89</sup> This is known as “step zero.”
- To be *Chevron*-eligible, an interpretation of statute must originate with the part of an agency that has rulemaking authority. When an agency has “unitary” structure, with rulemaking and adjudicatory authority consolidated in a single agency head, the agency may exercise *quasi* rulemaking authority as a corollary of its adjudications. In contrast, in agencies of bifurcated structure, the adjudicatory arm of the agency lacks that authority.<sup>90</sup> An interpretation of regulation may be *Auer* eligible if

<sup>85</sup> “Step zero” cases are cited note 89, *infra*; “procedurally defective” cases are cited at note 92, *infra*. See *United States v. Mead Corp.*, 533 U.S. 218, 238–60 (2001) (Scalia, J., dissenting).

<sup>86</sup> See, e.g., *Perez*, note 21, *supra*, 135 S. Ct. at 1211–13 (Scalia, J., concurring in judgment); *Decker v. Nw. Env’tl. Def. Ctr.*, 568 U.S. 597, 616–21 (2013) (Scalia, J.); *Talk Am., Inc. v. Mich. Bell Tel. Co.*, 564 U.S. 50, 68–69 (2011) (Scalia, J., concurring).

<sup>87</sup> See, e.g., Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52–53; Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, at 47–49.

<sup>88</sup> *Kisor*, note 32, *supra*, slip op. at 11–18, 139 S.Ct. at 2414–18 (collecting the Court’s precedent that had narrowed the scope of interpretations eligible for *Auer/Seminole Rock* deference).

<sup>89</sup> “Step zero” of *Chevron* originates in *United States v. Mead Corp.*, 533 U.S. 218, 226–227 (2001); see also Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52 (discussing *Chevron* “step zero”).

<sup>90</sup> See *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S. 144, 154 (1991) (citations and quotations omitted, emphasis in original):

it's an authoritative statement of the *agency*, rather than some individual.<sup>91</sup>

- Recent Supreme Court law holds that a rule may be eligible for *Chevron* or *Auer* deference *only if* it is not “procedurally defective.”<sup>92</sup>

Under most regulatory schemes, rulemaking, enforcement, and adjudicative powers are combined in a single administrative authority. [FTC, SEC, FCC]. ... [In contrast, the] purpose of ... “split enforcement” structure was to achieve a greater separation of functions than exists within the traditional “unitary” agency...

Within traditional agencies—that is, agencies possessing a *unitary* structure—adjudication operates as an appropriate mechanism not only for factfinding, but also for the exercise of delegated lawmaking powers, including lawmaking by interpretation. But in these cases, we concluded that agency adjudication is a generally permissible mode of law-making and policymaking only because the unitary agencies in question also had been delegated the power to make law and policy through rulemaking. Insofar as Congress did not invest the [the adjudicatory body at issue] with the power to make law or policy by other means, we cannot infer that Congress expected the [adjudicatory body] to use *its* adjudicatory power to play a policymaking role. Moreover, when a traditional, unitary agency uses adjudication to engage in law-making by regulatory interpretation, it necessarily interprets regulations that *it* has promulgated. This, too, cannot be said of the [adjudicatory body’s] power to adjudicate.

<sup>91</sup> *Kisor*, note 32, *supra*, slip op. at 15-16, 139 S.Ct. at 2416 (citations and quotations omitted):

Of course, the requirement of “authoritative” action must recognize a reality of bureaucratic life: Not everything the agency does comes from, or is even in the name of, the Secretary or his chief advisers. So, for example, we have deferred to “official staff memoranda” that were “published in the Federal Register,” even though never approved by the agency head. But there are limits. The interpretation must at the least emanate from those actors, using those vehicles, understood to make authoritative policy in the relevant context.

<sup>92</sup> The biggest change of direction in the *Chevron/Auer* line of cases is stated in two sentences, one in *Gonzales v. Oregon*, 546 U.S. 243, 255–56 (2006):

Deference in accordance with *Chevron*, however, is warranted only “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.”



- A rule must be \*24 validly promulgated with the level of procedure required by the APA and all other rulemaking statutes, before it can be eligible for *Chevron* or *Auer* deference. If Congress specified procedures that the agency must use, then the agency loses deference if it shortcuts.<sup>93</sup>

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and the other in *Encino Motorcars, LLC v. Navarro*, 136 S.Ct. 2117, 2125 (2016):  
*Chevron* deference is not warranted where the regulation is  
 ‘procedurally defective’ —that is, where the agency errs by failing to  
 follow the correct procedures in issuing the regulation.

See also *United States v. Mead Corp.*, 533 U.S. 218, 227 (2001) (an agency gap-filling regulation is entitled to *Chevron* deference “unless procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute”). Since *Gonzales* in 2006, I know of no case in which the Supreme Court has affirmed an agency gap fill promulgated by less than full § 553 procedure maturing into a regulation. E.g., *Cuozzo*, note 2, *supra*, 136 S.Ct. at 2144, 2146, 119 USPQ2d at 1075, 1076 (because Congressional delegated authority, and the agency’s regulation is reasonable exercise of that authority, granting *Chevron* deference for a gap-fill promulgated as a notice-and-comment regulation); *E.P.A. v. EME Homer City Generation, L.P.*, 572 U.S. 489, 515, 520 (2014) (same).

Though I know of no direct holding on the point, the emerging trend is that to be *Chevron*- or *Auer*-eligible, a rule must not be “procedurally defective,” that is, an agency must meet all statutory requirements for rulemaking. For example, the agency must give an explanation for its interpretation or gap-fill that would meet the *State Farm* criteria for promulgating an interpretative or legislative rule. *Encino Motorcars*, note 92, *supra*, 136 S.Ct. at 2125 (an agency action is only eligible for deference if it includes a “reasoned explanation”); *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1321-22, 124 USPQ2d at 1275-76 (O’Malley lead plurality opinion) (declining *Chevron* deference because PTO failed to explain itself). Similarly, in the 1990s, agencies were given *Chevron* deference for interpretations outside their rulemaking authority, but that ended in 2001, with the recognition of *Chevron* “step zero” in *Mead*, note 89, *supra*, 533 U.S. at 226-227.

<sup>93</sup> *Waterkeeper Alliance v. EPA*, 853 F.3d 527, 535 (D.C. Cir. 2017) (denying *Chevron* deference: “[a]gencies are ... ‘bound, not only by the ultimate purposes Congress has selected, but by the means it has deemed appropriate, and prescribed, for the pursuit of those purposes.’”) (quoting *MCI Telecomms. Corp. v. AT&T*, 512 U.S. 218, 231 n.4 (1994))

- Neither *Chevron* nor *Auer* grants a waiver from otherwise-required procedure.<sup>94</sup> To be eligible for deference, a gap-fill must be made with legislative procedure, and an interpretation must be promulgated with more-than-routine formality, for example, in the Federal Register discussion of a newly-promulgated rule.<sup>95</sup>
- Some cases hold that an interpretation must be published to the extent required by §§ 552 and 553—the two statutory requirements for publication can't be waived by invoking *Chevron* or *Auer*.<sup>96</sup> While

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<sup>94</sup> *Immigration and Naturalization Serv. v. Aguirre-Aguirre*, 526 U.S. 415, 424-25 (1999). This is the exception that proves the rule: the Supreme Court gave *Chevron* deference to an interpretation of the term “serious nonpolitical crime” arrived at by case-by-case adjudication, because (a) the statute grants rulemaking authority to the Attorney General, and (b) authority to the AG to further delegate, (c) the AG has delegated rulemaking authority to the Board of Immigration Appeals by regulation, and (d) the INS exercises “especially sensitive political functions that implicate questions of foreign relation.” *Aguirre* is a pre-*Mead* decision, so it’s an open issue whether it survives the “procedurally defective” requirement of *Mead* and *Gonzalez*.

<sup>95</sup> An *Auer*-eligible interpretation of *regulation* may be published with less formality than the Federal Register. *E.g.*, *Talk Am.*, note 63, *supra*, 564 U.S. at 59 (giving *Auer* deference to an interpretation of regulation in a triennial publication).

<sup>96</sup> *Satellite Broadcasting Co. v. FCC*, 824 F.2d 1, 3 (D.C. Cir. 1987) (“Traditional concepts of due process incorporated into administrative law preclude an agency from penalizing a private party for violating a rule without first providing adequate notice of the substance of the rule.... The Commission through its regulatory power cannot, in effect, punish a member of the regulated class for reasonably interpreting Commission rules. Otherwise the practice of administrative law would come to resemble ‘Russian Roulette.’ The agency’s interpretation is entitled to deference, but if it wishes to use that interpretation to cut off a party’s right, it must give full notice of its interpretation.”); *D&W Food Centers, Inc. v. Block*, 786 F.2d 751 (6th Cir. 1986) (denying *Chevron* deference as an “interpretation” because it had not been published as required by § 552).

Exceptions prove the rule. In cases granting deference to interpretations in agency *amicus* briefs, either there was an underlying regulation or other publication that announces the interpretation before the case commenced, *PLIVA Inc. v. Mensing*, 564 U.S. 604, 615 (2011) (in a case in which the FDA is a non-party *amicus*, granting *Auer* deference to an interpretation that is all but facially stated in the agency’s regulations, only slightly amplified in the agency’s *amicus* brief, and not subjected to doubt by the parties against

the level of procedure required for an eligible interpretation is less than full notice-and-comment, it's still fairly high, even for an *Auer* interpretation: "[I]nterpretations contained in policy statements, agency manuals and enforcement guidelines . . . do not warrant *Chevron* style deference."<sup>97</sup>

- For gap-filling:
  - *Chevron* "gap filling" authority exists only where expressly delegated by words such as "[t]he agency may promulgate regulations to . . ." and after the agency undertakes the procedure required by the APA, Paperwork Reduction Act, and other statutes, to promulgate a regulation.<sup>98</sup>
  - \*25 On the other hand, there's no such thing as "*Auer* gap filling" for regulations: when an agency wants to regulate, it has to use statutory rulemaking procedure, to promulgate a regulation.<sup>99</sup>
- For interpretations, *Chevron*- and *Auer*-eligible interpretations arise only where a validly-promulgated statute or regulation contains a "genuine

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whom the regulation is asserted), or the regulation is genuinely ambiguous, it must be interpreted one way or the other, and the agency as a non-party is in a fair position to offer an interpretation in a brief requested by the court (almost in the manner of a certified question). *Chase Bank USA, N.A. v. McCoy*, 562 U.S. 195 (2011) (*Auer* deference for an interpretation in an *amicus* brief requested by the Court for the specific case)

<sup>97</sup> *Christensen*, note 99, *infra*, 529 U.S. at 587.

<sup>98</sup> *Chrysler*, note 7, *supra*, 441 U.S. at 303; *Ethyl Corp. v. EPA*, 51 F.3d 1053, 1060 (D.C. Cir. 1995) ("this court [the D.C. Circuit] explained how [*Chevron*] delegation of discretionary authority occurs, stating, [w]hen Congress leaves gaps . . ., either explicitly by authorizing the agency to adopt implementing regulations, or implicitly by enacting an ambiguously worded provision that the agency must interpret, it has explicitly or implicitly delegated to the agency the power to fill those gaps."); *D&W Food Centers, Inc. v. Block*, 786 F.2d 751 (6th Cir. 1986) (a rule cannot satisfy the "ambiguity interpretation" prong of *Chevron* if it fails to satisfy conventional APA rulemaking).

<sup>99</sup> *Christensen v. Harris Cty.*, 529 U.S. 576, 588 (2000) ("*Auer* deference is warranted *only* when the language of the regulation is *ambiguous*," citations and quotations omitted, emphasis added); *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1316, 124 USPQ2d at 1272 (O'Malley lead plurality opinion) ("*Auer* does not authorize an agency to rewrite its regulations in the guise of 'interpretation.'").

ambiguity,” as enumerated in the text above footnotes 32 and 33.<sup>100</sup> Before concluding that a rule is genuinely ambiguous, a court must exhaust all the “traditional tools” of construction—a regulation is not ambiguous merely because “discerning the only possible interpretation requires a taxing inquiry.”<sup>101</sup> A passive silence (without a grant of rulemaking authority) usually leaves any underlying (usually permissive) default in place, and cannot be gap-filled in the name of “interpretation,” except in exceptional circumstances accompanied by a well-reasoned explanation by the agency for why the agency could not reasonably have foreseen the issue.<sup>102</sup> An interpretation is not *Chevron*- or *Auer*-eligible if the agency can’t identify the ambiguity its rule purports to resolve.<sup>103</sup> Though in past decades *Chevron* and *Auer* applied quite broadly, in 2019, the Supreme Court definitively confirmed a trend that had been emerging for some years, that mere “consistent with” or “not negated” are not valid bases for a *Chevron*- or *Auer*-eligible interpretation.<sup>104</sup> An “interpretation” need not directly clash with an unambiguous rule to lose deference; an “interpretative” rule can only be

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<sup>100</sup> See *Kisor*, note 32, *supra*, slip op. at 12-13, 139 S.Ct. at 2410 (defining “genuine ambiguity”).

<sup>101</sup> *Kisor*, note 32, *supra*, slip op. at 13-14, 139 S.Ct. at 2414 (“the possibility of deference can arise only if a regulation is genuinely ambiguous. And when we use that term, we mean it—genuinely ambiguous, even after a court has resorted to all the standard tools of interpretation.”).

<sup>102</sup> *Kisor*, note 32, *supra*, slip op. at 4, 139 S.Ct. at 2410; *EntergyCorp. v. Riverkeeper, Inc.*, 556 U.S. 208, 223 (2009) (“sometimes statutory silence, when viewed in context, is best interpreted as limiting agency discretion.”); Anthony, note 20, 41 DUKE L.J. at 1312-13.

<sup>103</sup> See *Waterkeeper Alliance v. EPA*, 853 F.3d 527, 534-35 (D.C. Cir. 2017) (an interpretation fails *Chevron* step 1 if the agency can’t identify ambiguity that its interpretation purports to resolve).

<sup>104</sup> *Kisor*, note 32, *supra*, slip op. at 11, 139 S.Ct. at 2414; *Kisor*, slip op. at 12-13, 139 S.Ct. at 2415 (“in a vacuum, our most classic formulation of the test—whether an agency’s construction is ‘plainly erroneous or inconsistent with the regulation’—may suggest a caricature of the doctrine, in which deference is ‘reflexive.’ But in fact *Auer* does no such thing: It gives agencies their due, while also allowing—indeed, obligating—courts to perform their reviewing and restraining functions.”); see *Christensen*, note 99, *supra*, 529 U.S. at 588.

valid if it interprets a “genuine ambiguity,” and without that, the interpretation is invalid and ineligible for deference.<sup>105</sup>

- An agency interpretation of statute may be eligible for *Chevron* deference if it only *interprets*, if it only gives ambiguous statutory terms “concrete meaning through a process of case-by-case adjudication,”<sup>106</sup> and is issued by regulation, by precedential formal adjudication by a tribunal with rulemaking authority, or by some other agency action with similar “lawmaking pretense.”<sup>107</sup>
- \*26 For interpretations of regulation, if the agency has made a good-faith effort to cover a “wide range” of questions, remaining interstitial and interpretative questions may be resolved by less-formal means, such as precedential decision, formally-issued guidance, and the like,<sup>108</sup> but the guidance must bear some level of formality, and parties must have fair advance notice.<sup>109</sup> And the agency’s adjudicatory tribunal may have authority to act by order in individual cases.<sup>110</sup> But *Auer* deference is not a license to improvise or rewrite regulations on the fly; *Auer* penalizes agencies that attempt to write “vague and open-ended” regulations to leave room to “interpret” them later.<sup>111</sup>
- To be *Chevron*- or *Auer*-eligible, an “agency’s interpretation must in some way implicate its substantive expertise. Administrative knowledge and experience largely ‘account [for] the presumption that Congress delegates interpretive lawmaking power to the agency.’”<sup>112</sup>

<sup>105</sup> *Kisor*, note 32, *supra*, slip op. at 12-13, 139 S.Ct. at 2415; *Perez*, note 21, *supra*.

<sup>106</sup> *E.g.*, *Aguirre-Aguirre*, note 94, *supra*, 526 U.S. at 425 (deference for Board of Immigration Appeals interpretation of “serious nonpolitical crime”); *National Railroad Passenger Corp. v. ICC*, 503 U.S. 407, 418-19 (1992) (*Chevron* deference to interpretation of “required for intercity rail service” stated in ICC order).

<sup>107</sup> *Mead*, note 92, *supra*, 533 U.S. at 233; *Aguirre-Aguirre*, note 94, *supra*, 526 U.S. at 425.

<sup>108</sup> *E.g.*, *Shalala v. Guernsey Memorial Hosp.*, 514 U.S. 87, 96 (1995).

<sup>109</sup> *E.g.*, *Sun Capital Partners III, L.P. v. New England Teamsters & Trucking Indus. Pension Fund*, 724 F.3d 129, 140-41 (1st Cir. 2013).

<sup>110</sup> *Wyman-Gordon*, note 121, *infra*, 394 U.S. at 768-69.

<sup>111</sup> *Kisor*, note 32, *supra*, slip op. at 23, 139 S.Ct. at 2421; *Christensen*, note 99, *supra*, 529 U.S. at 587.

<sup>112</sup> *Kisor*, note 32, *supra*, slip op. at 16, 139 S.Ct. at 2417.

- “[D]eference to an agency’s statutory interpretation is only appropriate when the agency has exercised its own judgment, not when it believes that interpretation is compelled by Congress. ... [D]eference to an agency’s interpretation of a statute is not appropriate when the agency wrongly believes that interpretation is compelled by Congress.”<sup>113</sup> Agencies receive no deference for their interpretations of judicial decisions.<sup>114</sup>
- An agency interpretation that fails any of the preconditions falls back into the default for “interpretative rules” of § 553(b)(A), and *Skidmore* deference.<sup>115</sup> If the rule then fails even the prerequisites of interpretative rulemaking (or the agency tries to give it more binding weight than is due an interpretative rule), it is then invalid.<sup>116</sup>

Under this emerging understanding, the “gap-filling” and “interpretation” prongs of *Chevron* are analytically separate, paralleling the separation between legislative rules and interpretative rules under § 553. *Chevron* and *Auer* only accord a degree of judicial deference, not additional agency authority.

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<sup>113</sup> *International Swaps and Derivatives Ass’n v. U.S. Commodity Futures Trading Comm’n*, 887 F.Supp.2d 259, 280–81 (D.D.C. 2012) (citations and quotations omitted); *Arizona v. Thompson*, 281 F.3d 248, 254 (D.C. Cir. 2002).

<sup>114</sup> *Negusie v. Holder*, 555 U.S. 511, 522-23 (2009) (“the [agency] has not exercised its interpretive authority but, instead, has determined that [a prior Supreme Court case] controls. ... Whether the statute permits such an interpretation based on a different course of reasoning must be determined in the first instance by the agency.”); *New York, New York LLC v. Nat’l Labor Reln’s Bd.*, 313 F.3d 585, 590 (D.C. Cir. 2002) (“We are not obligated to defer to an agency’s interpretation of Supreme Court precedent under *Chevron* or any other principle”); *Holland v. National Mining Assn.*, 309 F.3d 808, 810 (D.C. Cir. 2002) (declining to give *Chevron* deference to a construction adopted by an agency after litigation, questioning whether the agency’s construction was the product of the agency’s own reasoned decision-making—the agency must exercise own judgment and give its own explanation); *American Bioscience Inc. v. Thompson*, 269 F.3d 1077, 1085 (D.C. Cir. 2001) (“We, of course, owe no deference to an agency’s reading of judicial orders or decisions”); *Akins v. Fed. Election Comm’n*, 101 F.3d 731 (D.C. Cir. 1996).

<sup>115</sup> See *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1333 n.8, 124 USPQ2d at 1283 n.8 (Moore, J. concurring).

<sup>116</sup> *Id.*

Most *Chevron* or *Auer* cases involve agency pronouncements in the Federal Register. So let's take a minute to look at agency rulemaking-by-adjudication (as opposed to Federal Register publication), and then come back in Section II.F to tie up various concepts.

D. RULEMAKING BY ADJUDICATION: AGENCIES CAN INTERPRET, BUT NOT GAP FILL OR OTHERWISE REGULATE ON THE FLY

Executive branch agencies are not Article III courts.<sup>117</sup> For agencies, adjudication is adjudication (governed by APA §§ 554, 556, and 557 for formal \*27 adjudications, or § 555 for informal adjudications), rulemaking is rulemaking (governed by § 553), separated by a “dichotomy,”<sup>118</sup> and the two mix only to a limited extent. Sometimes an agency's adjudicatory procedures overlap with a corner of the APA's rulemaking procedure. In that overlap, an agency may, by adjudication, create rules of prospective effect as a side effect of adjudicating a current issue. But *only* in that area of overlap.

Two contrasting Supreme Court decisions illustrate when rulemaking-by-adjudication is permissible and when it is not. Both decisions involved the National Labor Relations Board (N.L.R.B.). The N.L.R.B. has two properties that, in combination, place the N.L.R.B. at the high-water mark of agency power to create rules by adjudication. First, the N.L.R.B. has a very broad, general grant of rulemaking authority “to make . . . such rules and regulations as may be necessary to carry out the provisions of this Act.”<sup>119</sup> Second, the N.L.R.B. has combined rulemaking and adjudicatory powers, combined in a single agency head.<sup>120</sup>

In the first of the two cases, *N.L.R.B. v. Wyman-Gordon Co.* from 1969, the N.L.R.B. had attempted to create a rule beyond the text of any statute or regulation—not in *conflict*, merely *beyond*—by adjudication, as if the N.L.R.B. were an Article III common law court.<sup>121</sup> The N.L.R.B. rule that preceded *Wyman-Gordon* was a non-interpretative rule—employers were required to provide employee lists to unions—promulgated with no grounding in statute or

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<sup>117</sup> 35 U.S.C. § 6 (placing the PTAB in the executive branch, not the judicial branch); see generally Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 10 (“Administrative judges have neither presidential appointment nor Senate confirmation to be ‘judges’ or to have Article III lawmaking authority.”).

<sup>118</sup> ATTORNEY GENERAL'S MANUAL, note 41, *supra*, at 14.

<sup>119</sup> 9 U.S.C. § 156.

<sup>120</sup> See 9 U.S.C. §§ 156 (rulemaking), 159 (adjudication) (2012).

<sup>121</sup> *N.L.R.B. v. Wyman-Gordon Co.*, 394 U.S. 759, 761 (1969).

regulation (both were silent, neither forbidding nor permitting such a list), only on the N.L.R.B.'s precedential decision.<sup>122</sup> When the rule was challenged, the N.L.R.B. pointed to its broad grant of rulemaking authority, and there was no disagreement that the N.L.R.B.'s rule was within that authority.<sup>123</sup> But the N.L.R.B. was unable to \*28 demonstrate *exercise* of that rulemaking authority via proper procedure.<sup>124</sup> The Supreme Court invalidated the agency's rule, and reminded the N.L.R.B. of the rulemaking requirements of the APA, as follows:

The Board asks us to hold that it has discretion to promulgate new rules in adjudicatory proceedings, without complying with the requirements of the Administrative Procedure Act.

The rule-making provisions of [the APA], which the Board would avoid, were designed to assure fairness and mature consideration of rules of general application. They may not be avoided by the process of making rules in the course of adjudicatory proceedings. There is no warrant in law for the Board to replace the statutory scheme with a rule-making procedure of its own invention. Apart from the fact that the [precedential opinion device] fashioned by the Board does not comply with statutory command, it obviously falls short of the substance of the requirements of the Administrative Procedure Act. The "rule" created in [the NLRB's precedential decision] was not published in the Federal Register, which is the statutory and accepted means of giving notice of a rule as adopted; only selected organizations were given notice of the "hearing," whereas notice in the Federal Register would have been general in character; under the Administrative Procedure Act, the terms or substance of the rule would have to be stated in the notice of hearing, and all interested parties would have an opportunity to participate in the rule making. . . .

[T]he Board purported to make a rule: *i.e.*, to exercise its quasi-legislative power . . . Adjudicated cases may and do, of course, serve as vehicles for the formulation of agency policies, which are applied and announced therein . . . They generally provide a guide to action that the agency may be expected to take

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<sup>122</sup> *Wyman-Gordon*, note 121, *supra*, 394 U.S. at 761–62.

<sup>123</sup> *Wyman-Gordon*, note 121, *supra*, 394 U.S. at 765.

<sup>124</sup> *Wyman-Gordon*, note 121, *supra*, 394 U.S. at 765.



in future cases. Subject to the qualified role of *stare decisis* in the administrative process, they may serve as precedents. But this is far from saying, as the Solicitor General suggests, that commands, decisions, or policies announced in adjudication are “rules” in the sense that they must, without more, be obeyed by the affected public.<sup>125</sup>

Even with that combined authority, the N.L.R.B. was not permitted to promulgate a *new* rule by precedential opinion without statutory rulemaking procedure.

The second, contrasting case, involving an *interpretation*, arose only five years later, in *N.L.R.B. v. Bell Aerospace Co.*<sup>126</sup> The Supreme Court granted that N.L.R.B. procedures in *interpreting an ambiguous term* (the term “managerial employees” in a labor statute) had overlapped with the procedural requirements of § 553 for interpretative rules, and then held that, in that area of overlap, the N.L.R.B. had the choice to act by adjudication or by rulemaking.<sup>127</sup> For a combined-authority agency head, when acting to interpret ambiguity:

\*29 [T]he [N.L.R.B.] had both adjudicative and rule-making powers and that the choice between [rulemaking and adjudication] was ‘within its informed discretion. ... [T]he [N.L.R.B.] is not precluded from announcing new principles in an adjudicative proceeding and that the choice between rulemaking and adjudication lies in the first instance within the [N.L.R.B.’s] discretion.’<sup>128</sup>

In addition, some rules-by-adjudication may qualify for (non-statutory) *Chevron* or *Auer* deference, if they meet all the conditions.<sup>129</sup> However, since 2001, the Supreme Court has been cutting back on the scope of agency actions entitled to deference.<sup>130</sup> So, in 2018, there’s a range of PTAB adjudications for which deference is an open question. However, much is clear. Several circuits have drawn a bright line, requiring full APA “formal adjudication” for deference to a

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<sup>125</sup> *Wyman-Gordon*, note 121, *supra*, 394 U.S. at 764–66.

<sup>126</sup> *Bell Aerospace*, note 126, *supra*, 415 U.S. at 294.

<sup>127</sup> *Id.* at 276.

<sup>128</sup> *Id.* at 294.

<sup>129</sup> See Section II.D, *supra*; *Aguirre-Aguirre*, note 94, *supra*.

<sup>130</sup> See cases cited notes 89 and 92, *supra*, e.g., *Encino Motorcars*, note 92, *supra*, 136 S. Ct. at 2125; *Christopher*, note 79, *supra*, 567 U.S. at 155; *Mead*, notes 89 and 92, *supra*, 533 U.S. at 226–227; *Christensen*, note 99, *supra*, 529 U.S. at 588.

rule originating in a relatively-recent adjudication.<sup>131</sup> I am not aware of any Supreme Court case since *Gonzalez v. Oregon* in 2006<sup>132</sup> granting *Chevron* or *Auer* \*30 deference to a gap-fill promulgated by less than notice-and-comment rulemaking or full-dress §§ 554/556/557 formal adjudication—indeed, the Court made clear that *Auer* only permits interpretation of ambiguity, not gap-filling.<sup>133</sup> It appears that no case has granted *Chevron* deference to a non-interpretative rule that is stated only in recent, non-precedential decisions.<sup>134</sup> For an interpretation of “genuine ambiguity,” the interpretation must be developed as agency consensus (even if not originating personally with the agency head), and

<sup>131</sup> See, e.g., *Stapleton v. Advocate Health Care Network*, 817 F.3d 517, 530 (7th Cir. 2016), *rev'd on other grounds*, 137 S. Ct. 1652 (2017) (“It is tempting indeed to turn to [*Chevron* deference], but we can do so only when the opinions of that agency are expressed after a ‘formal adjudication or notice and comment rulemaking.’”); *Beaver v. Tarsadia Hotels*, 816 F.3d 1170, 1182 (9th Cir. 2016); *Sierra Club v. ICG Hazard, LLC*, 781 F.3d 281, 287 (6th Cir. 2015). But see a pre-*Gonzalez* case, *Barnhart v. Walton*, 535 U.S. 212, 222 (2002) (applying *Chevron* deference to an interpretation that had been set forth in a series of informal adjudications, after first being stated in an agency manual some 30 years earlier, because of “the careful consideration the Agency ha[d] given the question over a long period of time” and other factors); *Martin v. Soc. Sec. Admin.*, 903 F.3d 1154, 1159 (11th Cir. 2018) (“but those formal procedures are not universally necessary”).

<sup>132</sup> *Gonzales*, note 92, *supra*, 546 U.S. at 255–56 (quoting *Mead*, note 92, *supra*, 533 U.S. at 226–27) (“Deference in accordance with *Chevron*, however, is warranted only ‘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,’” emphasis added).

<sup>133</sup> See *Christensen*, note 99, *supra*, 529 U.S. at 1663 (“*Auer* deference is warranted only when the language of the regulation is ambiguous,” not gap-filling of silence).

<sup>134</sup> See, e.g., *Fogo De Chao (Holdings) Inc. v. U.S. Dep’t of Homeland Sec.*, 769 F.3d 1127, 1136–37 (D.C. Cir., 2014) (“To trigger deference, however, the agency must also show that the agency interpretation claiming deference was promulgated in the exercise of that authority, which did not happen here. ... [T]he expressly non-precedential nature of the Appeals Office’s decision conclusively confirms that the Department was not exercising through the Appeals Office any authority it had to make rules carrying the force of law,” citations and quotations omitted).

published in the Federal Register.<sup>135</sup> At the least, a rule established by adjudication must reflect consideration, consensus, and “fair and considered judgment” by the entire agency, accompanied by a “reasoned explanation,”<sup>136</sup> rather than being an *ad hoc* opinion expressed by a few decision-makers.

E. THE “HOUSEKEEPING ACT,” 5 U.S.C. § 301, AND THE *ACCARDI* PRINCIPLE

The “Housekeeping Act,” 5 U.S.C. § 301, gives an agency power to bind its own employees by informal documents.<sup>137</sup> The law of “housekeeping rules” can be summed up in one word—asymmetry:

- **\*31** To bind the public, an agency must satisfy all applicable rulemaking statutes that protect the public,<sup>138</sup> while the agency can bind its

<sup>135</sup> 5 U.S.C. § 552(a)(1) (“Each agency shall ... publish in the Federal Register for the guidance of the public [all rules of procedure, and substantive rules of general applicability]. Except to the extent that a person has actual and timely notice of the terms thereof, a person may not in any manner be required to resort to, or be adversely affected by, a matter required to be published in the Federal Register and not so published.”); *Kisor*, note 32, *supra*, slip op. at 15-16, 139 S.Ct. at 2416 (“[T]he regulatory interpretation must be ... the agency’s ‘authoritative’ or ‘official position,’ rather than any more ad hoc statement not reflecting the agency’s views. ... Of course, the requirement of ‘authoritative’ action must recognize a reality of bureaucratic life: Not everything the agency does comes from, or is even in the name of, the Secretary or his chief advisers. So, for example, we have deferred to ‘official staff memoranda’ that were ‘published in the Federal Register,’ even though never approved by the agency head. *Ford Motor Credit Co. v. Milhollin*, 444 U. S. 555, 566, n. 9, 567, n. 10 (declining to ‘draw a radical distinction between’ agency heads and staff for *Auer* deference).”).

<sup>136</sup> See *Encino Motorcars*, 136 S. Ct. at 2125 (an agency action is only eligible for deference if it includes a “reasoned explanation”); *Christopher*, 567 U.S. at 155 (denying deference when there is reason to suspect that the agency’s interpretation “does not reflect the agency’s fair and considered judgment”); *Mead*, note 92, *supra*, 533 U.S. at 230-31 (finding no deference for decisions reached without formality that ensures agency deliberation and consensus); *State Farm*, note 130, *supra*, 463 U.S. at 41-43 (listing factors for evaluating adequate explanation and “reasoned decisionmaking”).

<sup>137</sup> See Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 54-55 (introducing “housekeeping rules” and the *Accardi* principle of binding effect against agency personnel).

employees at the stroke of a pen (notice the light procedure granted by § 553(a)(2)).<sup>139</sup>

- Regulations that use mandatory language directed to employees are absolutely binding.<sup>140</sup> Agencies have no discretion whatsoever to depart or create carve-outs to the detriment of the public, whether as *ad hoc* one-offs or systematically in published guidance, except by promulgating replacement regulations with full rule making formalities.<sup>141</sup>
- The general power to promulgate rules for agency employees arises under the Housekeeping Act, 5 U.S.C. § 301. The Patent Act goes a step further, and raises this to a duty: the Director and Commissioners of the USPTO are required by statute to “manage and direct *all* activities” relating to patents, and to ensure that examination is carried out in a “fair, impartial, and equitable manner.”<sup>142</sup> The Paperwork Reduction Act and *Good Guidance Bulletin* require that guidance be specific enough to “channel the discretion of agency employees,” to ensure that agency employees employ fair, consistent decision-making standards, and that the agency avoids shifting costs to the public.<sup>143</sup>

<sup>138</sup> 5 U.S.C. §§ 301, 553(a)(2) (2012); *Chrysler*, note 7, *supra*, 441 U.S. at 303 (affording regulations the “force and effect of law” only if the regulation has been promulgated with statutory procedure).

<sup>139</sup> 5 U.S.C. §§ 301, 553(a)(2).

<sup>140</sup> See note 144, *infra*, and accompanying text.

<sup>141</sup> See *Berkovitz v. United States*, 486 U.S. 531, 544 (1988) (an agency “has no discretion to deviate” from the procedure mandated by its regulatory scheme); GOOD GUIDANCE BULLETIN, note 457, *infra*, at § II(1)(b) (reminding agencies of the *Accardi* principle, “[a]gency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence”); cf. *Perez*, note 21, *supra*, 135 S. Ct. at 1206–07 (requiring, when an agency amends a rule, that the agency use the same level of procedure that was used in promulgating the rule in the first place “so long as that level was adequate”).

<sup>142</sup> 35 U.S.C. §§ 3(a)(2)(A), 3(b)(2)(A) (2012).

<sup>143</sup> GOOD GUIDANCE BULLETIN, note 457, *infra*, Introduction at 2, *reprinted at* 72 Fed. Reg. at 3,432 (urging agencies to use guidance to “channel the discretion of agency employees, increase the efficiency, and enhance fairness by providing the public clear notice of the line between permissible and impermissible conduct while ensuring equal treatment of similarly situated parties”); Paperwork Reduction Act of 1980, 44 U.S.C. § 3506(c)(3)(D) (2012) and its implementing regulations in 5 C.F.R. Part 1320, especially 5 C.F.R.

- \*32 For non-regulation guidance using mandatory language directed to agency employees, the well-known *Accardi* principle governs.<sup>144</sup> Once an agency issues guidance that uses mandatory language to state obligations of agency employees with respect to “important procedural benefits” to the public, or publishes an “interpretative” rule interpreting the agency’s \*33 statute or regulation, agency employees (including ALJs) are bound,

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§ 1320.9(d) (rules that request the public to submit information to an agency must be “written using plain, coherent, and unambiguous terminology.”); *see also Dole v. United Steelworkers of America*, 494 U.S. 26, 30 (1990) (“The [Paperwork Reduction Act] requires ‘Agencies ... to minimize the burden on the public to the extent practicable.’”).

<sup>144</sup> When an agency issues guidance that uses mandatory language to state obligations of agency employees with respect to “important procedural benefits” to the public, agency employees are bound, the public is entitled to rely on employees’ observing the guidance, and the agency is obligated to enforce the procedural commitments it makes to the public. An agency may amend its guidance after due deliberation and without notice and comment, but employees do not have individual authority to depart without appropriate justification and supervisory concurrence. This administrative law principle originates in *United States ex rel. Accardi v. Shaughnessy*, 347 U.S. 260 (1954), and has been reiterated by the Supreme Court about a dozen times, and many dozen more by the Federal Circuit. *See* Thomas Merrill, *The Accardi Principle*, 74 Geo. Wash. L. Rev. 569 (Jun. 2006). An agency staff manual nearly on all fours with the MPEP was held to bind the Secretary of State in *Service v. Dulles*, 354 U.S. 363, 386–88 (1957) (once an agency adopts an employee staff manual, even though unpublished, “having done so [the Secretary of State] could not, so long as the [staff manual] remained unchanged, proceed without regard to them”). *See also, e.g., Vitarelli v. Seaton*, 359 U.S. 535, 539–40 (1959) (“even though the agency had unlimited discretion to fire an employee, after it did so, but in violation of the agency’s unpublished guidance, reversing and requiring the agency to observe its guidance.”); *see also id.* at 546–47 (Frankfurter, J. concurring) (“An executive agency must be rigorously held to the standards by which it professes its action to be judged. Accordingly, if dismissal from employment is based on a defined procedure, even though generous beyond the requirements that bind such agency, that procedure must be scrupulously observed.”); *see, e.g., Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006) (“An interpretative rule [in an agency manual] binds an agency’s employees, including its ALJs, but it does not bind the agency itself.”); *Warder v. Shalala*, 149 F.3d 73, 82 (1st Cir. 1998) (“[A] rule may lack [force and effect of law] and still bind agency personnel.”); *Zhang v. Slattery*, 55 F.3d 732, 784 (2d Cir. 1995) (“a regulation need not necessarily be published in order to be enforced *against* the government”).

the public is entitled to rely on employees' observing the guidance, and the agency is obligated to enforce the procedural commitments it makes to the public.<sup>145</sup> When the PTO issues promises to the public that the PTO will observe minimum procedural standards (evidence, explanations, elements of reasoning) in explaining any adverse action, the public is entitled to rely on those promises, and they are binding against agency employees.<sup>146</sup> This guidance is binding even if the document is not published.<sup>147</sup> Agency action in violation of a housekeeping rule is "void" or "illegal and of no effect."<sup>148</sup>

- On the other hand, agencies are free to relax non-statutory rules (whether in regulations or guidance) in favor of lenity toward a party: "It is always within the discretion of . . . an administrative agency to relax or modify its procedural rules adopted for the orderly transaction of business before it when in a given case the ends of justice require it."<sup>149</sup> Cases that state this freedom to relax reiterate that it is an asymmetric freedom: agencies may not relieve themselves of rules intended primarily "to confer important procedural benefits upon individuals" in the face of otherwise unfettered discretion.<sup>150</sup>

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<sup>145</sup> See *Vitarelli*, note 144, *supra*, 359 U.S. at 545 (an agency action was "illegal and of no effect" because the agency's dismissal "fell substantially short of the requirements of the applicable department regulations"); see also *Service*, note 144, *supra*, 354 U.S. at 386-88 (an unpublished manual was binding, and violation of that manual was a ground for setting aside agency action).

<sup>146</sup> See, e.g., *In re Kaghan*, 387 F.2d 398, 401, 156 USPQ 130, 132 (C.C.P.A. 1967) ("[W]e feel that an applicant should be entitled to rely not only on the statutes and Rules of Practice but also on the provisions of the MPEP in the prosecution of his patent application.").

<sup>147</sup> See, e.g., *Service*, note 144, *supra*, 354 U.S. at 382 n. 29 (rules were not published in the Federal Register), 386-88 (but nonetheless binding against the Secretary); *New England Tank Industries of New Hampshire v. United States*, 861 F.2d 685, 688, 694 n.17 (Fed. Cir. 1988) (an agency staff manual may be binding against agency employees even though it has not been published with the requisite formalities necessary to give it "force of law" against the public).

<sup>148</sup> See *id.*; see also *Vitarelli*, note 144, *supra*, 359 U.S. at 545.

<sup>149</sup> *Am. Farm Lines v. Black Ball Freight Serv.*, 397 U.S. 532, 539 (1970).

<sup>150</sup> See *City of Fredericksburg v. Fed. Energy Regulatory Comm'n*, 876 F.2d 1109, 1112 (4th Cir. 1989) ("[A]merican Farm Lines held that an administrative agency has discretion to relax or modify internal housekeeping regulations . . . .

- \*34 Amendments to “recognize[ ] an exemption or relieve[ ] a restriction” in favor of the public can be promulgated on simple notice (§ 553(d)(1)); rules, amendments, or carve-outs to raise burdens on the public must go through statutory rule making procedure as applicable.<sup>151</sup>

The asymmetry arises from a very simple contrast: rules to bind agency employees arise under one head of authority (5 U.S.C. § 301), and rules to bind the public under another (the agency’s organic statute, and 5 U.S.C. § 553). The two classes require different procedure for promulgation, have different standards for intra-agency enforcement, and have different standards for waiver.

F. SYNTHESIS—WHEN CAN AN AGENCY PROMULGATE A RULE BY COMMON LAW ADJUDICATION, AND WHEN NOT?

Pulling the strands of the case law together, adjudicatory decisions may mature into rules binding on the public—

- Only if the agency as a whole has relevant rulemaking authority under its organic statute.<sup>152</sup>
- Only to the extent that either:
  - The agency’s organic statute unifies rulemaking authority and adjudicatory authority in a single agency head (e.g., the N.L.R.B., \*35 SEC, Interstate Commerce Commission, and Federal Trade

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However, the exception announced in *American Farm Lines* does not apply if the agency regulations were intended ‘to confer important procedural benefits upon individuals’ or other third parties outside the agency. The applicability *vel non* of *American Farm Lines* thus turns on whether the regulation . . . was designed to aid [the agency] or, instead, to benefit outside parties.”); *Gulf States Mfrs, Inc. v. NLRB*, 579 F.2d 1298, 1308 (5th Cir. 1978) (“It was not material whether the regulation was substantive or procedural in order to bind the Board, so long as its non-observance adversely affected the Company in this case.”), *vacated on other grounds*, 598 F.2d 896 (5th Cir. 1979).

<sup>151</sup> E.g., 5 U.S.C. § 553 (APA); 44 U.S.C. § 3506, 3507 and implementing regulations in 5 C.F.R. Part 1320 (Paperwork Reduction Act); 5 U.S.C. § 604, 605 (Regulatory Flexibility Act); Executive Order 12,866; etc.

<sup>152</sup> See, e.g., *Mead*, note 92, *supra*, 533 U.S. at 226–27 (one precondition for *Chevron* deference is 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”).

Commission, which have unified authority, but not the PTO), and/or<sup>153</sup>

- The tribunal acts with sufficient procedural formality, agency deliberation, and explanation to satisfy a court that the adjudicator's interpretation reflects "fair and considered judgment" and policy-balancing of the entire *agency* (which almost always requires "formal adjudication" under APA § 554, designated "precedential," after full review by the agency head).<sup>154</sup>
- *Only if no statute requires otherwise*—that is, only if the rule fits the "interpretative," "statement of policy," or "procedural" exemptions of § 553(b)(A) and § 553(d), and no other statute (such as § 2(b)(2)(B) of the \*36 Patent Act<sup>155</sup> or § 3506(c)(2)(A) of the Paperwork Reduction Act) requires notice and comment.

<sup>153</sup> See *Martin v. OSHA*, note 90, *supra*; see also *N.L.R.B. v. Bell Aerospace*, note 126, *supra*, 415 U.S. at 294 (for unified agencies like the NLRB, "adjudicated cases may . . . serve as vehicles for the formulation of agency policies, which are applied and announced therein, and that such cases 'generally provide a guide to action that the agency may be expected to take in future cases'").

In every case that I know of in which *Chevron* deference was accorded an agency rule promulgated by adjudication (*e.g.*, those noted in note 106), two things were both true: (a) the tribunal at issue has unified adjudicatory and rulemaking powers, and (b) the tribunal operates under the "formal adjudication" procedures of §§ 554, 556, and 557. American Bar Ass'n, A GUIDE TO JUDICIAL AND POLITICAL REVIEW OF FEDERAL AGENCIES, John Duffy, ed. § 4.022 at 106, ABA Press 2005 ("*Chevron* deference to interpretations expressed through formal adjudications requires that the interpreting agency have some policymaking power, as opposed to purely adjudicatory powers. If the agency is solely an adjudicator, not contemplated by Congress to set policy through the adjudication process by, for example, resolving interpretive questions in the course of its adjudications, courts are unlikely to extend *Chevron* deference.").

For an *Auer*-eligible interpretation of a regulation, the connector is some balancing test that is weaker than "and." See, *e.g.*, *Auer*, note 9, *supra*.

<sup>154</sup> See note 153, *supra*.

<sup>155</sup> At least one court has held that "the structure of [35 U.S.C. § 2(b)(2)] makes it clear that the USPTO must engage in notice and comment rule making when promulgating rules it is otherwise empowered to make—namely, procedural rules." *Tafas v. Dudas*, 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008), *reinstated sub nom. Tafas v. Kappos*, 586 F.3d 1369, 1371, 92 USPQ2d



- If an agency relies on the “interpretative” exemption from notice and comment under § 553, the agency may create a rule by adjudication *only as an interpretation of a “genuine ambiguity.”*<sup>156</sup> Gap-filling of a *regulation* via guidance is ineligible for *Auer* deference.<sup>157</sup>
- The likelihood that a court will grant binding weight to a rule-by-adjudication ebbs and flows with whether the rule “implicate[s] the [agency’s] substantive expertise.”<sup>158</sup> Procedural rules, rules that interpret the Administrative Procedure Act or terms from the common law, attorney fee awards, and rules outside the agency’s zone of expertise, are less likely entitled to deference.
- *Only if* the agency explains itself sufficiently to meet the standards of *Chenery I*<sup>159</sup> and *State Farm*.<sup>160</sup>

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1693, 1694 (Fed. Cir. 2009). The PTO acquiesced and bound itself when it moved to dismiss the *Tafas* appeal on grounds of mootness.

<sup>156</sup> See notes 32-35, *supra* and accompanying text.

<sup>157</sup> See *Christensen*, note 99, *supra*, 529 U.S. at 588; see also Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, at 9 (discussing *Auer* interpretation).

<sup>158</sup> *Kisor*, note 32, *supra*, slip op. at 16, 139 S.Ct. at 2417 (“the agency’s interpretation must in some way implicate its substantive expertise. Administrative knowledge and experience largely account for the presumption that Congress delegates interpretive lawmaking power to the agency. So the basis for deference ebbs when the subject matter of the dispute is distant from the agency’s ordinary duties or falls within the scope of another agency’s authority,” citations, and internal quotations and modifications omitted).

<sup>159</sup> *SEC v. Chenery Corp.*, 318 U.S. 80, 93-95 (1943) (*Chenery I*) (“[The Commission’s] action must be measured by what the Commission did, not by what it might have done... The Commission’s action cannot be upheld merely because findings might have been made and considerations disclosed which would justify its order as an appropriate safeguard for the interests protected by the Act. There must be such a responsible finding. ... We merely hold that an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained.”); *Chenery II*, note 40, *supra*, 332 U.S. at 196-97 (an administrative agency’s “basis must be set forth with such clarity as to be understandable. It will not do for a court to be compelled to guess at the theory underlying the agency’s action”).

<sup>160</sup> *State Farm*, note 130, *supra*; *Chenery I*, note 159, *supra*.

- *Only if* the agency publishes the decision with notice as required by § 552, and with sufficient clarity to prevent “unfair surprise.”<sup>161</sup>

G.        **\*37 PTAB RULEMAKING AND PROSPECTIVE EFFECT OF PAST DECISIONS**

The “only if’s” of the previous section, Section II.F, for a binding rule-by-adjudication can seldom (if ever) be satisfied by a PTAB adjudication:

- With the exception of the “islands” of Section II.A and the few issues noted below in Section III.B, no statute grants the PTO (let alone the PTAB) authority to promulgate substantive rules.<sup>162</sup> The Federal Circuit has reminded the PTAB regularly that “[the Board] must follow judicial precedent instead of [PTO-formulated substantive rules] because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent.”<sup>163</sup>
- All statutes in the Patent Act that grant rulemaking authority delegate that authority to the agency or the Director, not the PTAB.<sup>164</sup> The PTAB has neither rulemaking nor policy-setting authority on behalf of the PTO—policy setting and rulemaking authority are delegated to the Secretary of Commerce and Director, not the PTAB.<sup>165</sup>

<sup>161</sup> The notice requirement of § 552 is discussed Section II.B.2, *supra*. *Kisor*, note 32, *supra*, slip op. at 18, 139 S.Ct. at 2417-18 (“[A] court may not defer to a new interpretation, whether or not introduced in litigation, that creates ‘unfair surprise’ to regulated parties. That disruption of expectations may occur when an agency substitutes one view of a rule for another. We have therefore only rarely given *Auer* deference to an agency construction ‘conflict[ing] with a prior’ one. Or the upending of reliance may happen without such an explicit interpretive change. This Court, for example, recently refused to defer to an interpretation that would have imposed retroactive liability on parties for longstanding conduct that the agency had never before addressed.” citations omitted).

<sup>162</sup> See statutes cited notes 48 and 51, *supra* (enumerating the PTO’s statutory grants of rulemaking authority) and accompanying text, and note the absence of any delegation to the PTAB.

<sup>163</sup> See *Koninklijke Philips*, note 10, *supra*, 590 F.3d at 1336-37, 93 USPQ2d at 1234; cases cited note 10, *supra*.

<sup>164</sup> See statutes cited notes 48 and 51, *supra* (enumerating the PTO’s statutory grants of rulemaking authority) and accompanying text.

<sup>165</sup> 35 U.S.C. §§ 2(a), 3(a)(2)(A); see also statutes cited *supra* notes 48 and 51; *Martin v. OSHA*, note 90, *supra*, 499 U.S. at 154 (“Insofar as Congress did not

- For decades, the PTO (and Board) satisfied the “publication” requirement (at least in spirit, if not to the letter of the law) by publishing elevated-status decisions in the United States Patents Quarterly (USPQ).<sup>166</sup> That stopped somewhere around 2010.<sup>167</sup> Since 2014, the USPQ has only published one or two PTAB decisions per year (while TTAB decisions \*38 continue to appear in the USPQ at a rate of nearly one per week).<sup>168</sup> Until April 2018, the PTAB’s web page list of precedential and informative opinions failed to meet the “indexing” requirements of § 552.<sup>169</sup>

Like any other agency adjudicatory tribunal, the PTAB may interpret *ambiguities*, and apply those interpretations in individual cases.<sup>170</sup> However, the effect for future cases is governed by the same rulemaking law that applies to any other agency, and is asymmetric:

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invest [an adjudicatory tribunal] the power to make law or policy by other means, we cannot infer that Congress expected [the tribunal] to use its adjudicatory power to play a policymaking role.”).

<sup>166</sup> USPQ Cumulative Index volumes (BNA).

<sup>167</sup> The last USPQ publication of a precedential or informative decision was *SecureBuy, LLC v. CardinalCommerce Corp.*, 111 USPQ2d 1739 (PTAB Apr. 25, 2014), and there had been a gap of several years before that.

<sup>168</sup> See USPQ bound volumes, Table of Cases, and Annual Digest.

<sup>169</sup> The PTAB lists all precedential and informative decisions on the PTAB’s web site, at PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, *available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions> [<https://perma.cc/YL36-4WYB>] (last visited Jan. 27, 2019). This list was first published with some rudiments of indexing in April 2018. Before that, precedential and informative decisions were listed separately, with no “separation” or “indexing” information whatsoever. See PTO, PRECEDENTIAL OPINIONS, *available at* <https://web.archive.org/web/20180409205044/https://www.uspto.gov/patents-application-process/appealing-patent-decisions/decisions-and-opinions/precedential> (version of Apr. 9, 2018, last visited Jan. 11, 2019) and PTO, INFORMATIVE OPINIONS, *e.g.*, *available at* <https://web.archive.org/web/20170627183030/https://www.uspto.gov/patents-application-process/appealing-patent-decisions/decisions-and-opinions/informative-opinions-0> (version of June 2017). The requirements § 552(a) for “separation” and “indexing” are discussed in Section I.B.3, *supra*.

<sup>170</sup> 5 U.S.C. § 553(b)(A) (2012); *see* note 36, *supra*.

- The PTAB may “interpret” “genuine ambiguities” in statute or regulation with the limited binding effect of an “interpretative rule,”<sup>171</sup> but may not gap-fill unless the Director exercises full legislative procedure to promulgate a “regulation.”<sup>172</sup>
- \*39 Against the public, the PTO may not rely on an interpretation that fails any of the “only if’s” of Section II.F as the last word on a subject (unless the interpretation meets the formalities of *Chevron* or *Auer* deference<sup>173</sup>); rather, the PTO must entertain and respond to alternative positions.<sup>174</sup>
- Against the PTO, the public may cite *any* prior decision, and the PTO must either honor its own past decision or explain why it is not being followed.<sup>175</sup> When a party argues based on a PTAB nonprecedential

<sup>171</sup> See authorities cited note 20 and 32-35, *supra*.

<sup>172</sup> 35 U.S.C. § 2(b)(2)(B) (2012) (PTO may promulgate procedural “regulations” with § 553 procedure); §§ 316(a), 326(a) (2012) (“The Director shall prescribe regulations...”); *Tafas*, note 155, *supra*, 541 F. Supp. 2d at 812, 86 USPQ2d at 1628 (“[T]he structure of [35 U.S.C. § 2(b)(2)] makes it clear that the USPTO must engage in notice and comment rule making when promulgating rules it is otherwise empowered to make—namely, procedural rules”), *reinstated sub nom. Tafas v. Kappos*, 586 F.3d 1369, 1371, 92 USPQ2d 1693, 1694 (Fed. Cir. 2009).

<sup>173</sup> See Section II.C, *supra*. For a lengthy exploration of the availability of *Chevron* and *Auer* deference to PTAB decisions, see Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*.

<sup>174</sup> See note 20, *supra*. An example of the PTAB’s misunderstanding of this principle is shown in *Ex parte Campbell*, Appeal 2010-008367, slip op. at 6 n.6, 2012 WL 2090379, at \*1 n. 6 (P.T.A.B. June 8, 2012) (“As a precedential opinion, under agency authority (SOP 2), *Nehls* is binding on all members of the Board, and by extension, is also binding authority on every member of the public who files an appeal to the Board.”) That’s not correct. SOP2 is only a “housekeeping rule,” asymmetrically binding only the PTAB and only in contexts favorable to the public. See Section II.E, *supra*. No PTAB decision on an issue of substantive law is any more than an “interpretative” rule, let alone “binding authority on the public.” See Section II.B.1, *supra* and Section III.C, *infra*. For an introduction to *Chevron/Auer* deference and the asymmetric effect of informal agency statements, see Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*; Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*.

<sup>175</sup> *Atchison, Topeka & Santa Fe Ry. Co. v. Wichita Bd. of Trade*, 412 U.S. 800, 805–09 (1973) (“Whatever the ground for the departure from prior norms . . . it must

opinion, the PTAB's correct course is to note that the argument is based on a nonprecedential decision, and give both the prior panel and the party the respect to distinguish the nonprecedential decision much as if it were \*40 precedential.<sup>176</sup> The PTAB may not summarily dismiss an argument on the sole ground that the prior decision is nonprecedential.<sup>177</sup>

- On judicial review, if an interpretation satisfies a long list of conditions (the top few elements of that list are in Section II.C of this article), it may be eligible for the stronger form of deference (*Chevron* or *Auer*), and if ineligible, then the weaker form of judicial deference (*Skidmore*).<sup>178</sup>

But the PTAB may *never* “gap fill” or otherwise create new rules on its own authority. Only when a decision meets the “only if’s” of Section II.F may the PTAB apply its own precedent as a final, preclusive, binding rule of decision against future parties before the PTAB.

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be clearly set forth so that the reviewing court may understand the basis for the agency's action and so may judge the consistency of that action with the agency's mandate.”); *Ramaprakash v. F.A.A.*, 346 F.3d 1121, 1124–25 (D.C. Cir. 2003) (quoting *Greater Boston Television Corp v. F.C.C.*, 444 F.2d 841, 852 (D.C. Cir. 1970); *Columbia Broad. Sys. v. F.C.C.*, 454 F.2d 1018, 1027 (D.C. Cir.1971)) (an agency departing from its precedent must provide “‘a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored’ . . . An agency's failure to come to grips with conflicting precedent constitutes ‘an inexcusable departure from the essential requirement for reasoned decision making’”).

<sup>176</sup> E.g., Final Written Decision, *Costco Wholesale Corp. v. Robert Bosch LLC*, IPR2016-00038, paper 68 at 9-10, 2017 WL 1215754, at \*3 (P.T.A.B. Mar. 30, 2017) (correctly noting that prior PTAB decision is routine and non-precedential, and then carefully analyzing to distinguish). A search of PTAB decisions for “Standard Operating Procedure” or “SOP2” locate a number of decisions showing inaccurate understanding of the law. For example, *Ex parte Dominguez*, Appeal 2016-008588, slip op. at 9-10, 2018 WL 1856737, at \*6 (P.T.A.B. Apr. 5, 2018) attempts to analogize Board-examiner review to court-agency review—very few analogies hold, as explained at notes 343 to 345 and accompanying text. *Ex parte Kotobuki & Co.*, Appeal 2008-0829, slip op. at 12-13, 12 n.9, 2008 WL 2577872, at \*6, \*6 n.9 (B.P.A.I. June 27, 2008) is a reexamination of an expired patent, but the PTAB applies a “broadest reasonable interpretation” instead of “ordinary meaning. The PTAB's explanation is based on an irrelevant red herring.

<sup>177</sup> See note 178, *infra*.

<sup>178</sup> See note 18, *supra*.

*Chevron* and *Auer* deference to rules promulgated by adjudication, and the differences between the law and PTAB practice, are discussed in more detail in Parts 1 and 2 of this article series.<sup>179</sup>

The MPEP, *PTAB Trial Practice Guide*, and similar less-than-regulatory guidance slot into the same pigeonholes of § 553 as PTAB decisions, and have largely the same effect:

- \*41 Any language in the MPEP, *Trial Practice Guide* and other guidance directed to constrain PTO employees is binding against PTO employees, and the public is entitled to rely on such guidance.<sup>180</sup>
- Interpretations adverse to the public are at best “interpretative rules” (with no independent force of law), and a party may advance alternative interpretations.<sup>181</sup>
- “Whole cloth” or “gap fill” rules against the public—any rule that goes beyond interpretation of ambiguity—are simply nugatory.<sup>182</sup>
- Procedural *interpretations* adverse to the public generally have only the weight of “interpretative” rules.<sup>183</sup> It’s conceivable that guidance interpretations of regulation could, in some situations, be entitled to *Auer* deference.<sup>184</sup>

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<sup>179</sup> See Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52; Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*.

<sup>180</sup> *Kaghan*, note 146, *supra*. The binding effect of procedural guidance arises under the Housekeeping Act and the *Accardi* principle, see § II.E, *supra*, and note 144. The binding effect of substantive guidance arises under the principle that an agency’s interpretative rules bind agency employees, see the *Accardi* principle, introduced note 144, *supra*.

<sup>181</sup> See notes 10 and 21, *supra*, and Boundy, *Part 1: Rulemaking Primer*, *supra* note 3, at 52-54.

<sup>182</sup> See 5 U.S.C. § 553; see notes 58 and 63, *supra*.

<sup>183</sup> See notes 20 and 21, *supra*; and Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 13, 52-54.

<sup>184</sup> See Section II.C, *supra*, and Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, for an introduction to the preconditions necessary for a *Chevron*- or *Auer*-eligible interpretation. But see *Gray v. Secretary of Veterans’ Affairs*, 875 F.3d 1102, 1109 (Fed. Cir. 2017) (in a case involving both statutes and regulations, “agencies’ interpretations contained in . . . agency manuals . . . do not warrant *Chevron*-style deference”), quoting *Christensen*, note 99, *supra*, 529 U.S. at 587.

- Statements using non-mandatory language are legitimate but non-binding “policy statements.”<sup>185</sup>

### III. THE PTAB’S AUTHORITY, AND STANDARD OPERATING PROCEDURE 2

The PTAB’s Standard Operating Procedure 2, *Publication of Opinions and Designation of Opinions as Precedential, Informative, Representative, and Routine* \*42 (SOP2) states the PTAB’s view of its “precedential,” “informative,” and “routine” opinions.<sup>186</sup>

#### A. AUTHORITY FOR SOP2 AND PRECEDENTIAL DECISIONS—OR LACK THEREOF

SOP2 purports to announce procedures by which the PTAB can designate opinions as “precedential” by a “majority of the Board’s voting members” and concurrence of the Director (under Revision 9), or by a “Precedential Opinion Panel” (under Revision 10), apparently with the expectation that an opinion so-designated would bind the public.<sup>187</sup>

SOP2 is not a statute, and has not been promulgated as a regulation. Thus, at best, SOP2 is an agency “housekeeping” rule that binds only agency employees, and has no effect against the public. It cannot confer jurisdiction or authority.

Perhaps the most striking feature of SOP2 is the silences: SOP2 identifies no statute that grants relevant rulemaking authority, does not explain compliance with § 553 of the APA (indeed § 553 is never mentioned), and does not identify an exemption from the rest of the administrative law that would authorize rulemaking action by the PTAB as an alternative to § 553.

The APA never mentions some alternative rulemaking procedure that involves a majority vote of an agency’s ALJ’s, or a Precedential Opinions Panel,

<sup>185</sup> See notes 23-25, *supra*, and accompanying text.

<sup>186</sup> See PTO, STANDARD OPERATING PROCEDURE 2 (REVISION 9), *Publication of Opinions and Designation of Opinions as Precedential, Informative, Representative, and Routine*, §§ III–IV, VI (2014), available at <https://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf> (Sep. 22, 2014) [<https://perma.cc/C9MM-DEQQ>]; PTO, STANDARD OPERATING PROCEDURE 2 (REVISION 10) (2018), available at <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> [<https://perma.cc/PY6P-FGSD>].

<sup>187</sup> SOP2 REV. 9, note 186, *supra*, at § III(A); SOP2 REV. 10, note 186, *supra*, at § II.

even with concurrence of an agency head, as contemplated by SOP2.<sup>188</sup> The D.C. Circuit considered a similar situation in which an agency had tried to bootstrap its own authority—a regulation that purported to grant authority to promulgate *ad hoc* rules—and found that attempt unlawful.<sup>189</sup> It didn’t work for a regulation; it \*43 can’t possibly work for mere guidance. Agencies cannot use non-statutory means to grant themselves rulemaking authority.<sup>190</sup>

In addition to failing the requirements of § 553, SOP2 and the PTAB’s practices with respect to its opinions fail the requirements for “notice,” “indexing,” and “separation” requirements of § 552.<sup>191</sup> To my knowledge, there has never been a Federal Register notice advising the public of SOP2 or the role of precedential, informative, or other opinions.<sup>192</sup> Before April 2018, the various lists on the PTO’s web site were simply lists, with no “indexing” or “separation,” so a

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<sup>188</sup> Contrast the public notice procedures of § 553 against SOP2 REV. 10, note 186, *supra*, at 10, 11 (contemplating “majority vote of the Executive Judges Committee” and Director approval to determine precedential status).

<sup>189</sup> See *United States v. Picciotto*, 875 F.2d 345, 346 (D.C. Cir. 1989) (invalidating a regulation that permitted the Park Service to impose “additional reasonable conditions . . . and limitations” — the regulation is an invalid attempt by the agency to “grant itself a valid exemption to the APA for all future regulations.”). With striking similarity, 37 C.F.R. § 42.5(a) purports to create off-the-cuff rulemaking authority to “determine a proper course of conduct in a proceeding for any situation not specifically covered by this part. Rule 42.5 cannot extend beyond § 553(b)(A) “interpretative” authority.

<sup>190</sup> See *Wyman-Gordon*, note 121, *supra*, 394 U.S. at 764–66; notes 124 to 128, *supra*, and accompanying text.

<sup>191</sup> See Parts II.B.2–3, *supra*.

<sup>192</sup> The closest appear to be Patent Appeals and Interferences, Comment Request (under Paperwork Reduction Act), 69 Fed. Reg. 11,842, 11,842–43 (Mar. 12, 2004), Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36,474, 36,476 (Jun. 27, 2014), and Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, Proposed rule, 80 Fed. Reg. 50,719, 50,738–39 (Aug. 20, 2015), which tangentially mention SOP2, but are far short of an “incorporat[ion] by reference” or regulations that satisfy the APA to give “constructive notice” of where to look for PTAB decisions. Contrast 5 U.S.C. § 552 with *Campbell*, note 174, *supra*, slip op. at 3, 2012 WL 2090379, at \*1 (asserting, under no identified authority, that appellants had “constructive notice” of BPAI decision). The only statements in the Federal Register are that certain opinions do *not* have binding effect—there is no notice that any *do*. E.g., 69 Fed. Reg. at 11,842–43 (certain “opinions are not binding”).



member of the public had no meaningful way to locate decisions that might bear on a particular case, other than reading each one individually.<sup>193</sup> Because the PTAB's practice is to designate entire opinions as "precedential," without separating out the parts that deserve that treatment, compliance with § 552 is iffy at best. PTAB decisions refer to "constructive notice" of these opinions<sup>194</sup>—but like any other "constructive notice" \*44 doctrine, if it exists at all, it exists under an identifiable law, and all such laws set preconditions. As of July 2018, the PTAB has not identified such a law and has not met the preconditions of § 552. Indeed, § 552(a)(1) and (a)(2) rebut any such notion of "constructive notice:" notice must either be by publication in the Federal Register or "indexed" electronic publication, or else personal, "actual," and "timely" notice.

#### B. PRECEDENTIAL DECISIONS—PROPER ROLE

There are a few isolated areas where the PTAB has subject matter jurisdiction to issue precedential decisions with the binding weight one normally attributes to the word "precedential."

First, like any other tribunal's jurisdiction to consider its own jurisdiction, the PTAB is authorized to issue decisions explaining that jurisdiction, and give those decisions precedential weight.<sup>195</sup> For example, *Ex parte Lemoine*<sup>196</sup> was properly designated "precedential" because it interprets the PTAB's statutory jurisdiction to hear *ex parte* appeals. Likewise, *SecureBuy, LLC v. CardinalCommerce*

<sup>193</sup> 5 U.S.C. § 552 (requiring indexing and separation). For example, the Wayback machine captures the INFORMATIVE OPINIONS page from June 2017, note 169, *supra*.

<sup>194</sup> *E.g., Campbell*, note 174, *supra*, slip op. at 3, 2012 WL 2090379, at \*1 ("Appellants have been accorded constructive notice of the precedential *Nehls* decision, which has been posted on the *uspto.gov* web site since 2008."). The PTAB's assertion is incorrect. No statute or regulation defines the PTAB's web site as "constructive notice," and at the time, the PTO's *uspto.gov* had no "indexing," so the constructive notice of the APA was not then and is not now available to the PTAB. *See* Section II.B.3, *supra*, and note 193 and accompanying text (discussing the lack of indexing).

<sup>195</sup> *See Cruz v. Dep't of the Navy*, 934 F.2d 1240, 1243–44, 1248 (Fed. Cir. 2007) (recognizing tribunal had inherent authority to determine its own jurisdiction, even without a specific statutory grant).

<sup>196</sup> *See Ex parte Lemoine*, 46 USPQ2d (BNA) 1420, 1422–23 (B.P.A.I. Dec. 27, 1994) (precedential).

*Corp.* is properly a precedential statement of the PTAB's jurisdiction to consider its own jurisdiction.<sup>197</sup>

Second, the PTAB may use a "precedential" designation when (1) the decision is a valid exercise of the agency's "housekeeping" power under 5 U.S.C. § 301, and (2) the decision announces a rule that is binding on PTO personnel, but has no adverse effect against applicants.<sup>198</sup> For example, *Ex parte Bhide*<sup>199</sup> sets burdens on examiners in supporting utility and enablement rejections. *Ex parte Eggert* decides an issue of the "recapture rule" in reissues, and sets standards that \*45 protect the public.<sup>200</sup> *Ex parte Frye*,<sup>201</sup> discussed in Section IV.C below, reconfirms that, on *ex parte* appeal, the examiner bears the initial burden to explain any rejection, support it by substantial evidence, and meet a "preponderance of evidence" burden. *Bhide*, *Eggert*, and this specific point of *Frye*, are "housekeeping rules" that bind the agency in favor of the public, and impose no burdens on applicants.<sup>202</sup> These decisions are legitimate exercises of "precedential" designation.

Interestingly, a significant fraction of the *Trademark* Trial and Appeal Board's (TTAB) precedential decisions fall into this category. These *trademark* decisions include rulings in favor of applicants, with reasoning that can be incorporated into guidance to channel the discretion of trademark examining attorneys. The difference between the TTAB and PTAB is truly striking: the four PTAB precedential decisions of the previous paragraph are the entire body of that genre in 30 years. In contrast, the TTAB publishes that number of analogous precedential decisions to limit trademark examiners' discretion almost every year.<sup>203</sup> Reasons for the difference between the PTAB and TTAB in designating

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<sup>197</sup> See Denying Institution of CBM Review, *SecureBuy, LLC v. Cardinal Commerce Corp.*, CBM2014-00035, paper 12 at 3, 111 USPQ2d 1739, 1740 (P.T.A.B. Apr. 25, 2014) (PTAB had no jurisdiction to institute CBM review after petitioner had previously filed a civil action).

<sup>198</sup> See Section II.E, *supra* (discussing 5 U.S.C. § 301 and housekeeping rules).

<sup>199</sup> *Ex parte Bhide*, 42 USPQ2d (BNA) 1441, 1447, 1448 (B.P.A.I. Jan. 31, 1996).

<sup>200</sup> *Ex parte Eggert*, 67 USPQ2d (BNA) 1716, 1717, 1720, 1721-22 (B.P.A.I. May 29, 2003), *abrogation recognized by Ex parte Mostafazadeh*, Appeal 2009-004238, slip op. at 8-11, 2009 WL 5486107, at \*4-\*6 (B.P.A.I. Dec. 14, 2009), *aff'd* 643 F.3d 1353, 98 USPQ2d 1639 (Fed. Cir. 2011).

<sup>201</sup> See *Frye*, note 252, *infra*, 94 USPQ2d at 1075; see also Section IV.C, *infra*.

<sup>202</sup> See Section II.E, *supra* (discussing 5 U.S.C. § 301 and housekeeping rules).

<sup>203</sup> See PTO, TTAB FINAL DECISIONS SEARCH, note 65, *supra*.

discretion-channeling decisions as “precedential” is not apparent. More precedential decisions in this mold, incorporated into the MPEP, could reduce costs for the PTO and for the public.

Finally, some of the PTAB’s precedential decisions are fairly characterized as “interpretations” of ambiguity in the procedural regulations for PTAB proceedings. So long as there’s no genuine issue of whether the interpretation is the PTO’s “fair and considered judgment” on the matter (for example, because of *ex post* rationalization or agency self-interest), a “majority vote of the Executive Judges Committee” and approval of the Director could well represent sufficient process and agency deliberation to support a claim to *Auer* deference for precedential interpretations of ambiguities in PTAB procedural regulations (but not gap-fills or whole-cloth improvisations).<sup>204</sup>

**\*46** Other than the classes set forth here, almost all PTAB decisions (including “precedential” decisions) can at most be “interpretative” rules, which implies all the limits discussed in §§ II.B.1 and III.C of this article. Because the PTO has no general substantive rulemaking authority, *Chevron* deference for issues of substantive patent law (outside the “islands” of § II.A, *supra*) is not available for most PTAB decisions. Thus, except for the classes in this § III.B, it is at best misleading to designate decisions as “precedential.”<sup>205</sup>

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<sup>204</sup> SOP2 REV. 10, note 188, *supra*, at 10, 11 (contemplating “majority vote of the Executive Judges Committee” and Director approval to determine precedential status). *C.f.* *Christopher v. SmithKline Beecham Corp.*, 567 U.S. 142, 155 (2012) (explaining decision lacks “fair and considered judgment” if decision was self-interested, or if decision was *ex post* rationalization); *Mead*, note 92, *supra*, 533 U.S. at 230 (noting one among many preconditions for *Chevron* deference is whether the agency’s formal procedures “foster . . . fairness and deliberation . . .”); *see* note 136, *supra* (discussing sufficient process to warrant *Chevron* or *Auer* deference). The need for process, and the ambiguity in “how much procedure is enough to earn deference,” is discussed in Part 1 of this series. *See* Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52–53.

<sup>205</sup> *See* cases cited note 10, *supra* (PTO lacks general substantive rulemaking authority). *See also* the discussion of the Information Quality Act, note 215, *infra*. “Step zero” of *Chevron* originates in *Mead*, note 89, *supra*, 533 U.S. 218 at 226–227; *see also* Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 52 (discussing *Chevron* “step zero”).

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C. PROBLEMATIC PRECEDENTIAL DECISIONS

Most of the 74 precedential opinions on the PTAB's "Precedential and Informative Decisions" page<sup>206</sup> discuss issues of substantive law outside the "islands" (claim interpretation, § 101 subject matter,<sup>207</sup> § 103 obviousness,<sup>208</sup> § 112(b)<sup>209</sup> and (f)<sup>210</sup>), and decide adversely to the appellant. Others purport to create new rules with no antecedent in any regulation,<sup>211</sup> or create new paperwork \*47 burdens but were not accompanied by contemporaneous procedure under the Paperwork Reduction Act.<sup>212</sup> These decisions are outside the PTAB's subject matter rulemaking authority, and the PTAB neglected statutorily-required procedures to make them binding rules. While the PTAB is obligated to decide single cases presented to it, any implication that these "precedential" opinions have any future binding effect against the public is misleading.

Some precedential decisions reach issues of substantive law that are genuinely open under Federal Circuit law. These can be designated precedential subject to several conditions:

- They are at best "interpretative" rules, only tentative positions.

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<sup>206</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>207</sup> *See Ex parte Gutta*, 93 USPQ2d (BNA) 1025, 1026 (B.P.A.I. 2009) (precedential).

<sup>208</sup> *See Ex parte Jellá*, 90 USPQ 2d (BNA) 1009, 1020 (B.P.A.I. Nov. 3, 2008) (precedential); *Ex parte Catan*, 83 USPQ2d (BNA) 1569, 1570 (B.P.A.I. Jul. 3, 2007) (precedential).

<sup>209</sup> *See Ex parte Miyazaki*, 89 USPQ2d (BNA) 1207, 1217–1218 (B.P.A.I. Nov. 19, 2008) (precedential).

<sup>210</sup> *See Ex parte Catlin*, 90 USPQ2d (BNA) 1603, 1605, 1607 (B.P.A.I. Feb. 3, 2009) (precedential).

<sup>211</sup> *See, e.g., Decision Instituting Inter Partes Review, Athena Automation Ltd. v. Husky Injection Molding Sys. Ltd.*, No. IPR2013-00290, paper 18 at 12-13, 2013 WL 8595976, at \*7 (P.T.A.B. Oct. 25, 2013) (redesignated as precedential Aug. 1, 2017) (purporting to precedentially bind on issues of assignor estoppel).

<sup>212</sup> *See, e.g., Borden*, note 245, *infra*, discussed Part III.B, *infra*; *Ex parte Ghuman*, 88 USPQ2d (BNA) 1478, 1480 (B.P.A.I. 2008) (precedential) (cancelling rejected claims not challenged on appeal); Part IV.B, *infra* (discussing *Borden*); Section IV.D, *infra* (discussing *Ghuman*). The Paperwork Reduction Act is introduced note 18, *supra*.

- Parties are entitled to argue for alternative interpretations, and the PTAB must consider the question anew, without relying on its “precedential” opinion.<sup>213</sup>
- On appeal to the Federal Circuit, the Solicitor must recognize that interpretative positions outside an agency’s rulemaking subject matter jurisdiction are entitled to at most the weaker *Skidmore* form of deference.<sup>214</sup>

With those provisos, even these substantive law decisions may be given some elevated designation. However, to avoid misleading the public—and the Administrative Patent Judges (APJ)—the Information Quality Act suggests that these opinions should be redesignated as “informative.”<sup>215</sup>

#### D. \*48 PTAB “INFORMATIVE” OPINIONS

Agencies are permitted—even encouraged—to issue “informative” opinions to provide non-binding, advisory guidance to the public.<sup>216</sup> Under SOP2,

<sup>213</sup> See note 21, *supra*, and accompanying text.

<sup>214</sup> See note 20, *supra*, and accompanying text.

<sup>215</sup> The Information Quality Act (also called the “Data Quality Act”) was inserted as a two-sentence rider in an Appropriations bill, Consolidated Appropriations Act of 2001, Pub.L. 106-554, § 515, 114 Stat. 2763 (a) (Dec. 21, 2000), codified in notes to 44 U.S.C. §§ 3504 and 3516. The Act requires the Office of Management and Budget to promulgate information policy and procedure guidance to Federal agencies. The Paperwork Reduction Act, at 44 U.S.C. § 3506(c)(3)(D), requires agency rules requesting information from public to be “written using plain, coherent, and unambiguous terminology.” The Office of Management and Budget issued implementing guidance, GUIDELINES FOR ENSURING AND MAXIMIZING THE QUALITY, OBJECTIVITY, UTILITY, AND INTEGRITY OF INFORMATION DISSEMINATED BY FEDERAL AGENCIES, *reprinted at* 67 Fed. Reg. 8451, 8453, 8459 (Feb. 22, 2002), requiring that information to be disseminated by federal agencies is to have “utility,” that is, “usefulness . . . to its intended users, including the public” and “objectivity,” that is, “accurate, clear, complete, and unbiased presentation. The PTO followed with its own INFORMATION QUALITY GUIDELINES, *available at* <https://www.uspto.gov/learning-and-resources/information-quality-guidelines> [<https://perma.cc/5NKQ-T4UF>] (last visited Oct. 18, 2018), largely tracking the OMB guidelines, and making them applicable to the PTO. *See also* Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 12–13 (summarizing Information Quality Act requirements).

<sup>216</sup> See GOOD GUIDANCE BULLETIN, note 457, *infra*, Introduction at 2, *reprinted at* 72 Fed. Reg. at 3432 (“Well-designed guidance documents serve many

a PTAB opinion may be designated “informative” by a single person, the Chief APJ (under Revision 9) or by the Director (with the advice of the APJs) (under Revision 10)<sup>217</sup>—but without the involvement of the rest of the agency’s rulemaking process or machinery. Without that rulemaking procedure, informative opinions categorize as “interpretative” rules or “general statements of policy” under § 553(b)(A) and (d)(2) of the APA.<sup>218</sup> That categorization implies that PTAB informative opinions, although useful to the public, have only the confined effect of “interpretative” rules or “policy statements.” Indeed, as discussed above, many problems could be cured if all but a handful of existing “precedential” opinions (especially those directed to issues of substantive law) were down-designated to “informative” (or “obsolete”).

**\*49** However, the PTAB’s practical implementation departs from law. The APA and other statutes govern informative opinions and interpretative rules as follows:

- Informative opinions may not even be cited against the public (let alone relied on) until the agency has followed the notice, publication, and indexing requirements of § 552.<sup>219</sup>
- Informative opinions may not demand submission of paperwork to the agency or penalize a party for noncompliance until the agency has obtained clearance under the Paperwork Reduction Act.<sup>220</sup>
- Parties are entitled to argue for alternative interpretations of any underlying ambiguity.<sup>221</sup> The PTAB must respond to these arguments on their own merits and may not stand on an interpretative rule as the last word on the subject.<sup>222</sup> All revisions of SOP2 since 2008 have reminded

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important or even critical functions . . . . Agencies may provide helpful guidance to interpret existing law through an interpretive rule or to clarify how they tentatively will treat or enforce a governing legal norm . . . .”) (footnote omitted).

<sup>217</sup> See SOP2 REV. 9, note 186, *supra*, at § IV(A); SOP2 REV. 10, note 186, *supra*, at § III(C).

<sup>218</sup> See generally Section II.B.1, *supra* (discussing the rulemaking procedure set forth in 5 U.S.C. § 553).

<sup>219</sup> See generally Section II.B.3, *supra* (discussing 5 U.S.C. § 552).

<sup>220</sup> 44 U.S.C. § 3512 (2012). For an introduction to the Paperwork Reduction Act, see Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*, at 11.

<sup>221</sup> See note 21, *supra*, and accompanying text.

<sup>222</sup> *Id.*

APJs that informative opinions are not precedential, and/or may not be cited as binding authority.<sup>223</sup>

- On judicial review, most interpretative rules are entitled to, at most, weak *Skidmore* deference, not strong *Chevron* or *Auer* deference.<sup>224</sup> “General statements of policy” aren’t even entitled to that.<sup>225</sup> “Informative” \*50 opinions lack the agency deliberation and consensus required to earn *Chevron* or *Auer* deference.<sup>226</sup>

There are several problems in the PTAB’s “informative opinion” practice:

- SOP2 to the contrary, the PTAB regularly cites “informative” opinions as if they were binding precedent, often to end-run statutory requirements, written regulations, and Presidential orders. For example, *Idle Free v. Bergstrom*<sup>227</sup> was cited as the sole legal authority for denying entry of an IPR/PGR amendment nearly 100 times before there was a “precedential” opinion on the same point, as discussed Section IV.H, *infra*. For several years, “informative” opinions were often cited by the PTAB in deciding § 101 subject matter issues.<sup>228</sup>
- The PTAB uses “informative opinions” to announce a departure from Federal Circuit precedent, without the effrontery of a precedential opinion. For example, from 1998 to 2007, a number of PTAB

<sup>223</sup> When the PTAB *does* rely on informative opinions, e.g., *Ex parte Mostafazadeh*, note 200, *supra*, slip op. at 9 n.3, 2009 WL 5486107, at \*4-5 n.3 (citing *Ex parte Liebermann*, Appeal 2007-0012, 2007 WL 5211672, at \*11-12 (B.P.A.I. 2007) (informative)), the explanations are unsatisfying, even if the outcome in the specific case may be correct. Among other omissions, *Mostafazadeh* does not explain consistency with the notice requirements of Fifth Amendment due process or the APA, the rulemaking provisions of the APA, or the obligation of an agency to follow its own rules under the *Accardi* principle (see notes 146 and 148, *supra*)—recall that SOP2 (and arguably *Eggert*) is a “housekeeping rule” or “interpretative rule” with asymmetrically-binding effect against only the PTAB, not against the public.

<sup>224</sup> See, e.g., *Fogo De Chao*, note 134, *supra*.

<sup>225</sup> See notes 24 and 25, *supra*, and accompanying text.

<sup>226</sup> See, e.g., *Fogo De Chao*, note 134, *supra*; *Mead*, note 92, *supra*, 533 U.S. at 230–31 (finding no deference for decisions reached without formality that ensures agency deliberation and consensus).

<sup>227</sup> *Idle Free*, note 358, *infra*.

<sup>228</sup> For example, a search for the word “Langemyr” in the PTAB’s decisions yields over 20 hits.

“informative” opinions challenged the Federal Circuit’s “machine or transformation” test under § 101.<sup>229</sup>

- The PTAB dismisses appellants’ arguments that cite non-precedential decisions.<sup>230</sup> The law is otherwise. Section 552 permits the public to cite \*51 non-precedential opinions *against the PTO*, and the examiner or PTAB must take the argument at face value and respond.<sup>231</sup> Agencies cannot casually ignore previous decisions.<sup>232</sup> An agency may change its mind, but when it does so, the agency has a duty to acknowledge that it is doing so, “explain its departure from prior norms,” and explain why the earlier result is distinguishable, incorrect, or is not being followed.<sup>233</sup> However,

<sup>229</sup> See, e.g., *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (B.P.A.I. 2001), in which the lead opinon silently ignored the two controlling Federal Circuit cases in effect at the time. Strikingly, *Bowman* was submitted to the USPQ for publication, even though nonprecedential. Thereafter, *Bowman* was often cited by examiners, even though it was not precedential.

<sup>230</sup> See, e.g., *Valeo No. Amer., Inc. v. Magna Electronics, Inc.*, IPR2014-01206, paper 13 at 10, 2014 WL 7336080, at \*5 (P.T.A.B. Dec. 23, 2014) (in response to an argument based on the informative *Conopco/Unilever* decision, note 389, *infra*, dismissing the argument); *Ex parte Janney*, Appeal 2006-1533, slip op. at 4 n.3, 2007 WL 780897, at \*3 n.3 (B.P.A.I. Mar. 16, 2007) (“We do not address the Appellant’s arguments regarding [three routine Board decisions] because they are not binding precedent upon this panel.”); *Ex parte Janetos*, Appeal 98-2156, slip op. at 5, 1998 WL 1736168, at \*2 (B.P.A.I. 2009) (“Unpublished Board opinions are not binding as precedent . . . and citing such a decision as precedent is improper and inappropriate (see *Ex parte Vossen*, 155 [USPQ] 109, 110 ([P.O.B.A.] Aug. 22, 1967)).”) In citing *Vossen*, the *Janetos* panel overlooked the important fact that *Vossen* recognized—§ 552 is asymmetric, the PTAB cannot cite unpublished decisions against the public, but the appellant can cite them against the agency. See also note 234, *infra*.

<sup>231</sup> See note 175, *supra*, and accompanying text.

<sup>232</sup> *Id.*

<sup>233</sup> See, e.g., *State Farm*, note 130, *supra*, 463 U.S. at 56–57; *AT&SF Ry.*, note 175, *supra*, 412 U.S. at 803–09; *Ramaprasanth*, note 175, *supra*, 346 F.3d at 1124–25; *McCrary v. Office of Pers. Mgmt.*, 459 F.3d 1344, 1350 (Fed. Cir. 2006) (when an agency takes a position inconsistent with its longstanding practice, without explanation for the shift, action is “is not reasoned decision-making and is arbitrary”); GOOD GUIDANCE BULLETIN, note 457, *infra*, § II(1)(b) (“[A]gency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.”).



this right to cite nonprecedential opinions is asymmetric, as the PTO recognized in former times.<sup>234</sup>

- Until April 1, 2018, informative opinions were not indexed and, thus, could not be cited *at all* without running afoul of § 552.

E.        **\*52 “ROUTINE” AND OTHER NON-PRECEDENTIAL DECISIONS  
AGAINST THE AGENCY**

Parties may cite “routine” and other non-precedential PTAB decisions in a posture against the agency, and the PTAB must give some *bona fide* answer—a brush-aside that the decision is non-precedential and need not be followed, with no more, is arbitrary and capricious.<sup>235</sup>

**IV.        EXAMPLE PRECEDENTIAL AND INFORMATIVE OPINIONS**

A.        **THE FIRST “INFORMATIVE” OPINION—*EX PARTE BILSKI***

*Ex parte Bilski* was issued by the PTAB in 2006 as, apparently, the PTAB’s first informative opinion.<sup>236</sup> *Bilski* presents the well-known “abstract idea” facts that reached the Supreme Court—a method of doing business with no computer or hardware anywhere in the claims or specification.<sup>237</sup>

At the time *Bilski* was decided at the PTAB, the PTO’s official position on § 101 was stated in the Manual of Patent Examining Procedure (MPEP) § 2106.<sup>238</sup> Under administrative law, agency guidance documents and official agency

<sup>234</sup> See *Vossen*, note 230, *supra*, 155 USPQ (BNA) at 110. In *Vossen*, a Board decision by Pat Federico (the coauthor, along with Giles Rich, of the 1952 Patent Act), the Board observed that a prior unpublished decision could not be relied upon *as binding authority against an applicant*; rather, the question had to be redecided anew. *Id.* Some members of the Board still understand this principle. See *Ex parte Jalett*, Appeal 2001-0421, slip op. at 23, 2006 WL 2523666, at \*10 (B.P.A.I. Feb. 27, 2003) (Garris, APJ., dissenting) (“The majority expressly characterizes *Ex parte Erlich* (which was authored by one of the majority panel members) as nonprecedential. By its very nature, a nonprecedential opinion does not and cannot provide legal support for this rejection.”).

<sup>235</sup> *Id.*; see also notes 136, 175, 233, *supra*, and accompanying text.

<sup>236</sup> *Ex parte Bilski*, Appeal 2002-2257, slip op. at 35, 2006 WL 4080055, at \*15 (B.P.A.I. Sept. 26, 2006) (informative, not precedential).

<sup>237</sup> *Bilski v. Kappos*, 561 U.S. 593, 95 USPQ2d 1001 (2010).

<sup>238</sup> MPEP § 2106 (8th ed. Rev. 3, Aug. 2005), available at [https://www.uspto.gov/web/offices/pac/mpep/old/E8R3\\_2100.pdf](https://www.uspto.gov/web/offices/pac/mpep/old/E8R3_2100.pdf).

interpretations of applicable statutes are binding on agency employees, including the agency's ALJs, even if not binding on the public, under the *Accardi* principle.<sup>239</sup>

In *Bilski*, the PTAB announced its disagreement with and refusal to follow both Federal Circuit precedent and the PTO's official interpretation of that precedent.<sup>240</sup> That's striking enough—but then the *Bilski* panel, in its footnote 8, explains its mutiny against PTO interpretative rules it doesn't wish to follow:

Guidelines are intended to instruct examiners on how to apply the law to the facts. The Board is not bound by such guidelines,<sup>FN8</sup> but applies the law directly to the facts.

\*53 <sup>FN8</sup> From the movie *Pirates of the Caribbean* (Disney 2003):

Elizabeth: You have to take me to shore! According to the Code of the Order of the Brethren.

Barbossa: First, your return to shore was not part of our negotiations nor our agreement, so I 'must' do nothin'. And secondly, you must be a pirate for the pirate's code to apply, and you're not. And thirdly, the code is more what you call guidelines than actual rules. Welcome aboard the Black Pearl, Miss Turner.<sup>241</sup>

The *Bilski* panel:

- doesn't cite any recognized source of law that justifies the Board's dismissal of the PTO's official interpretation in the MPEP and disregard of the *Accardi* principle.<sup>242</sup>
- cites a fictional movie as its only authority.
- adopts for itself the legal process of pirates.

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<sup>239</sup> See, e.g., *Yale-New Haven Hosp.*, note 144, *supra*, 470 F.3d at 80 (addressing an agency policy manual: "An interpretative rule binds an agency's employees, including its ALJs"); see also cases cited notes 144 and 148, *supra*.

<sup>240</sup> *Bilski*, note 236, *supra*, slip op. at 35, 35 n.8, 2006 WL 4080055, at \*15, \*15 n.8.

<sup>241</sup> *Id.*

<sup>242</sup> The *Accardi* principle is introduced notes 144 and 239, *supra* and cases cited therein.

B. *EX PARTE BORDEN* AND NEW ARGUMENTS IN REPLY BRIEFS

The 2004 rules for *ex parte* appeals allowed an appellant to raise a new argument in the Reply Brief. From 2004 to 2008, Appeal Rule 41.37(c)(1)(vii) read: “Any arguments or authorities not included in the brief or a reply brief filed pursuant to § 41.41 will be refused consideration by the Board, unless good cause is shown.” In 2007-08, the PTO attempted to amend the appeal rules; one proposal was to require that all arguments be in the opening brief and that new arguments in a reply brief would be disregarded.<sup>243</sup> In December 2008, the Executive Office of \*54 the President barred the 2008 rules and specifically instructed the Board to apply *only* the 2004 rules and no more.<sup>244</sup>

Only two weeks after this order from the President to the Board, in *Ex parte Borden*, the Board stated in an informative opinion that it would enforce the “no new arguments in a reply brief” provision of the forbidden 2008 appeal rules.<sup>245</sup> The Board’s rationale was to misquote the text of the 2004 regulation by replacing the operative and permissive language of the regulation, “or a reply brief,” with ellipses.<sup>246</sup>

<sup>243</sup> See Rules of Practice Before the Board of Patent Appeals and Interferences in *Ex Parte Appeals*; Final Rule, 73 Fed. Reg. 32,938, 32,975 (June 10, 2008) (amending 37 C.F.R. § 41.37(o)(2) to read “Arguments considered. Only those arguments which are presented in the argument section of the appeal brief and that address claims set out in the claim support and drawing analysis section in the appendix will be considered. Appellant waives all other arguments in the appeal.”).

<sup>244</sup> See Notice of Office of Management and Budget Action (Dec. 22, 2009), <http://www.reginfo.gov/public/do/DownloadNOA?requestID=216727> [<https://perma.cc/Y3EJ-V5QU>]. Astute readers of this Article will recognize that I had something to do with that order from OMB to the PTO. See William F. Heinze, *USPTO Appeal Brief Rules Delayed Indefinitely*, IP-UPDATES (Dec. 9, 2008), <http://ip-updates.blogspot.com/2008/12/uspto-appeal-brief-rules-delayed.html> [<https://perma.cc/Z3BS-AUYM>] (“[W]hat is not generally known is that David Boundy is the hero. Against very, very long odds, he quarterbacked a group effort at the OMB that ended in the blockage of this very, very unfortunate rulemaking.”); Dennis Crouch, *New Patent Appeals Rules: Delayed by Whitehouse OMB*, PATENTLY-O BLOG (Dec. 9, 2008), <https://patentlyo.com/patent/2008/12/new-patent-appel.html> [<https://perma.cc/5ALT-YPCB>].

<sup>245</sup> See *Ex parte Borden*, 93 USPQ2d (BNA) 1473, 1474–75 (B.P.A.I. 2010) (informative).

<sup>246</sup> *Id.* at 1474 (“Giving cognizance to belated arguments in a reply would vitiate the force of the requirement in Board Rule 37(c)(1)(vii) that ‘[a]ny arguments

Even though it's only "informative," *Borden* was cited dozens of times in its first few years.<sup>247</sup> *Borden* is still regularly cited today as sole authority for denying consideration to appellants' arguments.<sup>248</sup>

The PTAB amended its regulations in 2011 to adopt the "opening brief only" rule.<sup>249</sup> After 2011, citing *Borden* is harmless error—but it's error nonetheless, and the remarkable reasoning of *Borden* casts its shadow on the entire field of "informative" opinions.

\*55 *Borden* moved from "precedential" to "archived" in 2018, after drafts of this article began to circulate.<sup>250</sup> The PTAB continues to cite it anyway.<sup>251</sup>

C. *EX PARTE FRYE, EX PARTE QUIST, THE BURDEN OF PROOF, AND WAIVER*

*Ex parte Frye*<sup>252</sup> was decided by an expanded panel with Director David Kappos and Deputy Director Barner on the panel, shortly after Director Kappos was confirmed. *Frye* stands for two propositions: (a) on *ex parte* appeal, the burden of proof lies with the examiner, and (b) arguments not raised need not be considered by the PTAB *sua sponte*.<sup>253</sup>

1. *Frye and the Burden of Proof*

*Frye* begins by setting out the burden of proof on *ex parte* appeal. *Frye* restates basic principles from the Patent Act, that the examiner bears the initial burden to come forward with evidence that meets a "preponderance of evidence"

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or authorities not included in the brief . . . will be refused consideration by the Board,' ellipses in *Borden*, replacing the words "or a reply brief" in original rule 37(c)(1)(vii)).

<sup>247</sup> Westlaw Keycite of *Borden*.

<sup>248</sup> See, e.g., *Ex parte Bonucci*, Appeal 2017-010135, slip op. at \*6 n. 6 (P.T.A.B. Nov. 27, 2017).

<sup>249</sup> See Rules of Practice Before the Board of Patent Appeals and Interferences in *Ex Parte Appeals*, Final Rule, 76 Fed. Reg. 72,270, 72,298 (Nov. 22, 2011) (amending 37 C.F.R. § 41.41(a)(c)).

<sup>250</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>251</sup> *Ex parte Cho*, Appeal 2017-009973, slip op. at 3, 2018 WL 6012511 at \*1 (P.T.A.B. Oct. 30, 2018).

<sup>252</sup> See *Ex parte Frye*, 94 USPQ2d (BNA) 1072, 1075-76 (B.P.A.I. 2010) (*en banc*, precedential).

<sup>253</sup> See *id.* at 1075-76.

burden,<sup>254</sup> and from the Administrative Procedure Act, that the examiner has a burden to explain that evidence:

“The Examiner has the initial burden to set forth the basis for any rejection so as to put the patent applicant on notice of the reasons why the applicant is not entitled to a patent on the claim scope that he seeks—the so-called “*prima facie* case.” *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992); *In re Piasecki*, 745 F.2d 1468, 1472, 223 USPQ 785, 788 (Fed. Cir. 1984) (the initial burden of proof is on the USPTO “to produce the factual basis for its rejection of an application under sections 102 and 103”).<sup>255</sup>

**\*56** Because this language states only obligations on the *agency*, it’s a legitimately-precedential exercise of Director Kappos’ “housekeeping” power. Shortly after, in *Ex parte Quist*, the Board reiterated that “[t]he examiner has an initial burden to set forth the basis for a rejection.”<sup>256</sup> Likewise, this is a proper “housekeeping” rule, and is properly precedential.

*Frye* itself is entirely unremarkable. (*Frye*’s restatement of the burden of proof was only necessary because the 2008 proposed appeal regulations had proposed that it was the *appellant*’s burden to establish examiner error, rather than the *examiner*’s burden to establish unpatentability, attempting to overrule statute by regulation.<sup>257</sup>) *Frye* is merely a restatement of one of the more often-repeated **\*57** procedural holdings of the Federal Circuit.<sup>258</sup> And it’s an important statement: an erroneous burden of proof sets up a decision for *per se* reversal.<sup>259</sup>

<sup>254</sup> See *id.* at 1074 (citing *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427, 7 USPQ2d 1152, 1156 (Fed. Cir. 1988) (“[A] preponderance of the evidence must show nonpatentability before the [PTO] may reject the claims of a patent application.”)).

<sup>255</sup> *Id.* at 1075.

<sup>256</sup> *Ex parte Quist*, 95 USPQ2d (BNA) 1140, 1141–42 (B.P.A.I. 2010) (precedential).

<sup>257</sup> See Rules of Practice Before the Board of Patent Appeals and Interferences in *Ex Parte Appeals*; Final Rule, 73 Fed. Reg. 32938, 32,974 (Jun. 10, 2008) (amending § 41.37(o) to require appellant to establish “why the examiner erred”), *indefinitely delayed*, 73 Fed. Reg. 74,972 (Dec. 10, 2008), *withdrawn* 76 Fed. Reg. 72,270 (Nov. 22, 2011); see also sources cited note 244, *supra*.

<sup>258</sup> See, e.g., 35 U.S.C. § 102 (2012) (applicant is “entitled” to a patent unless PTO shows otherwise); *In re Swanson*, 540 F.3d 1368, 1377, 88 USPQ2d (BNA) 1196, 1203 (Fed. Cir. 2008) (“In PTO examinations . . . the standard of proof [is] a preponderance of evidence”); *In re Kahn*, 441 F.3d 977, 989, 78 USPQ2d 1329, 1338 (Fed. Cir. 2006) (“[T]he Board need only establish motivation to

\*58 The first remarkable thing about *Frye* is the great difficulty that subsequent Board panels have had in following it.<sup>260</sup> A Westlaw search for

combine by a preponderance of the evidence.”); *In re Glaug*, 283 F.3d 1335, 1338, 62 USPQ2d 1151, 1153 (Fed. Cir. 2002) (“patentability is determined by a preponderance of all the evidence”); *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d (BNA) 1443, 1444 (Fed. Cir. 1992) (“[T]he examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a prima facie case of unpatentability. . . . After evidence or argument is submitted by the applicant in response, patentability is determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument”); *id.*, 977 F.2d at 1449, 24 USPQ2d at 1447 (Plager, J., concurring) (“[W]hen obviousness is at issue, the examiner has the burden of persuasion and therefore the initial burden of production. Satisfying the burden of production, and thus initially the burden of persuasion, constitutes the so-called *prima facie* showing. Once that burden is met, the applicant has the burden of production to demonstrate that the examiner’s preliminary determination is not correct. The examiner, and if later involved, the Board, retain the ultimate burden of persuasion on the issue.”); *Ethicon*, note 254, *supra*, 849 F.2d at 1427, 7 USPQ2d at 1156 (“a preponderance of the evidence must show nonpatentability before the PTO may reject the claims of a patent application”); see also *Dir., Office of Workers Comp. Programs, Dep’t of Labor v. Greenwich Colliers*, 512 U.S. 267, 275, 281 (1994) (stating unless superseded by statute, 5 U.S.C. § 556(d) prohibits an agency from shifting the burden of production or burden of persuasion for issues the agency is required to prove in order to grant or deny an order).

<sup>259</sup> See *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 443, 58 USPQ2d 1641, 1649 (2001) (vacating a decision of the Ninth Circuit based solely on the Ninth Circuit’s application of an incorrect standard of review); *Dickinson v. Zurko*, 527 U.S. 150, 165, 50 USPQ2d 1930, 1936–37 (1999); *Price v. Symsek*, 988 F.2d 1187, 1194, 1196, 26 USPQ2d (BNA) 1031, 1036, 1038 (B.P.A.I. 1993) (remanding because the Board used the wrong standard of proof); see also *Allentown Mack Sales & Serv., Inc. v. N.L.R.B.*, 522 U.S. 359, 376–77 (1998) (“Because reasoned decisionmaking demands it, and because the systemic consequences of any other approach are unacceptable, the [agency] must be required to apply in fact the clearly understood legal standards that it enunciates in principle, such as good-faith reasonable doubt and preponderance of the evidence. . . . Even the most consistent and hence predictable [agency] departure from proper application of those standards will not alter the legal rule by which the agency’s fact-finding is to be judged.”).

<sup>260</sup> See, e.g., *Dominguez*, note 176, *supra*, slip op. at 10, 2018 WL 1856737, at \*6 (demonstrating confusion on the role of examiners). In an *ex parte* appeal, an examiner stands in nearly the same shoes as petitioner’s attorney in an

phrases placing the burden on the appellant, for example, “Appellant has not convinced us that . . .” or “Appellant has not persuasively rebutted the examiner’s findings . . .” or “We are not persuaded that the examiner erred” or “We are persuaded of harmful error” or otherwise resting a burden of persuasion onto an appellant, yields hundreds of hits.<sup>261</sup> Contrary-wise, in the many dozens of PTAB decisions reviewed for this article, phrases that correctly place the burden, like “The evidence has persuasively shown, and the examiner has persuasively explained . . .” are a rarity.<sup>262</sup> In one recurring pattern, a number of PTAB panels have brushed aside *Frye* and *Quist*, as well as the APA’s requirement for “substantial evidence,” on no basis more substantial than the panel members’ lack of personal and individual awareness of fundamental principles of agency adjudication. For example, in *Ex parte Reardon*, the PTAB panel said:

\*59 Appellants charge that the Examiner failed to establish a prima facie rejection under 35 U.S.C. § 101, because the Examiner fails to provide evidence that [one claim element] is an abstract idea . . . But we are aware of no controlling authority that

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IPR/PGR proceeding. Both are simply advocates, neither is a subordinate tribunal with any claim to deference. Both are on the burden-bearing end of a “preponderance of evidence” lift. Both have an obligation to explain their positions (the IPR/PGR attorney’s obligation to explain arises under the PTAB’s trial regulations, the examiner’s under the Administrative Procedure Act). Both appear before a *de novo* fact-finder of first instance. Both submit evidence and arguments or explanations of evidence, neither submits “findings” to be reviewed or affirmed. Both bear the burden of persuasion—an *ex parte* appellant does not.

<sup>261</sup> E.g., *Ex parte Yankovich*, Appeal 2016-002057, slip op. at 5–6, 2017 WL 3638374, at \*3 (P.T.A.B. Aug. 18, 2017) (brushing aside “substantial evidence” requirements of the Administrative Procedure Act, the MPEP, and the Board’s own precedent, and instead relying on the Board’s naïveté on the difference between “issues of law” vs. underlying “issues of fact,” to affirm the examiner on an issue fact for which the examiner proffered no evidence); *Ex parte Srivastava*, Appeal 2015-003159, slip op. at 4–7, 2017 WL 2928810 at \*2-\*3 (P.T.A.B. June 26, 2017) (making three references to wrong burden of proof).

<sup>262</sup> E.g., *Ex parte Ferro*, Appeal 2011-000774, slip op. at 3, 2012 WL 2930122, at \*1 (B.P.A.I. Jul. 9, 2012).

requires the Office to provide factual evidence to support a finding that a claim is directed to an abstract idea.<sup>263</sup>

The following paragraph of *Reardon* then demonstrates a confused understanding of burdens of proof, burdens of production, standards of review, the APA obligation to explain, and substantive law.<sup>264</sup>

In another example, *Ex parte Burke*, the PTAB acknowledges that the examiner had made no showings whatsoever, and yet sustains a rejection that never existed. Instead, the PTAB shifts the burden to the appellant to show *patentability* by “persuasive argument or technical reasoning,” and relieves the examiner of the burden to “initial burden to set forth the basis for any rejection” required by *Frye*.<sup>265</sup> Even more striking, the PTAB acknowledges that the Appeal Brief traversed under one law, the Administrative Procedure Act, 5 U.S.C. § 555—yet the PTAB answers under a different law, 35 U.S.C. § 132, with no showing that the examiner had met the requirements of § 555. Does one argue to be excused from a parking ticket by showing that one was not speeding? Is it really the case that a PTO employee only has to obey one law at a time? The panel does not explain how compliance with one law, § 132, excuses breach of a different law, § 555.<sup>266</sup>

The PTAB is not an Article III Court.<sup>267</sup> The law, of which this point of *Frye* is an accurate restatement, requires the PTAB to apply “preponderance of \*60 evidence” as a *de novo* standard of *proof*, as a fact-finder of first instance.<sup>268</sup> In contrast, the Federal Circuit applies “substantial evidence” as a standard of

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<sup>263</sup> *Ex parte Reardon*, Appeal 2016-003358, slip op. at 4, 2017 WL 4387089, at \*2 (P.T.A.B. Sep. 29, 2017).

<sup>264</sup> *See id.* at \*4–5, 2017 WL 4387089, at \*2.

<sup>265</sup> *Ex parte Burke*, Appeal 2013-003542, slip op. at 4, 2016 Pat. App. LEXIS 864 at \*5 (P.T.A.B. Jan. 13, 2016).

<sup>266</sup> *Federal Communications Comm’n v. Nextwave Personal Communications*, 537 U.S. 293, 303–04 (2003) (“The Administrative Procedure Act requires federal courts to set aside federal agency action that is ‘not in accordance with law,’ 5 U.S.C. § 706(2)(A)—which means, of course, any law, and not merely those laws that the agency itself is charged with administering.”); 5 U.S.C. § 559 (APA applies to all agencies, unless carved out explicitly by statute).

<sup>267</sup> *See* 35 U.S.C. § 6, note 117, *supra*; *see also* Boundy, *Part 1: Rulemaking Primer*, note 117, *supra*.

<sup>268</sup> *See supra* notes 252 to 255 and accompanying text.



*review*<sup>269</sup>—the language in which the Federal Circuit explains itself vis-à-vis the PTAB is not appropriate for the PTAB to explain the burden of *proof* vis-à-vis examiners. I know of no authority (outside the PTO) that creates any tension with *Frye* or the Federal Circuit authority noted above, or that could arguably support the approach taken in the majority of PTAB *ex parte* decisions. The reasons for the PTAB’s consistent confusion are not known.

## 2. *Frye and Waiver*

In practice, *Frye* is much more often cited by the PTAB for a different proposition:

Filing a Board appeal does not, unto itself, entitle an appellant to *de novo* review of all aspects of a rejection. If an appellant fails to present arguments on a particular issue—or more broadly, on a particular rejection—the Board will not, as a general matter, unilaterally review those uncontested aspects of the rejection.<sup>270</sup>

As a pedantic administrative law teaching point, *Frye* shares the same defect as *Borden*: the Board lacks authority to promulgate a rule adverse to appellants without going through the rulemaking procedures of the APA and Paperwork Reduction Act.<sup>271</sup> Thus, this statement of *Frye* may not properly be relied on by the Board as “precedent.” On the other hand, as a practical matter, taken on its own terms, this point of *Frye* is an innocuous statement of reality—the Board can’t be expected to be omniscient, or to have oracular insight into every possible issue that wasn’t raised. And reliance on *Frye* is harmless error, since the PTAB *did* amend its rules in 2011.<sup>272</sup>

\*61 The second remarkable thing about *Frye* is how the PTAB converts a normally-discretionary principle like waiver<sup>273</sup> into a hard-edged rule. For

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<sup>269</sup> *In re Gartside*, 203 F.3d 1305, 1313, 53 USPQ2d 1769, 1774 (Fed. Cir. 2000) (“we should therefore review Board factfinding for ‘substantial evidence.’”)

<sup>270</sup> *Frye*, *supra* note 252, 94 USPQ2d (BNA) at 1075.

<sup>271</sup> See *supra* Parts II and III; note 164.

<sup>272</sup> See Rules of Practice Before Board of Patent Appeals (2011 final rule), *supra* note 249, 76 Fed. Reg. at 72,298.

<sup>273</sup> For example, Article III courts will not apply waiver in situations such as where “(1) the issue involves a pure question of law and refusal to consider it would result in a miscarriage of justice; (2) the proper resolution is beyond any doubt; (3) the appellant had no opportunity to raise the objection below; (4) the issue presents significant questions of general impact or of great public concern; or (5) the interest of substantial justice is at stake.” *Automated*

example, the Federal Circuit held in *Berkheimer v. HP, Inc.* that in evaluating a claim for a § 101 “abstract idea,” the “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.”<sup>274</sup> As this Article is going to press, five months after *Berkheimer*, and more than two months after it became official PTO policy to follow *Berkheimer*,<sup>275</sup> the PTAB continues to apply the pre-*Berkheimer* rule and the PTAB will affirm § 101 rejections for which there is no substantial evidence support.<sup>276</sup> Perhaps the PTAB, in relying on the *Frye* waiver rule, obligates appellants to file a paper bringing *Berkheimer* to the attention of the specific PTAB panel, before the PTAB will follow recent Federal Circuit authority?

Further, one questions the Board’s asymmetric practice of raising new grounds of rejection that the examiner did not raise,<sup>277</sup> or going to considerable \*62 effort to discern something in a shambles Examiner’s Answer,<sup>278</sup> while

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*Merchandising Sys., Inc. v. Lee*, 782 F.3d 1376, 1379, 114 USPQ2d 1457, 1480 (Fed. Cir. 2015) (quotations omitted).

<sup>274</sup> *Berkheimer v. HP, Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018) (“The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.”).

<sup>275</sup> Robert W. Bahr, *Memorandum to Patent Examining Corps, Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision* (*Berkheimer v. HP, Inc.*), <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.pdf> (Apr. 19, 2018). Agency interpretative guidance, such as this memorandum, is binding on the PTAB. See, e.g., *Yale-New Haven Hosp.*, note 144, *supra*, 470 F.3d at 80.

<sup>276</sup> *Ex parte Bhasin*, Appeal 2016-003353, slip op. at 7, 2018 WL 3425404, at \*4 (P.T.A.B. June 29, 2018) (four months after *Berkheimer*, stating that there is no requirement “that Examiners must provide evidentiary support in every case before a conclusion can be made that a claim is directed to an abstract idea. There is no such requirement.”).

<sup>277</sup> See *Ex parte DiStefano*, Appeal No. 2011-001447, slip op. at 7, 2013 WL 5199779, at \*4 (May 30, 2013) (deciding “nonfunctional descriptive matter” issue that appears nowhere in the examiner’s papers), *aff’d on rehearing*, 2013 WL 4456034 (meanwhile refusing to designate the new reasoning as a new ground), *rev’d* 808 F.3d 845 (Fed. Cir. 2013).

<sup>278</sup> See *Ex parte Srinivasan*, Appeal 2017-003466, slip op. at 8-11 (PTAB Jun. 28, 2018) (after conceding that the PTAB cannot discern the examiner’s

simultaneously refusing to consider arguments that the appellant did not raise even though they seem apparent to the panel. Is this asymmetry consistent with the Board's obligation, derivative of its role under the Director, 35 U.S.C. § 3(a)(2)(A), to "perform [its] duties in a fair, impartial, and equitable manner?" Article III appellate courts are willing to reconstruct a case without regard to a party's briefs when the just outcome is apparent;<sup>279</sup> it's difficult to see a legal or equitable principle that underlies the PTAB's approach to waiver.

#### D. *EX PARTE GHUMAN* AND REJECTED-BUT-UNAPPEALED CLAIMS

In *Ex parte Ghuman*, acting by pure common law with no regulatory grounding, the PTAB granted itself the authority to cancel claims out of an application, if rejections of those claims were not appealed.<sup>280</sup> *Ghuman* is a home run—it touches at least four bases of unlawfulness:

- *Ghuman* purports to create a substantive rule.
- *Ghuman* has no statutory or regulatory support.
- *Ghuman* directly clashed with guidance<sup>281</sup> that bound the PTO and its APJs, that allowed unappealed claims to remain pending—for example, an appellant could appeal dependent claims but not independent claims, or rejected claims could be left pending to be amended to track whatever claims emerged from the appeal.
- \*63 *Ghuman* calls for paperwork from the applicant, but there was no simultaneous request for clearance under the Paperwork Reduction Act.<sup>282</sup>

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reasoning, discussing three different possibilities, though ultimately “not sustaining”).

<sup>279</sup> See, e.g., *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1315-22, 124 USPQ2d at 1271-76; see also Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra* (explaining how *Aqua Products* court reframed an entire case around administrative law issues *sua sponte*, even though the briefs argued only patent law).

<sup>280</sup> *Ex parte Ghuman*, 88 USPQ2d (BNA) 1478, 1480 (B.P.A.I. 2008) (precedential).

<sup>281</sup> MPEP § 1205.02 (Aug 2005) (for unappealed claims, PTAB would “summarily sustain” the rejection, but leave the claims pending).

<sup>282</sup> See OFFICE OF MGMT. & BUDGET, OMB CONTROL NUMBER HISTORY for control numbers 0651-0031 and 0651-0063, available at <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0031> and [.../0651-0063](https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0063) (showing no filing for Paperwork clearance around May 2008, let alone grant).

Eighteen months later, the PTO proposed to adopt the *Ghuman* rule through notice and comment.<sup>283</sup> In response to comment letters pointing out these legal defects (including one from this author<sup>284</sup>), the PTO dropped the idea, and decided *not* to adopt the *Ghuman* rule as a regulation.

Yet, ten years later, as of April 2018, *Ghuman* was still included on the PTAB's list of "precedential" decisions, still without regulatory support, and is still cited by the Board a few times a year.<sup>285</sup> After drafts of this article began to circulate, *Ghuman* moved from "precedential" to "archived" status.<sup>286</sup>

E. *EX PARTE TANAKA* AND REISSUE "ERROR"

In *Ex parte Tanaka*, the PTAB issued a precedential decision, by an expanded panel, holding that adding narrower dependent claims, with no change to existing independent claims, was not sufficient "error" to support reissue.<sup>287</sup> The Federal Circuit disagreed and overruled *Tanaka* on the merits,<sup>288</sup> though without reminding the PTAB that it had overstepped the limits of its substantive rulemaking authority.

F. \*64 THE "NONFUNCTIONAL DESCRIPTIVE MATERIAL" CASES—  
NEHLS AND CURRY

Under the Federal Circuit's common law "printed matter" rule, claim language directed to printed matter may be denied patentable weight in a § 102

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<sup>283</sup> Procedure for Treating Rejected Claims That Are Not Being Appealed, Request for Comments, 74 Fed. Reg. 66,097 (Dec. 14, 2009).

<sup>284</sup> Letter commenting on "unappealed claims" Federal Register notice from David E. Boundy, Cantor Fitzgerald, L.P., to Joni Y. Chang, U.S. Patent and Trademark Office (Jan. 12, 2010), available at <https://www.uspto.gov/sites/default/files/patents/law/comments/boundy12jan2010.pdf> [<https://perma.cc/4FJY-UDCD>].

<sup>285</sup> See PTO, FINAL DECISIONS OF THE PATENT TRIAL AND APPEAL BOARD, available at <https://e-foia.uspto.gov/Foia/PTABReadingRoom.jsp> with search keyword "Ghuman." [<https://perma.cc/E8DF-SF9H>] (last visited Nov. 7, 2018) (showing a list of PTO decisions citing *Ghuman*).

<sup>286</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>287</sup> *Ex parte Tanaka*, 93 USPQ2d (BNA) 1291, 1298 (B.P.A.I. 2009) (precedential).

<sup>288</sup> *In re Tanaka*, 640 F.3d 1246, 1249 (Fed. Cir. 2011).

or § 103 rejection.<sup>289</sup> The typical “printed matter” case involves a new use of old apparatus, claimed as the old apparatus with instructions for the new use<sup>290</sup> (the rationale for this line of cases relates to unwarranted term extension<sup>291</sup>). Courts deny patentable weight to the printed matter claim language.<sup>292</sup> On the other hand, if printed matter is “functionally related” to the substrate, then the printed matter claim language may be given patentable weight.<sup>293</sup> The famous example of “functionally related” printed matter is a set of measuring cups: one cup has the measurements printed at double their true values—one triple, one half, one a third, etc.—to make it easy to measure out ingredients for double recipes, half recipes, and the like.<sup>294</sup> In every precedential case since the 1970s in which the court has applied any “printed matter” exception, the printed matter was a set of instructions printed on paper, or information with no recited substrate.<sup>295</sup> Conversely, in every Federal Circuit case involving data in the memory of a computer, the Federal Circuit has rejected applicability of the “printed matter” rule—computer data is not “printed matter.”<sup>296</sup>

\*65 The Federal Circuit’s case law sets out a number of principles:

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<sup>289</sup> See *In re DiStefano*, 808 F.3d 845, 848, 117 USPQ2d 1265, 1267-68 (Fed. Cir. 2015); *In re Ngai*, 367 F.3d 1336, 1338-39, 70 USPQ2d 1862, 1864 (Fed. Cir. 2004); *In re Gulack*, 703 F.2d 1381, 1384-85, 217 USPQ 401, 403 (Fed. Cir. 1983).

<sup>290</sup> See, e.g., *AstraZeneca L.P. v. Apotex, Inc.*, 633 F.3d 1042, 1064-65, 97 USPQ2d 1029, 1046 (Fed. Cir. 2010) (a printed label indicating dosing instructions is subject to the exception); *Ngai*, note 289, *supra*, 367 F.3d at 1339, 70 USPQ2d at 1864 (printed instructions added to a known kit are subject to the exception); cf. *King Pharm., Inc. v. Eon Labs, Inc.*, 616 F.3d 1267, 1279, 95 USPQ2d 1833, 1842 (Fed. Cir. 2010) (applying analogous reasoning to “informing” a human, with no recited substrate).

<sup>291</sup> See *Ngai*, note 289, *supra*, 367 F.3d at 1339, 70 USPQ2d at 1864 (Fed. Cir. 2004).

<sup>292</sup> See *Gulack*, note 289, *supra*, 703 F.2d at 1384-85, 217 USPQ at 403.

<sup>293</sup> See *In re Miller*, 418 F.2d 1392, 1396, 164 USPQ at 1395-96 (C.C.P.A. 1969).

<sup>294</sup> See *id.*

<sup>295</sup> See cases cited note 290, *supra*.

<sup>296</sup> See, e.g., *DiStefano*, note 289, *supra*, 808 F.3d at 845, 117 USPQ2d at 1267-68 (“web assets” or computer data used in building a web page, characterized by its source rather than by its “information content,” are not “printed matter” under step one); *In re Lowry*, 32 F.3d 1579, 1583-84, 32 USPQ2d 1032, 1034-35 (Fed. Cir. 1994) (data recited to reside in computer memory are not “printed matter” under step one, and thus not subject to the rule).

- “Printed matter” is evaluated in a two-step process.<sup>297</sup> The first step evaluates whether the limitation is “printed matter.”<sup>298</sup> Only after that does the inquiry move on to step two, to evaluate “functional relationship to the substrate.”<sup>299</sup>
- The “printed matter case law tells us that the first step of the printed matter analysis is the “determination that the limitation in question is in fact directed toward printed matter.”<sup>300</sup> There is no analogy between data stored in the memory of a computer and “printed matter.”<sup>301</sup>
  - Any “printed matter” exception applies only to “printed lines or characters, useful and intelligible *only* to the human mind.”<sup>302</sup> Matter in the memory of a computer, or printed markings on a disk to be read by an optical reader machine (as opposed to printed indicia to be read by a human), are not “printed matter.”<sup>303</sup> The printed matter exception is limited to “indicia whose primary purpose is the conveying of intelligence to a reader.”<sup>304</sup>

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<sup>297</sup> See *DiStefano*, note 289, *supra*, 808 F.3d at 848-49, 117 USPQ2d at 1267; *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d 1034-35; see also *In re Bernhart*, 417 F.2d 1395, 1399, 163 USPQ 611, 615 (C.C.P.A. 1969) (limiting the “printed matter” doctrine to “arrangements of printed lines or characters, useful and intelligible only to the human mind,” never applicable to “information be processed not by the mind but by a machine”); see also *In re Jones*, 373 F.2d 1007, 1013, 1014, 153 USPQ 77, 81, 82 (C.C.P.A. 1967) (in a case related to printed indicia for reading by an electrical optical scanner, “what the Patent Office deems to be printed matter in the disc we consider to be structure,” and holding that the “printed matter” rule applies only to “indicia whose primary purpose is the conveying of intelligence to a reader.”).

<sup>298</sup> See cases cited in notes 296 and 297.

<sup>299</sup> *E.g.*, cases cited in note 290.

<sup>300</sup> See cases cited in notes 296 and 297.

<sup>301</sup> See *Lowry*, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1035.

<sup>302</sup> See *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d 1034-35; *Bernhart*, note 297, *supra*, 417 F.2d at 1399, 163 USPQ at 615.

<sup>303</sup> See *Jones*, note 297, *supra*, 373 F.2d at 1013, 1014, 153 USPQ at 81, 82.

<sup>304</sup> See *Jones*, note 297, *supra*, 373 F.2d at 1013, 153 USPQ at 81; see also *Lowry*, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034; *Bernhart*, note 297, *supra*, 417 F.2d at 1399, 163 USPQ at 615.

- \*66 The exception has “no factual relevance” when “the invention as defined by the claims *requires* that the information be processed not by the mind but by a machine, the computer.”<sup>305</sup>
- As “a necessary condition for falling into the category of printed matter, a limitation is printed matter only if it claims the content of information.”<sup>306</sup> Language describing “where the information came from, its ‘origin,’ is not part of the informational content at all.”<sup>307</sup>
- It was “erroneous” for the Board to extend a printed matter rejection to a new field which involves information stored in a memory.<sup>308</sup>
- Only after satisfying all these tests under step one for “printed matter” does the inquiry proceed to step two, to ask whether the printed matter is functionally or structurally related to the associated physical substrate.<sup>309</sup>
- The phrase “descriptive material” (in the relevant context) is absent from the corpus of precedential Federal Circuit decisions, except when the Federal Circuit paraphrases the Board’s reasoning—and then disapproves it.<sup>310</sup>
- The Federal Circuit has twice stated that it is “notably weary” in reminding the PTO of these principles.<sup>311</sup>

Lowry’s invention involved data structures in a database—an arrangement of pointers to allow various data items to be correlated to each

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<sup>305</sup> Lowry, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034 (emphasis in Lowry).

<sup>306</sup> DiStefano, note 289, *supra*, 808 F.3d at 848, 117 USPQ2d at 1267.

<sup>307</sup> *Id.* at 851, 117 USPQ2d at 1269.

<sup>308</sup> Lowry, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034.

<sup>309</sup> DiStefano, note 289, *supra*, 808 F.3d at 851, 117 USPQ2d at 1268.

<sup>310</sup> E.g., *In re Wirth*, 563 F. App’x 777, 778–79 (Fed. Cir. 2014) (unpublished) (appealing *Ex parte Wirth*, Appeal 2011-006989 (PTAB Apr. 12, 2012), in which the PTAB applied its “non-functional descriptive material” rule to computer data (a web URL): “[We] disagree with the Board’s application of the printed matter doctrine,” with the clear implication that the Federal Circuit disapproves the use of the phrase “descriptive matter” and is quite insistent that the rule is limited to “printed matter.”).

<sup>311</sup> See Lowry, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034; *In re Gulack*, 703 F.2d 1381, 1385 n.8, 217 USPQ 401, 403 n.8 (Fed. Cir. 1983)).

other.<sup>312</sup> The reasoning in *Lowry*, rejecting the PTO's assertion of "non-functional \*67 descriptive material," is not subtle or equivocal. *Lowry* discusses, at length, multiple reasons that computer data structures are not "printed matter," and leaves no room to doubt that data in a computer memory, arranged in form or having values set for functional reasons, are "functional."<sup>313</sup> *Lowry* quotes an earlier case to remind the PTO that the court is "notably weary" in reminding the PTO of these principles,<sup>314</sup> and repeats an earlier lock-down holding, "[t]he printed matter cases have no factual relevance where 'the invention as defined by the claims requires that the information be processed not by the mind but by a machine, the computer.'"<sup>315</sup>

The PTAB responded with a series of anomalies.

*Ex parte Curry* is an "informative" opinion that involves data in a database.<sup>316</sup> *Curry* conflicts with Federal Circuit precedent: the Federal Circuit's *Lowry* states that the "printed matter" rule has no relevance to data stored in the memory of a machine for processing by the machine, but *Curry* holds that data "in a database" is "nonfunctional descriptive material" that may be denied weight.<sup>317</sup> *Curry* cites *Ngai* and *Gulack*, two leading "printed matter" cases—misquoting them to change the words "printed matter" to "descriptive material."<sup>318</sup> *Curry* omits any mention of *Lowry*, even though *Lowry* was argued in the Appeal Brief, Examiner's Answer, and Reply Brief (though, to be fair, the appeal brief argued *Lowry* for a different issue—nonetheless, the Board's omission of any discussion of the lengthy discussion of *Lowry* remains striking).<sup>319</sup> *Curry* then improvises an alternative "descriptive material" test that has no antecedent in any known authority.<sup>320</sup> Writing *Lowry* out of the law, creating a new standard,

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<sup>312</sup> *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d at 1034-35.

<sup>313</sup> *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d at 1034-35.

<sup>314</sup> *Lowry*, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034, quoting *In re Gulack*, 703 F.2d 1381, 1385 n.8, 217 USPQ 401, 403 n.8 (Fed. Cir. 1983).

<sup>315</sup> *Lowry*, note 296, *supra*, 32 F.3d at 1583, 32 USPQ2d at 1034, quoting *Bernhart*, note 297, *supra*, 417 F.2d at 1399, 163 USPQ at 615.

<sup>316</sup> *Ex parte Curry*, 84 USPQ2d (BNA) 1272, 1272 (B.P.A.I. 2005) (informative).

<sup>317</sup> *Id.* at 1274-75; *contra Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d at 1034-35.

<sup>318</sup> *Curry*, note 316, *supra*, 84 USPQ2d at 1274.

<sup>319</sup> See *Curry*'s file history, Ser. No. 09/449,237, Appeal Brief at 12 (Oct 8, 2003), Examiner's Answer at 14 (April 2, 2004), Reply Brief at 3 (Jul. 8, 2004).

<sup>320</sup> *Curry*, note 316, *supra*, 84 USPQ2d (BNA) at 1275.



and purporting to offer a prospective rule on an issue of substantive law, are all beyond the PTAB's authority.

\*68 In 2008, the Board extended its "nonfunctional descriptive material" line in a precedential decision, *Ex parte Nehls*.<sup>321</sup> The Board found claims to a computer with specific data in its memory to be obvious.<sup>322</sup> As in *Curry*, the Board did not compare the claims to prior art. Instead, the Board denied weight to the relevant claim language, citing *Curry* (as if it were precedential, in clear violation of the noncitation rule of § 552(a), see § II.B.3) and the noncitation rule in the PTAB's own SOP2 (see Section II.B.3).<sup>323</sup> *Lowry* is addressed in a single footnote:

That statement, however, must be regarded as dictum, because the court went on to conclude that the data structures at issue in *Lowry* were not analogous to printed matter. Thus, the quoted statement was not essential to the *Lowry* holding. The *Lowry* court did not consider whether, and under what circumstances, computer-readable information that *is* analogous to printed matter can distinguish a claimed invention from the prior art.<sup>324</sup>

To be sure, *Lowry* gives multiple alternative grounds for its decision—several under step one (data in a computer memory are not "printed matter") and another under step two (Lowry's particular data, a physical arrangement of the data, are "functional").<sup>325</sup> But the *Nehls* expanded panel (seven APJs, including the Chief APJ) had faulty memories of first-year Civil Procedure: "essential to the holding" and "alternative grounds" are tests for issue preclusion, not for dictum.<sup>326</sup>

Further, dismissing reasoning as "dictum" is a power usually reserved for a tribunal of the same level. Subordinate tribunals do not ordinarily dismiss their reviewing tribunals' alternative grounds as "dictum," especially (1) when the "dictum" quotes two prior decisions, (2) when the relevant language is the central analysis (not an off-hand remark), and (3) when the reviewing tribunal

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<sup>321</sup> *Ex parte Nehls*, 88 USPQ2d (BNA) 1883, 1897 (B.P.A.I. 2008).

<sup>322</sup> *Id.* at 1890.

<sup>323</sup> *Id.* at 1889.

<sup>324</sup> *Id.* at 1888 n.3.

<sup>325</sup> *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d at 1034-35.

<sup>326</sup> A search of all federal appellate courts for "alternative grounds" and "dictum" yields only one case in which a party even raised the issue. The court rejected the proposition. *Biltmore Forest Broadcasting FM, Inc. v. U.S.*, 555 F.3d 1375, 1383 (Fed. Cir. 2009).

notes that \*69 it is “notably weary” in issuing the same instructions that the subordinate tribunal now dismisses as “dictum.”<sup>327</sup>

The *Nehls* Board leaves three points unexplained: (1) what alternative “analogy” it believes to be more apt than *Lowry*’s “machine” versus “human mind” rationale for step one, (2) where the Board panel derived authority to replace *Lowry*’s analysis with its own, or (3) why the Federal Circuit, already “notably weary” of explaining how computer data are *not* analogous to “printed matter” should explain the principles of “printed matter” once again.<sup>328</sup>

Remarkably, *Nehls* easily could have been decided on classical obviousness grounds, for example, obviousness of a claimed species within a disclosed genus.<sup>329</sup> Apparently, *Nehls* had taken routine, off-the-shelf set of database programs for analyzing DNA, and loaded them with his new DNA sequences.<sup>330</sup> It’s curious that the *Nehls* panel chose this case as the vehicle for a sweeping “descriptive material” rule and stated its new and unnecessary rule with no meaningful limiting principles.

The PTAB’s “nonfunctional descriptive material” decisions neglect to explain how the Board believed it surmounted three statutory barriers to the jurisdiction the Board purported to exercise:

- On their faces, these decisions are substantive rulemaking, outside the PTO’s rulemaking authority under 35 U.S.C. § 2(b)(2).<sup>331</sup>
- The PTAB has no authority to promulgate any rules (substantive or procedural) on its own authority—rulemaking is a power of the Director.<sup>332</sup>

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<sup>327</sup> See *Lowry*, note 296, *supra*, 32 F.3d at 1583-84, 32 USPQ2d at 1034-35 (citing *In re Gulack*, 703 F.2d 1381 (Fed. Cir. 1983) and *Bernhart*, note 297, *supra*, in support of reversal); see also *In re Gulack*, 703 F.2d at 1385 n.8, 217 USPQ at 403 n.8 (emphasizing court is “notably weary” of reissuing same explanation of the “printed matter” rule).

<sup>328</sup> See generally *Nehls*, note 321, *supra*.

<sup>329</sup> E.g., *Allergan, Inc. v. Apotex Inc.*, 754 F.3d 952, 963, 111 USPQ2d 1245, 1252-53 (Fed. Cir. 2014). (species claim may be obvious over disclosed genus).

<sup>330</sup> See *Nehls*, 88 USPQ2d (BNA) at 1887.

<sup>331</sup> See LUBBERS, note 20, *supra*, at 90 (“an interpretative rule cannot reflect an agency’s exercise of independent policymaking discretion”), quoting Manning, note 20, *supra*.

<sup>332</sup> See Section II.A, and notes 48 and 165, *supra*, and their accompanying text.

- \*70 The PTAB is “not free to refuse to follow [Federal Circuit] precedent.”<sup>333</sup> The creation of new rationale in *Curry* and *Nehls*, and brushing aside the reasoning of *Lowry*, are difficult to square with any lawful exercise of adjudicatory authority by a subordinate tribunal.

and, on procedural law:

- The PTAB regularly cites the “informative” *Curry*, even though SOP2 instructs that it is not to be so cited.<sup>334</sup>

The “nonfunctional descriptive material” decisions<sup>335</sup> have imposed *immense* costs on the public. A 2017 webinar<sup>336</sup> noted that over 34,000 PTO Office Actions have invoked “nonfunctional descriptive material” as a basis to deny weight to claim language, almost all from the computer-related art units where *Lowry* holds that there should be “no factual relevance” and “no analogy” to the printed matter cases.<sup>337</sup> At \$ 3200 each,<sup>338</sup> the PTAB’s careless reasoning, and *ultra vires* designation as “precedential,” has imposed costs well over \$100 million.

While the reasoning of the several dozen recent “descriptive material” cases reviewed in preparing this Article is easy to reconcile with *Nehls* and *Curry*,

<sup>333</sup> *In re Lee*, 277 F.3d 1338, 1344, 61 USPQ2d 1430, 1434 (Fed. Cir. 2002) (quoting *N.L.R.B. v. Ashkenazy Prop. Mgmt. Corp.*, 817 F.2d 74, 75 (9th Cir. 1987)).

<sup>334</sup> *E.g.*, *Ex parte Kneckt*, Appeal 2017-000119 slip op. at 4, 2018 WL 5821657 at \*2 (P.T.A.B. Oct. 23, 2018).

<sup>335</sup> See *Curry*, note 316, 84 USPQ2d (BNA) at 1274 (using “nonfunctional descriptive material” language instead of “printed matter,” even when citing to Federal Circuit decisions that use the latter phrase); see also *Nehls*, 88 USPQ2d (BNA) at 1887 (same). There’s a third, *Ex parte Mathias*, 84 USPQ2d (BNA) 1276 (B.P.A.I. 2005) (informative), but because the *Mathias* application remains confidential under pre-1999 § 122, the briefs are not available, so it’s not discussed in this Article.

<sup>336</sup> *Cf. Better Patents Now Podcast: ‘Alice’ Before ‘Alice’*, LEXISNEXIS IP (May 1, 2017) (downloaded from <https://bpn.podbean.com>).

<sup>337</sup> *E.g.*, two years after the Federal Circuit in *DiStefano*, 808 F.3d at 850, 117 USPQ2d at 1268, held that there is no such thing as “descriptive material,” only a “printed matter” rule, and that rule is *not* invoked by claim language that specifies the origin of the data, the PTAB in *Ex parte Kishikawa*, Appeal 2016-006434, slip op. at 9 n.1, 2017 WL 6939406 at \*4 n.1 (PTAB Dec. 18, 2017) holds that computer data “obtained by parallel projection” are *Nehls* “non-functional descriptive material.”

<sup>338</sup> AIPLA ECONOMIC SURVEY, Patent application amendment/argument, relatively complex, electrical computer (Preparation and filing), national average (2013).

any effect of *Lowry* or *DiStefano* on the PTAB's deliberative process is not apparent—I found no recent PTAB decision that included (accurate) quotes from \*71 *Lowry* to distinguish, let alone to follow.<sup>339</sup> Even after *DiStefano* clearly held that there's only a “printed matter” rule, reached after a step one separates “printed matter” from other “descriptive material,” the PTAB regularly issues decisions that skip over the first of the Federal Circuit's two steps, and misquotes sources to resurrect its pet “descriptive material” rule.<sup>340</sup>

The whole matter is deeply puzzling.

#### G. EX PARTE GUTTA AND CLAIMS REJECTED ON MULTIPLE GROUNDS

In *Ex parte Gutta*, the PTAB affirmed a § 101 rejection and relied on that affirmance to decline to reach appeals of prior art rejections.<sup>341</sup> The PTAB regularly cites *Gutta* as a basis to decline to analyze anticipation or obviousness after affirming an examiner's rejection on some other issue.<sup>342</sup>

The PTAB is not an Article III court, let alone an Article III court of appeals.<sup>343</sup> The PTAB's review of *ex parte* rejections has very few procedural analogies to the Federal Circuit's review of agency action.

- Article III's requirements for standing do not apply to executive branch agencies—for example, an agency may issue an advisory opinion in favor of a party with no injury.<sup>344</sup>

<sup>339</sup> E.g., *Ex parte Huang*, Appeal 2016-005188, slip op. at 9 n.7, 2017 WL 745133 at \*5 n.7 (P.T.A.B. Feb. 23, 2017) reads “*In re Lowry*, 32 F.3d 1579, 1583 (Fed. Cir. 1994) (holding informational content of non-functional descriptive material is not entitled to patentable weight.)” Not only does *Huang* misquote *Lowry*, somehow *Huang* neglects to mention *DiStefano*.

<sup>340</sup> E.g., *Ex parte Gartner*, Appeal 2017-011378, slip op. at 5-6, 2018 WL 3438888 at \*3-\*4 (P.T.A.B. Jul. 3, 2018) (applying nonfunctional descriptive material rule rather than printed matter rule).

<sup>341</sup> See *Ex parte Gutta*, 93 USPQ2d (BNA) 1025, 1036 (B.P.A.I. 2009) (precedential).

<sup>342</sup> See *infra* note 356.

<sup>343</sup> See 35 U.S.C. § 6, note 117, *supra*; see also Boundy, *Part 1: Rulemaking Primer*, note 117, *supra*.

<sup>344</sup> Cf. *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1261, 111 USPQ2d 1241, 1243 (Fed. Cir. 2014) (describing differences in standing requirements between agencies and Article III courts); *Nat'l Treasury Employees' Union v. Federal Labor Relations Auth.*, 30 F.3d 1510, 1513, 1516 (D.C. Cir. 1994) (contrasting an agency's ability to render an advisory opinion against an Article III court's inability).

- \*72 The PTAB is covered by Title 5, Chapter 5, Subchapter II (§ 551 *et seq.*, the agency-facing provisions of the APA), while the Federal Circuit is governed by Title 5, Chapter 7 (§ 701 *et seq.* on judicial review).<sup>345</sup>

Because of these differences, analogies are far from automatic. Options available to an Article III court of appeals, such as stopping after deciding a single dispositive issue,<sup>346</sup> are not available (at least not on a broad *per se* basis) to the PTAB.<sup>347</sup>

On *ex parte* appeals, the PTAB is governed by § 555 of the APA. The APA forbids piecemeal adjudication.<sup>348</sup> Section § 555(b) requires agencies to “conclude matters presented” to them. Section 555(e) requires agencies to give “a brief statement of grounds” for any unfavorable action. A “statement of grounds” may be excused when the decision “affirm[s] a prior denial or when the denial is self-explanatory,” § 555(e), but these exceptions are very narrow:

[P]rior denial would satisfy [the “prior denial” exception] only where the grounds previously stated remain the actual grounds and sufficiently notify the party. A self-explanatory denial must meet the same test; that is, the request must be in such form that its mere denial fully informs the party of all he would otherwise be entitled to have stated.<sup>349</sup>

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<sup>345</sup> Compare 5 U.S.C. §§ 552-558 with §§ 701-706.

<sup>346</sup> *E.g., In re Basell Poliolefine Italia S.P.A.*, 547 F.3d 1371, 1379 (Fed. Cir. 2008) (concluding court does not have to consider more than one dispositive issue).

<sup>347</sup> See note 345, *supra*, notes 348-351, *infra*, and accompanying text.

<sup>348</sup> 5 U.S.C. § 555(b) (“With due regard for the convenience and necessity of the parties ... within a reasonable time, each agency shall proceed to conclude a matter presented to it.”)

<sup>349</sup> *Roelofs v. Sec’y of the Air Force*, 628 F.2d 594, 600 n.33 (D.C. Cir. 1980), quoting Senate Committee Report, S.Doc.No. 248, 265–68 (1946); *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731 (D.C. Cir. 2001) (the “reasons” requirement of § 555(e) “not only ensures the agency’s careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review.”). The Federal Circuit, in *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421, 1423, 223 USPQ 193, 194 (Fed. Cir. 1984), stated that the United States International Trade Commission “is at perfect liberty to reach a . . . determination on a single issue.” This is at best an over-generalization. Apparently the parties in *Beloit* did not inform the court of several relevant APA principles (the court’s understanding on other issues of administrative

\*73 As a general rule, § 555(e) and case law interpreting it require that when deciding an *ex parte* appeal, the PTAB must demonstrate “reasoned decisionmaking” on each issue presented.<sup>350</sup> The agency need not give an explicit argument-by-argument response, but the reasoning must demonstrate clarity on each issue.<sup>351</sup> This has become *more* important as the inquiry for § 101 subject matter moves closer to the § 102/§ 103 prior art inquiry.

Neither the PTO nor PTAB have authority to attenuate a procedural statute that operates in favor of the public (for example, the APA and all other administrative laws that govern agency exercise of power) by regulation, let alone by “precedential” decision.<sup>352</sup> In most cases, the PTAB should be deciding all issues presented to it.<sup>353</sup>

*Gutta* also illustrates the importance of the “indexing” requirement of § 552.<sup>354</sup> In May 2018, the PTAB’s “precedential” opinion page indexed *Gutta* as “precedential” for § 101 subject matter, and for a § 112(b)/§ 112(f) “means-plus-function language without supporting algorithm” issue, but *not* for declining to decide grounds raised in an appeal.<sup>355</sup> Nonetheless, as of late May 2018, all ten of \*74 the most recent cites to *Gutta* in the PTAB’s reading room of *ex parte* decisions

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law is plainly deficient), so *Beloit* is not strong authority on the issue of the PTAB’s discretion to decide less than all issues.

<sup>350</sup> See 5 U.S.C. § 555(b) (“With due regard for the convenience and necessity of the parties . . . and within a reasonable time, each agency shall proceed to conclude a matter presented to it.”); *Chenery I*, note 159, *supra* (an agency must explain its reasoning); *Chenery II*, note 40, *supra*, 332 U.S. at 196-97 (an administrative agency’s “basis must be set forth with such clarity as to be understandable.”); *State Farm*, note 130, *supra* (that explanation must exhibit “reasoned decisionmaking”); *Chen v. Mukasey*, 510 F.3d 797, 801-02 (8th Cir. 2007) (agency must consider facts that “detract[ ] from the administrative finding”), citing *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 487-88 (1951).

<sup>351</sup> *Id.*

<sup>352</sup> See cases cited notes 189 and 266, *supra*.

<sup>353</sup> See note 345-351, *supra*, and accompanying text.

<sup>354</sup> See Section II.B.3.

<sup>355</sup> The Wayback Machine did not capture the version of the “precedential” page relied on in early drafts of this article, before *Gutta* was moved to “archived” status, but the issue indexing is visible in the June 15, 2018 version. See PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, version of June 15, 2018, <https://web.archive.org/web/20180615052109/https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions>.

cite *Gutta* for the proposition here, declining to decide prior art issues after affirming on § 101, not the issues for which it is designated “precedential.”<sup>356</sup> And even more surprising, *Gutta* was de-designated no later than June 15, 2018, yet panels continued to cite it.<sup>357</sup>

PTAB panels overstep their bounds in relying on *Gutta* for a proposition that is contrary to law and for which *Gutta* is *not* designated “precedential.”

H. *IDLE FREE V. BERGSTROM AND IPR/PGR MOTIONS TO AMEND*

*Idle Free Systems, Inc. v. Bergstrom, Inc.*<sup>358</sup> was one of the first “informative” decisions under the IPR regime created by the America Invents Act. *Idle Free* concerned conditions for a patent owner to amend claims in an IPR.<sup>359</sup>

The IPR regulations set three requirements for a motion to amend, only one of which requires an explanation.<sup>360</sup> The Federal Register Notice, announcing this regulation as a final rule, assured in multiple ways that three requirements, one explanation, were exhaustive of requirements: “The motion [to amend claims] \*75 will be entered so long as it complies with the timing and procedural requirements.”<sup>361</sup>

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<sup>356</sup> See, e.g., *Ex parte Bechtold*, Appeal 2017-003023, slip op. at 9, 2018 WL 2383699 at \*6 (P.T.A.B. May 18, 2018).

<sup>357</sup> The Wayback Machine capture of June 15, 2018 (*supra* note 355) shows *Gutta* moved to “archived”—thus it was no longer precedential. Yet *Gutta* is cited as precedent—for the wrong proposition—two months later, in *Ex parte Chen*, Appeal 2018-001238, slip op. at 3 n.3, 2018 WL 4357061 at 2 n.5 (P.T.A.B. Aug. 23, 2018).

<sup>358</sup> Decision on Motion to Amend Claims, *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, paper 26 at 6-7, 2013 WL 12126103 (P.T.A.B. June 11, 2013) (informative).

<sup>359</sup> *Id.*; see also Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra* (discussing *Idle Free* in more detail).

<sup>360</sup> See 37 C.F.R. § 42.121(a)(2)(i), (ii), and (b) state three requirements for a motion to amend: (a) the amendment must “respond to a ground of unpatentability involved in the trial” (but there’s no requirement to explain), (b) the amendment may not “seek to enlarge the scope of the claims . . . or introduce new subject matter” (but with no requirement to explain), and (c) the amended claims must have § 112(a) support (*and* the patent owner must explain that support).

<sup>361</sup> Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, Final rule, 77 Fed. Reg. at 48,680, 48,690 (Aug. 14, 2012).

Nonetheless, a few months later, an “informative” opinion—citing no authority other than three APJs’ personal sense of “we expect”—added fourth, fifth, and sixth requirements, and second, third, and fourth explanations:

For each proposed substitute claim, *we expect* a patent owner: (1) in all circumstances, to make a showing of patentable distinction over the prior art; (2) in certain circumstances, to make a showing of patentable distinction over all other proposed substitute claims for the same challenged claim; and (3) in certain circumstances, to make a showing of patentable distinction over a substitute claim for another challenged claim . . . . For a patent owner’s motion to amend, 37 C.F.R. § 42.20(c) places the burden on the patent owner to show a patentable distinction of each proposed substitute claim over the prior art.<sup>362</sup>

The *Idle Free* decision violates most of the “only if’s” of Section II.F for rulemaking by adjudication:

- 35 U.S.C. § 316(a) grants the PTO relevant rulemaking authority.<sup>363</sup> However, § 316(a) lodges that rulemaking authority in the *Director* of the PTO, not the PTAB.<sup>364</sup>
- *Idle Free* was issued as an “informative” opinion,<sup>365</sup> with vetting only by the PTAB itself, not by the rest of the agency.<sup>366</sup>
- *Idle Free* fits none of the exemptions of § 553(b)(A) and § 553(d); thus, it could not have been promulgated by adjudication, only by notice and comment.<sup>367</sup>
- \*76 *Idle Free* changes paperwork burdens, and thus, it could only be promulgated with the procedures required by the Paperwork Reduction Act.<sup>368</sup>

<sup>362</sup> *Idle Free*, note 358, *supra*, slip op. at 6–7, 2013 WL 12126103, at \*4 (emphasis added).

<sup>363</sup> 35 U.S.C. § 316(a) (“The Director shall prescribe regulations” for conduct of IPRs).

<sup>364</sup> *See id.*

<sup>365</sup> *Idle Free*, note 358, *supra*, slip op. at 1, 2013 WL 12126103, at \*1.

<sup>366</sup> SOP2 REV. 9, note 186, *supra*.

<sup>367</sup> *See* Section II.B.1, *supra*; Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*.

<sup>368</sup> 44 U.S.C. §§ 3506, 3507, 3512; 5 C.F.R. §§ 1320.9, 1320.10.



- *Idle Free* does not interpret an ambiguity; it adds new requirements made up out of whole cloth, with no antecedent in the text of the regulation.<sup>369</sup>

Despite its status as merely “informative,” *Idle Free* was cited well over 100 times as authority to deny entry of amended claims in IPR and PGR proceedings.<sup>370</sup>

The Federal Circuit set aside *Idle Free* in its *Aqua Products* decision.<sup>371</sup> The common ground on which a majority of the fragmented court could agree was that “[t]he Patent Office cannot effect an end-run around [the APA] by conducting rulemaking through adjudication.”<sup>372</sup> *Idle Free* only arose because of lack of understanding of APA rulemaking by senior APJs of the PTAB.

#### I. *EX PARTE* McAWARD AND ITS SUBSTANTIVE NEW “APPROACH TO INDEFINITENESS THAT FUNDAMENTALLY DIFFERS FROM A COURT’S”

*Ex parte McAward*, decided in August of 2017, was designated “precedential.”<sup>373</sup> McAward’s invention relates to household plumbing. The issue was definiteness of the phrase “configured to be reliably installed by an untrained installer or a homeowner and to not require the services of a plumber or electrician.”<sup>374</sup>

Only months before, the definiteness standard had been clarified by the Supreme Court in *Nautilus, Inc. v. Biosig Instruments, Inc.* and by the Federal Circuit in *In re Packard*.<sup>375</sup> The Supreme Court specified that in a post-issue litigation \*77 context, the standard was “reasonable certainty.”<sup>376</sup> The Federal

<sup>369</sup> Contrast *Idle Free*, note 358, *supra*, slip op. at 6–7, 2013 WL 12126103, at \*4, *vs.* 37 C.F.R. § 42.121(a)(2)(i), (ii), and (b).

<sup>370</sup> Westlaw Keycite for *Idle Free*, spring 2018.

<sup>371</sup> *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1296, 124 USPQ2d at 1258 (O’Malley, J., plurality opinion); Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, at 5.

<sup>372</sup> *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1339, 124 USPQ2d at 1287 (Reyna, J. concurring). See Boundy & Freistein, *Part 2: Aqua Products as a Case Study*, note 4, *supra*, at 5 (discussing the PTAB’s procedural lapses in *Idle Free*).

<sup>373</sup> *Ex parte McAward*, Appeal 2015-006416, slip op. at 1, 2017 WL 3669566, at \*1 (P.T.A.B. Aug. 25, 2017) (precedential) (Horner, APJ).

<sup>374</sup> *Id.*, slip op. at \*3, 2017 WL 3669566, at \*2.

<sup>375</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 901, 110 USPQ2d 1688 (2014); *In re Packard*, 751 F.3d 1307, 1309, 110 USPQ2d 1785, 1785 (Fed. Cir. 2014).

<sup>376</sup> *Nautilus*, 572 U.S. at 910, 110 USPQ2d at 1690.

Circuit, addressing the procedures to be applied by the PTO to pre-issuance claims, specified “reasonable precision” as the substantive standard.<sup>377</sup> Neither court uses any superlative such as “as definite as possible.”<sup>378</sup>

In *McAward*, the PTAB adopts “an *approach* to resolving questions of compliance with § 112 that fundamentally differs from a court’s approach to indefiniteness.”<sup>379</sup> *McAward* adopts this “approach” to “ensure[ ] that claims . . . are as precise, clear, correct, and unambiguous as possible.”<sup>380</sup>

In discussing this new, different-than-court “approach,” and new superlative standard, *McAward* cites no precedential authority. Rather, for its key holding, the *McAward* panel cites two *amicus* briefs, and a one-judge concurring opinion, as if they were precedent.<sup>381</sup>

*McAward* is notably silent in attempting to reconcile its approach with any precedent. *McAward* doesn’t even mention Federal Circuit cases that apply a “reasonableness” standard to pending claims to find sufficient definiteness in “configured to,” “capable of,” and similar use-based or non-structural language, or language that defines the invention by its interactions with surrounding context, let alone attempt to distinguish them.

Nor does the *McAward* panel identify any authority for its exercise of substantive rulemaking authority.

The PTAB has neither substantive rulemaking authority nor policy authority.<sup>382</sup> The PTAB does not have authority to define new legal approaches that deviate from Federal Circuit precedent.<sup>383</sup> If the PTO believes that a different approach to substantive law is warranted, one of its options is for the *Director* to

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<sup>377</sup> *In re Packard*, 751 F.3d at 1313, 110 USPQ2d at 1789 (“The USPTO, in examining an application, is obliged to test the claims for reasonable precision”).

<sup>378</sup> *See generally Nautilus*, 572 U.S. 898 (containing no mention of “as definite as possible”); *In re Packard*, 751 F.3d 1307 (containing no mention of “as definite as possible”).

<sup>379</sup> *McAward*, slip op. at 3, 2017 WL 3669566, at \*4 (emphasis in original).

<sup>380</sup> *Id.*, slip op. at 7, 2017 WL 3669566, at \*3.

<sup>381</sup> *Id.*, slip op. at 10, 2017 WL 3669566, at \*5 (relying on two briefs of the government *amicus curiae*, filed in a prior case, as authority).

<sup>382</sup> *See* notes 10, 165, and 311, *supra*, and accompanying text.

<sup>383</sup> *See Lee*, note 333, *supra*, 277 F.3d at 1344, 61 USPQ2d at 1434 (“An agency is not free to refuse to follow [Federal Circuit] precedent.”).

\*78 amend the MPEP, with the procedural protections of the *Good Guidance Bulletin*, discussed below in Section V.D.

J. GENERAL PLASTIC V. CANON KK AND EXPANDED PANELS

In September 2017, the PTAB issued *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*<sup>384</sup> as a precedential opinion. *General Plastic* discusses two issues and is designated “precedential” for one and “informative” for the other.<sup>385</sup>

1. *General Plastic* and “Precedential” Discussion of Follow-on Petitions

Since IPRs began in 2012, the PTAB has faced a recurring issue: a petitioner files a first IPR petition, that petition is denied, and then the petitioner files a second petition against the same patent—perhaps the same claims, perhaps different, perhaps different prior art. When should the PTAB institute, and when should the petition be denied in interest of repose? The original IPR regulations promulgated in 2012 provided almost no guidance on the issue.<sup>386</sup> In its 2016 round of amendments to the IPR and PGR rules, the PTO punted again:

[T]he current rules provide sufficient flexibility to address the unique factual scenarios presented to handle efficiently and fairly related proceedings before the Office on a case-by-case basis, and that the Office will continue to take into account the interests of justice and fairness to both petitioners and patent owners where multiple proceedings involving the same patent claims are before the Office.<sup>387</sup>

\*79 After a host of nonprecedential decisions<sup>388</sup> and multiple “informative” opinions,<sup>389</sup> in September 2017, the PTAB issued *General Plastic* as a

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<sup>384</sup> Decision Denying Petitioner’s Requests for Rehearing, *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, paper 19 at 1, 2017 WL 1215754 (P.T.A.B. Sept. 6, 2017).

<sup>385</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>386</sup> *E.g.*, 37 C.F.R. § 42.108 (2017).

<sup>387</sup> Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, Final rule, 81 Fed. Reg. 18,750, 18,759 (Apr. 1, 2016).

<sup>388</sup> *E.g.*, Decision Denying Institution of *Inter Partes* Review, *nVidia Corp. v. Samsung Elec. Co.*, IPR2016-00134, paper 9 at 6-7 (P.T.A.B. May 4, 2016) (enumerating seven factors in denying second-bite petitions, in turn citing several more nonprecedential decisions); Decision Denying Institution of *Inter Partes* Review, *Toyota Motor Corp. v. Cellport Systems, Inc.*, IPR2015-01423, paper 7 at 3 (Oct. 28, 2015) (denying second bite petition).

precedential opinion, with a list of seven discretionary factors to be weighed in instituting on a follow-on petition.<sup>390</sup>

*General Plastic's* discussion of follow-on petitions is well within the PTAB's "informative" discretion—the decision, by its terms, only sets out a non-exhaustive list of discretionary factors to be weighed. This is a classic "general statement of policy" under § 553(a), for which no notice and comment is required, and which has no binding effect on either the agency or on the public. Nonetheless, it's designated "precedential." When a decision says so little, it's a little odd to designate it "precedential" instead of "informative," but in this case, it violates no law.

All of this is conditioned on the public having proper § 552 notice. No such notice was given when *General Plastic* was issued in September 2017, a defect which has since been partially cured by the PTAB's new web site.<sup>391</sup>

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<sup>389</sup> E.g., Decision Denying Institution of *Inter Partes* Review, *Unilever Inc. v. Procter & Gamble Co.*, IPR2014-00506, paper 17 at 5-8, 2014 WL 12580240 (P.T.A.B. Jul. 7, 2014) (formerly informative, now archived) (denying a second-bite petition); Decision Denying Institution of *Inter Partes* Review, *Medtronic Inc. v. NuVasive, Inc.*, No. IPR2014-00487, paper 8 at 6-7, 2014 WL 4594734 at \*4-\*5 (P.T.A.B. Sept. 11, 2014) (informative) (denying second-bite petition); Decision Denying Institution of *Inter Partes* Review, *Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, IPR2014-00436, paper 17 at \_\_\_, 2014 WL 2810474 at \*6-\*8 (P.T.A.B. June 19, 2014) (denying second-bite petition); Decision Denying Institution of *Inter Partes* Review, *Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, IPR2013-00324, paper 19 at 4-7, 2013 WL 12126099 (P.T.A.B. Nov. 11, 2013) (denying second-bite petition); Decision Denying Institution of *Inter Partes* Review, *ZTE Corp. v. ContentGuard Holdings Inc.*, No. IPR2013-00454, paper 12 at 4-8, 2013 WL 12126100, at \*3-5 (P.T.A.B. Sept. 25, 2013) (denying second-bite petition). Because the party name changed during the course of the proceeding, the *Unilever* case is listed on the PTO's informative opinions page, sometimes as "*Unilever v. Procter & Gamble*," sometimes as "*Conopco dba Unilever v. Procter & Gamble*." Here, as a matter of editorial choice, we cited it as "*Unilever*," to track the caption on the PTO slip opinion.

<sup>390</sup> Decision Denying Petitioner's Requests for Rehearing, *General Plastic*, note 384, *supra*, slip op. at 9-10.

<sup>391</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

## 2. \*80 General Plastic and “Informative” Discussion of Expanded Panels

The movant in *General Plastic* requested an expanded panel to decide the petition to institute.<sup>392</sup> The “informative” discussion of standards for appointing expanded panels begins as follows:

Our governing statutes and regulations do not permit parties to request, or panels to authorize, an expanded panel. *See generally* 35 U.S.C. § 6; 37 C.F.R. §§ 41.1–42.412; *see also* *AOL Inc. v. Coho Licensing LLC*, IPR2014-00771, paper 12 at 2 (PTAB Mar. 24, 2015) (“[P]arties are not permitted to request, and panels do not authorize, panel expansion.”). Our standard operating procedures, however, provide the Chief Judge with discretion to expand a panel to include more than three judges . . . The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party in a post-grant review.<sup>393</sup>

The three sentences of this paragraph break down as follows:

- The first sentence (and the parenthetical from *AOL*) gets it just exactly backwards. Under U.S. administrative law, the default is permissive: unless a statute or *regulation* specifically requires or forbids, anything a member of the public might wish to do is permissible and optional. Vis-à-vis the public, silence is permissive. In this case, silence is a grant of authority to the public to request expanded panels.
- The middle sentence misplaces authority. The Board’s standard operating procedures are no more than advisory policy statements; agency authority and jurisdiction are only conferred by statute.<sup>394</sup>
- The last sentence corrects the inaccuracy to reach the right result: the Chief Judge is not precluded from entertaining *a priori* requests for expanded panels to decide individual cases (at least not by rulemaking law, the scope of this article—*sua sponte* expansion of panels to reverse earlier \*81 decisions, *a la* *In re Alappat*<sup>395</sup>, properly rouses suspicion as a matter of administrative and Constitutional due process).

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<sup>392</sup> *General Plastic*, note 384, *supra*, at 3.

<sup>393</sup> *Id.* at 4.

<sup>394</sup> *See* Section III.A, *supra*.

<sup>395</sup> *In re Alappat*, 33 F.3d 1526, 1532 n.4, 31 USPQ2d 1545, 1548 n.4 (Fed. Cir. 1994) (en banc) (declining to address a challenge to panel stacking, because raised in an *amicus* brief, not by the parties).

The *General Plastic* opinion continues by noting that the “exceptional nature of the issues presented” warrants granting the request for expanded panels<sup>396</sup>—again, in a way that fits within the PTAB’s authority—even though the underlying reasoning is unfounded.

Since *General Plastic* only states non-binding aspirational factors, it’s a perfectly valid (though non-binding) “statement of general policy” and properly designated as “informative” to the extent that it simply restates underlying law. The reasoning is flawed, and the PTAB should not follow *that*. Likewise, on issues of substantive law, expanded panels have only the power to decide single cases (which, of course, may have persuasive, informative effect on later panels) but have no more rulemaking authority than three-APJ panels. However, that issue was not raised or decided. The end result—relieving restrictions on motions for expanded panels and explaining non-binding factors by which such a motion might be decided—is a proper subject for a “housekeeping” rule and an “informative” decision.<sup>397</sup>

#### K. INTERLOCUTORY AND NON-FINAL ORDERS

Section 552(a)(2)(A) requires that interlocutory and non-final orders, such as remands, motion decisions, and subject matter dismissals, be available on the agency’s web site. These decisions are important to help the public understand PTAB procedure.

When the PTO first made its *ex parte* appeal opinions available on the web in the late 1990s, these interlocutory decisions were available in the Board’s \*82 reading room and readily found by Google search. But those non-final orders were removed in the mid-2000s. Although they can still be located in individual file histories if one already knows where to look, there’s no easy way to find them today.

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<sup>396</sup> *General Plastic*, note 384, *supra*, at 4-5.

<sup>397</sup> In September 2018, the PTO updated its STANDARD OPERATING PROCEDURE 1, PTO, *Assignment of Judges to Panels* (revision 15) <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf> [<https://perma.cc/25JQ-76ZV>] (last visited Jan. 14, 2019). New SOP1 only sets internal housekeeping procedures, without setting conditions on any member of the public for requesting panel composition (except that the member of the public must request it in a written brief), and is thus a proper “housekeeping” rule.

L. ROUTINE DECISIONS CITED AS AUTHORITY

Many PTAB decisions cite nonprecedential decisions (informative, representative, and often just plain “routine”) as precedent.<sup>398</sup> If these decisions were first raised in party papers, so that the opposing party had “actual and timely notice” as required by § 552(a),<sup>399</sup> and they are cited in only an “informative,” advisory role,<sup>400</sup> this seems unobjectionable.

However, on occasion the PTAB relies on a routine decision that was not raised by the parties, for an outcome-determinative proposition.<sup>401</sup> It would seem that the party ruled against would have a near *per se* basis for reversal by Petition to the Director or on appeal at the Federal Circuit.

V. OBSERVATIONS AND RECOMMENDATIONS

Everybody makes mistakes. The PTAB can’t be faulted for an occasional error. The remarkable thing about the examples in Section IV is that the PTAB exercised its considered judgment to chose these opinions as its best and most important work. Every other tribunal recognizes that its governing procedural law is just as important to fair and accurate outcomes as is the substantive law. The PTAB’s consistent lack of awareness of the procedural half the law is troubling.

Better understanding and application of basic principles of administrative law would improve operations of the PTAB. This Section V proposes some solutions.

A. \*83 OBSERVATION

At a hearing of the Patent Public Advisory Committee (PPAC) on August 3, 2017,<sup>402</sup> the Chair of the PPAC asked a question of Chief APJ David Ruschke,

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<sup>398</sup> Examples are cited in notes 388 and 389, and discussed Parts III.A and IV.J.1, *supra*.

<sup>399</sup> See Section II.B.3, *supra*.

<sup>400</sup> See Section III.D, *supra*.

<sup>401</sup> E.g., *Yahoo! Inc. v. AlmondNet, Inc.*, CBM2017-00058, paper 7 at 16, 2017 WL 6206286 at \*7 (P.T.A.B. Nov. 22, 2017) (relying on *Facebook, Inc. v. Skky, LLC*, CBM2016-00091, paper 12 (P.T.A.B. Sept. 28, 2017)—at the time, *Facebook* was only “routine;” it was not precedential until a month after *Yahoo!*, and *Facebook* was not raised in the party briefs.

<sup>402</sup> PTO, TRANSCRIPT OF PATENT PUBLIC ADVISORY COMMITTEE MEETING 184–87, (Aug. 3, 2017),

relating to the then-pending *Aqua Products* case, concerning the *Idle Free* rule promulgated by “informative” opinion.<sup>403</sup> Chief APJ Ruschke and Acting-as-Director Matal answered as follows:

Q: Is it proper to have the Board making rules through adjudication? What about the public’s right to notice and comment? What about the Administrative Procedure[ ] Act? Aren’t you avoiding the whole process of safeguards?

A, Chief APJ Ruschke: No . . . If it’s in the rules, we follow the rules . . . But as any judicial body, we do have the precedential opinion process [and a number of guidance documents] . . . Ultimately, the Federal Circuit will be reviewing our decisions and monitoring us to make sure that we are complying with the Administrative Procedures Act . . .

A, Acting Director Matal: . . . I’m very curious to hear the Federal Circuit tell us whether the statutory grant of authority for us to set standards and procedures for amendments allows us to set standards and procedures for amendments.<sup>404</sup>

In answers that totaled nearly two minutes, neither acknowledged the limits imposed by the APA.<sup>405</sup> Neither mentioned infrastructure or process within the PTO (analogous to the regulatory compliance department at any private-sector firm) to ensure the agency follows obligations under the APA.<sup>406</sup> Both suggest that the PTAB’s approach is to shoot first, and defend suit later.

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[https://www.uspto.gov/sites/default/files/documents/PPAC\\_Transcript\\_2017\\_0803.pdf](https://www.uspto.gov/sites/default/files/documents/PPAC_Transcript_2017_0803.pdf) [<https://perma.cc/UJV8-4X84>].

<sup>403</sup> *Idle Free*, note 358, *supra*; see Section IV.H, *supra*.

<sup>404</sup> TRANSCRIPT OF PATENT PUBLIC ADVISORY COMMITTEE MEETING, note 3, *supra*, at 184–86

<sup>405</sup> *Id.*

<sup>406</sup> In 2011, the PTO requested comment on the PTO’s compliance with rulemaking law, and how the PTO could improve its rulemaking process to better align with the public interest. 76 Fed. Reg. 15891 (Mar. 22, 2011). The letters are at PTO, COMMENTS ON IMPROVING REGULATION AND REGULATORY REVIEW, available at <https://www.uspto.gov/patent/laws-and-regulations/comments-public/comments-improving-regulation-and-regulatory-review> [<https://perma.cc/V92Y-WRLD>] (last visited Sept. 30, 2018) My letter, <https://www.uspto.gov/patents/law/comments/boundy23may2011.pdf>, has a number of suggestions for improving the PTO’s regulatory process. A letter by Richard B. Belzer, who was in the Office of Information and Regulatory



\*84 In October 2017, *Aqua Products* was decided. *Aqua Products* criticized the PTO for designating a rule as “procedural” when it was clearly substantive.<sup>407</sup> Of the five opinions in *Aqua Products*, Judge Reyna’s swing opinion consolidates the thoughts of a majority of the court in a single sentence: “The Patent Office cannot effect an end-run around [the APA] by conducting rulemaking through adjudication . . .”<sup>408</sup>

Yet, only seven months later, in a Notice of Proposed Rulemaking, the PTAB published a proposed regulation to change the IPR/PGR claim construction.<sup>409</sup> This Notice of Proposed Rulemaking exposes two interesting incongruities in the effect *Aqua* has had on the PTAB’s rulemaking process:

- The Notice characterizes this paradigmatically-substantive rule as “procedural.”<sup>410</sup>
- \*85 This Notice gives only a “bare bones” proposal for changing the substantive claim construction standard, with no discussion (let alone proposed regulations) for procedural implementation.<sup>411</sup> As *Aqua* notes, the statute requires that PTAB IPR/PGR rules be promulgated by “regulation,” and cannot be effective against the public without publication in the Federal Register.<sup>412</sup> The only permissible route for the

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Affairs, OMB’s regulatory review shop, is at *Comments on Improving Regulation and Regulatory Review; Request for information*, U.S. PATENT & TRADEMARK OFFICE (Apr. 14, 2011), <https://www.uspto.gov/sites/default/files/patents/law/comments/belzer14apr2011.pdf> [<https://perma.cc/X7YG-SYXS>] Dr. Belzer also gives helpful (but rather pointed) insight and diagnosis, and a trenchant (but painful) treatment plan.

<sup>407</sup> *Aqua Products*, note 5, *supra*, 872 F.3d at 1319-21, 124 USPQ2d at 1274-76 (O’Malley, J., plurality opinion); 872 F.3d at 1331-32, 124 USPQ2d at 1282 (Moore, J., concurring).

<sup>408</sup> *Id.* at 1339, 124 USPQ2d at 1287 (Reyna, J. concurring).

<sup>409</sup> Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, Notice of proposed rulemaking, 83 Fed. Reg. 21,221, 21,224 (May 9, 2018); *see also* Final rule, 83 Fed. Reg. 51,340 (Oct. 11, 2018)

<sup>410</sup> *Id.*

<sup>411</sup> *Id.*

<sup>412</sup> The various *Aqua Products* opinions stated this simple proposition multiple times. *Aqua Prods.*, note 5, *supra*, 872 F.3d at 1320, 124 USPQ2d at 1274 (O’Malley, J., plurality opinion) (noting the requirement to publish in the

necessary implementing procedures is a fully-thought-out Notice of Proposed Rulemaking, proposing all procedural implementing regulations with all the trimmings under all the relevant statutes.<sup>413</sup>

## B. FOR THE PATENT BAR

Administrative law is as important at the PTAB as the Federal Rules of Civil Procedure are in federal court. Most of the PTAB judges genuinely do care about the law but can't follow that law if parties don't inform them. A deep familiarity with administrative law is helpful in issue-spotting, initial briefing, motion practice, and in guiding the PTAB to favorable decisions.

\*86 Any PTAB decision that cites an earlier PTAB decision in any role beyond the limits set forth in this Article should be subject to a request for rehearing and is subject to reversal at the Federal Circuit on a near *per se* basis.

## C. FOR THE PTO AND PTAB

### 1. *Consequences of limits on substantive rulemaking authority*

The Federal Circuit frequently reminds the PTAB that it has no general substantive rulemaking authority.<sup>414</sup> After yet another scolding on the issue in *Aqua Products*, the PTAB responded by moving the two specific decisions on its

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Federal Register); *id.* at 1321 n.10, 124 USPQ2d at 1275 n.10 (O'Malley, J) ("[e]ven the PTO does not suggest in its briefing to us that anything in any of its Federal Register commentaries supports its position."); *id.* at 1322, 124 USPQ2d at 1276 (O'Malley, J) ("We require that the PTO comply with its obligations under the APA and make clear to the public both what it is doing and why what it is doing is permissible under the statutory scheme within which it is operating."); 872 F.3d at 1332; 124 USPQ2d at 1282 (Moore, J.) (criticizing the PTAB's precedential opinion process for failure to publish in the Federal Register, and for promulgating substantive rules without notice and comment"); and *id.* at 1339, 124 USPQ2d at 1287 (Reyna, J. concurring, for the swing votes) ("The Patent Office cannot effect an end-run around its congressionally delegated authority by conducting rulemaking through adjudication . . . Nor should the Patent Office be permitted to effect an end-run around the APA's rulemaking process."). It's puzzling that this should remain an open question at the PTO.

<sup>413</sup> A longer discussion of the anomalies in this May Notice (and the Final Rule of October 2018) may be found in David Boundy, *An administrative law view of the PTAB's 'ordinary meaning' rule*, Westlaw J. Intellectual Property, Jan 30, 2019, at 13-16.

<sup>414</sup> See, e.g., *Koninklijke Philips*, note 10, *supra*, 590 F.3d at 1326, 1337, 93 USPQ2d 1227, 1234; see also cases cited in note 311.

“precedential” and “informative” pages that were overruled by *Aqua Products*—that is, *Idle Free* and *MasterImage 3D, Inc. v. RealD Inc.*<sup>415</sup>—to a new category, “archived.”<sup>416</sup> However, a number of other “precedential” and “informative” opinions that suffer from the same defects identified by *Aqua Products* (issues of substantive patent law, and end-runs around the APA) were not redesignated.<sup>417</sup> The reasons for leaving the other erroneously-designated decisions as “precedential” or “informative,” to be litigated and invalidated one-by-one, are not apparent. Likewise, the basis for the PTAB to continue to designate new opinions on issues of substantive law as “precedential”<sup>418</sup> (rather than non-binding designations such as “informative”) after *Aqua Products* is not clear.

Opinions that have been over-designated at levels that exceed the Board’s authority should be down-designated. An agency must accurately inform the public of its current rules, and index them in a form “most useful to the public.”<sup>419</sup> Likewise, the Paperwork Reduction Act requires that an agency’s rules be “written \*87 using plain, coherent, and unambiguous terminology . . . to the maximum extent practicable.”<sup>420</sup> The Information Quality Act and its implementing guidance require agencies *not* to disseminate obsolete or misleading information.<sup>421</sup> All of these laws counsel that if an opinion lacks a legal claim to precedential weight or effect, it ought not be designated “precedential” in the first place, and an agency should correct its own errors to limit dissemination of misleading information.

Getting the designation right is important because PTAB members seem to be confused by misdesignation. On the occasion that a party has challenged the Board’s reliance on an invalidly-designated “precedential” or “informative”

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<sup>415</sup> Order, Conduct of Proceedings, *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040 paper 42, 2015 WL 10709290 (P.T.A.B. Jul. 15, 2015).

<sup>416</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>417</sup> *Id.* (listing dozens of substantive decisions as precedential in sections “Anticipation – 35 U.S.C. § 102,” “Obviousness – 35 U.S.C. § 103,” etc.).

<sup>418</sup> *E.g.*, *Ex parte Jung*, Appeal 2016-008290, slip op. at 4-7 (P.T.A.B. Mar. 22, 2017) decides an issue of claim construction, a substantive issue. The decision was designated “precedential” in July 2018, over a year after it was issued, and nine months after *Aqua products* warned against substantive precedent. The PTO corrected its error within a few weeks by de-designating *Jung*.

<sup>419</sup> See 5 U.S.C. § 552(a); notes 72–77, *supra*, and accompanying text.

<sup>420</sup> 44 U.S.C. § 3506(c)(3)(D)–(E).

<sup>421</sup> The Information Quality Act and its implementing guidelines are introduced at note 215, *supra*.

decision, the Board replies somewhat as follows: “We are bound by the precedential holding of [such-and-such earlier decision], which under Board of Patent Appeals and Interferences Standard Operating Procedure 2 (SOP2) is binding authority on every member of the Board.”<sup>422</sup> This reflects deep misunderstanding of administrative law and the PTAB’s jurisdiction. Later Board panels are not bound by *ultra vires* acts of earlier panels.<sup>423</sup> SOP2 does not create any authority of an earlier panel to exceed its statutory delegation.<sup>424</sup> SOP2 is not a statute and, thus, conveys no authority to create rules of prospective effect, especially not on issues of substantive law.<sup>425</sup> SOP2 has not been promulgated by regulation and, thus, confers no power to act adversely to any member of the public.<sup>426</sup> The PTAB’s Standard Operating Procedures are the kinds of guidance that asymmetrically operate in favor of the public, under the *Accardi* principle.<sup>427</sup> PTAB panels, and the Chief APJ in his role as author of standard operating procedures, lack authority to overrule Federal Circuit decisions that limit the PTAB’s rulemaking authority.<sup>428</sup> PTAB decisions, even precedential decisions, are almost always no more than “interpretative rules,” and thus, the PTO may not rely on them to “foreclose agency consideration of positions advanced by affected \*88 private parties.”<sup>429</sup> PTO management should undertake training to ensure that these principles of administrative law are central to the “competent legal knowledge” expected of Board members.<sup>430</sup> At the March 2018 Federal Circuit Judicial Conference, Judge Plager (the Federal Circuit’s administrative law expert) recommended that all members of the patent bar would do well to understand administrative law, and that a really good starting point is Part 1 of this article series.<sup>431</sup> If it’s a good read for the patent bar, it might be a good read for all adjudicatory staff at the PTO.

<sup>422</sup> See, e.g., *Campbell*, note 174, *supra*, slip op. at 2, 2012 WL 2090379, at \*1.

<sup>423</sup> See Parts III.A, C, *supra*.

<sup>424</sup> See Section III.A, *supra*.

<sup>425</sup> See *id.*

<sup>426</sup> See *id.*

<sup>427</sup> The *Accardi* principle is introduced in note 144 and cases cited therein.

<sup>428</sup> See, e.g., cases cited note 7, *supra*.

<sup>429</sup> See Parts III.C and D, *supra*; note 21, *supra*.

<sup>430</sup> See 35 U.S.C. § 6(a) (2012) (“The administrative patent judges shall be persons of competent legal knowledge . . . who are appointed by the Secretary, in consultation with the Director.”).

<sup>431</sup> See Boundy, *Part 1: Rulemaking Primer*, note 3, *supra*.

## 2. Notice of overruled, withdrawn, and obsolete designations

Obsolete opinions, opinions that exceed the PTAB's authority, and opinions that conflict with Federal Circuit law, should be appropriately tagged, the reasons noted, and the dates of status changes plainly stated.<sup>432</sup> For example, *Ex parte Eggert* was listed on the PTAB's "precedential" page as late as July 2018, even though subsequent PTAB decisions had recognized that *Eggert* was overruled by subsequent Federal Circuit authority ten years before.<sup>433</sup> The PTAB informed the public that the PTAB would no longer follow *Eggert* only in *informative* cases<sup>434</sup>—one wonders what notion of "notice" and agency procedural regularity supports using only nonprecedential cases to inform the public that a precedential case that remains on the books will no longer be followed. Continuing to list obsolete decisions, or removing decisions from the "precedential" list \*89 without leaving an explanation behind and clearly annotating the date of status change, places upon the public the burden of figuring out what happened, which can be *extraordinarily* time consuming. This, in turn, violates the Paperwork Reduction Act and the PTO's implementing guidelines under the Information Quality Act<sup>435</sup>—the PTO should clearly inform the public of the disposition of each opinion that is obsoleted, overruled, or redesignated.<sup>436</sup> The word "archived" carries the connotation of "preserved"; it

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<sup>432</sup> See the discussion of the Information Quality Act and PTO INFORMATION QUALITY GUIDELINES note 215, *supra*; Paperwork Reduction Act, 44 U.S.C. § 3506(c)(3)(D) (requiring agency rules to be "written using plain, coherent, and unambiguous terminology and . . . understandable to those who are to respond"); GOOD GUIDANCE BULLETIN, note 457, *infra*, § II(2)(e) (stating revisions to guidance must identify effect on displaced guidance); *id.* at § III(1)(b) (requiring that agency's website must identify significant guidance documents that have been revised or withdrawn in the past year); Sections II(2)(e) and III(1)(b), *supra*.

<sup>433</sup> *Ex parte Mostafazadeh*, note 200, *supra*, slip op. at 9-11, 2009 WL 5486107 at \*4-\*6.

<sup>434</sup> *Id.*

<sup>435</sup> See note 432, *supra*.

<sup>436</sup> E.g., for some period of time early in the decade, a version of the PTO's PRECEDENTIAL OPINIONS page (*supra* note 169) that is not available on the Wayback machine included a note that *Tanaka* (see Section IV.E and notes 287 and 288, *supra*) had been overruled and removed from the list of precedential opinions. This was correct.

does not carry the connotation of “obsolete” or “withdrawn.”<sup>437</sup> Likewise, simply calling an opinion “archived” is not a sufficient flag that the decision is no longer good law.<sup>438</sup> For example, *Conopco/Unilever*, was “informative” when *General Plastics* relied on it in September 2017,<sup>439</sup> and was “informative” when I began work on this article in spring 2018, but “archived” by final editing in September 2018.<sup>440</sup> Why did it change? Is it still good law, overruled, or simply pruned because the list of factors in *General Plastics* subsumes anything *Conopco/Unilever* would have to say? How would a lawyer have known? The PTO’s implementing guidelines under the Information Quality Act require the PTO to go beyond avoiding misleading the public, but to go further and speak “objectively,” “transparently,” and “reproducibly,” especially when addressing something as important as changing their rules.<sup>441</sup> Appropriate designations include “overruled,” “abrogated,” or “withdrawn,” or some other word that connotes “no longer in effect,” and the *Good \*90 Guidance Bulletin* requires that the agency inform the public of the date of the change.<sup>442</sup>

In April and May 2018, the PTAB reorganized its web pages of precedential and informative decisions.<sup>443</sup> After two decades of non-compliance with § 552, opinions are finally indexed. The PTAB should recognize that any brief filed before April 1, 2018 is entitled to rely on § 552 vis-à-vis opinions that were not indexed before that date. However, even with the reorganization, the PRECEDENTIAL AND INFORMATIVE DECISIONS page does not consistently note the date on which a given decision was designated or de-designated, so the PTAB has not brought itself fully into conformance with the law.

### 3. Publication

The PTAB should consider resuming publication of precedential, informative, and representative opinions in some form more formal, and

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<sup>437</sup> See WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY, archive, def. 2, “[P]ublic or institutional records, historic documents, and other materials that have been preserved.”)

<sup>438</sup> See note 432, *supra*.

<sup>439</sup> *General Plastic*, note 384, *supra*, slip op. at 9 n. 12; see generally *Conopco/Unilever*, note 389, *supra*.

<sup>440</sup> PTO, PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

<sup>441</sup> See note 432, *supra*.

<sup>442</sup> GOOD GUIDANCE BULLETIN, note 432, *supra*, at § III(1)(b).

<sup>443</sup> See PRECEDENTIAL AND INFORMATIVE DECISIONS, note 169, *supra*.

certainly more lawyer-friendly, than the current web site—which doesn’t allow even the minimal ability to cite by URL. Section 552 of the APA and the Attorney General’s Manual urge agencies to make their decisions in a form “most useful to the public.”<sup>444</sup> The Paperwork Reduction Act urges that agencies work within “existing . . . recordkeeping practices.”<sup>445</sup>

When decisions are only citable by case-and-paper number (the only cite form made available by the PTAB), coverage by citation services runs between spotty and nonexistent. When PTAB *ex parte* decisions were first published on the web in 1997, they were Google searchable.<sup>446</sup> But today, the PTO’s web site provides only a rudimentary keyword search for *ex parte* decisions—and even that is useless for anything more complex than single-keyword searches, and slow even at that. For the highest-value decisions, PTAB trial decisions, the decisions are in the “dark web” with *no URL*, and the PTO provides *no search at all*.<sup>447</sup> In personal communications, several PTAB litigators tell me there’s no ready citation resource to know the current state of the PTAB’s law; all three rely on personal knowledge. If the PTO had *intended* to make its decisions technically available but \*91 as obscure and inaccessible as possible, it’s hard to know what more the PTO could have done. PTABE2E offers the same level of indexing as the thesis shoebox that does *not* qualify as “printed publication” prior art.<sup>448</sup>

The PTO could improve transparency and promote the development of the law by creating a “2018 PTAB 12345” cite form for all PTAB decisions (final and interlocutory, *ex parte* appeal and trial, etc.) that translates readily to a URL for the decision.

Even better would be to resume USPQ publication of precedential and informative opinions. USPQ publication is an important flag to the patent bar that a decision deserves attention. USPQ publication provides a stable cite form, that’s not subject to the PTO’s periodic reorganizations of its web site. Most importantly, the citation services (Shepard’s and Keycite) both cover the USPQ.<sup>449</sup>

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<sup>444</sup> See ATTORNEY GENERAL’S MANUAL, note 41, *supra*, at 17.

<sup>445</sup> 44 U.S.C. § 3506(c)(3)(E).

<sup>446</sup> Personal memory of the author.

<sup>447</sup> The only portal to PTAB trial decisions is an anemic interface at <https://ptab.uspto.gov>

<sup>448</sup> See cases cited note 75, *supra*.

<sup>449</sup> Jon R. Cavicchi, *Lexis v. Westlaw for Research—Better, Different, or Same and the QWERTY Effect?*, 47 IDEA 363, 372 (2007).

Under the current publication regime, there's no useful search of PTAB's decisions without a Westlaw, Lexis, or Bloomberg subscription, running in the neighborhood of \$400/mo.

The PTAB's current treatment of its decisions is difficult to reconcile with § 552 (*see supra* Parts II.B.2 and II.B.3) and the Information Quality Act. The costs created by the PTO's practices are difficult to reconcile with the Paperwork Reduction Act.

#### 4. *Burdens of proof*

The Federal Circuit has repeatedly reminded the PTAB of two propositions:<sup>450</sup> first, the PTAB has no general substantive rulemaking authority, and second, in *ex parte* appeals, the PTAB must apply a "preponderance of evidence" standard that puts the burden of proof on the examiner with no burden on the applicant to "persuade" the PTAB of error. And yet the PTAB continues in the opposite direction.

#### 4. *"Suspicious procedures"*

Courts have suggested that the Patent Office "may be well-advised to examine its patent issuance process so that their normal operations are not \*92 compromised by such seemingly suspicious procedures."<sup>451</sup> As this Article enumerates, the PTAB may require further guidance from courts to implement that admonition. Two Supreme Court decisions from 50 years ago suggest language that might appear in a future Federal Circuit decision. In a case reviewing an agency in which employees were well aware of their quotas but less cognizant of legal procedure, the Supreme Court decried "free-wheeling agencies meting out their brand of justice in a vindictive manner," and deprivation of rights "in such a blatantly lawless manner."<sup>452</sup> Likewise, Judge Posner, in a series of decisions reviewing a series of agency missteps, questioned "adjudicative competence" and identified areas for improvement in agency adjudication.<sup>453</sup>

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<sup>450</sup> See cases cited notes 8, 261, and 311, *supra*.

<sup>451</sup> *E.g.*, *Blacklight Power, Inc. v. Dickinson*, 109 F.Supp.2d 44, 54, 55 USPQ2d 1812, 1820 (D.D.C. 2000).

<sup>452</sup> *Oestereich v. Selective Service System Local Bd. No. 11*, 393 U.S. 233, 237 (1968); *see also Gutknecht v. U.S.*, 396 U.S. 295, 304 (1970).

<sup>453</sup> *See, e.g., Benslimane v. Gonzalez*, 430 F.3d 828, 829–30 (7th Cir. 2005) ("adjudication of . . . cases at the administrative level has fallen below the minimum standards of legal justice"); *Mengistu v. Ashcroft*, 355 F.3d 1044, 1047 (7th Cir. 2004) (Posner, J.) (describing an agency's failure to "build a rational bridge" between the record and its legal conclusion); *Niam v.*



Judge Posner also reminds agencies that they are never too busy to do a good job.<sup>454</sup> The PTAB may wish to implement reforms to avoid those criticisms.

#### 5. Further revisions to SOP2

In September 2018, the PTO heavily revised SOP2, publishing new SOP2 Revision 10.<sup>455</sup> Unfortunately, this revision failed to address the various problems with SOP2 that had been identified by the Federal Circuit in *Aqua Products*,<sup>456</sup> and that are elaborated in this Article. The problems with SOP2 can't all be fixed by a \*93 Revision 11 (after all, it's not a statute or regulation) but a rewrite could bring SOP2 into conformance with the APA, and the remaining problems should be fixed by de-designating or down-designating a number of opinions, and providing some basic training in administrative law, as noted in this Article.

#### D. IMPLEMENTATION OF THE GOOD GUIDANCE BULLETIN

The PTO should implement the President's *Bulletin for Good Guidance Practices*<sup>457</sup> for all operations, including the PTAB. The *Good Guidance Bulletin* offers suggestions that would be helpful to the PTAB in four areas: (1) rewriting Standard Operating Procedure 2 to accurately state the scope of the Board's authority; (2) reminding PTAB members of obligations to honor the PTAB's rules for its own proceedings—non-precedential opinions should not be treated as precedent; (3) updating the *Trial Practice Guide*; and (4) incorporating more directives to channel examiner discretion into the MPEP.

In the first version of SOP2 to mention "informative" decisions, one purpose for issuing informative decisions was to "illustrate norms of Board

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*Ashcroft*, 354 F.3d 652, 654 (7th Cir. 2004) (Posner, J.); *Galina v. Immigration and Naturalization Serv.*, 213 F.3d 955, 958 (7th Cir. 2000) (Posner, J.) ("The elementary principles of administrative law, the rules of logic, and common sense seem to have eluded the Board in this as in other cases. We are being blunt, but Holmes once remarked the paradox that it often takes a blunt instrument to penetrate a thick hide.").

<sup>454</sup> See *Guchshenkov v. Ashcroft*, 366 F.3d 554, 560 (7th Cir. 2004) (Posner, J.) (acknowledging the heavy caseload of immigration judges but stating that "busy judges" are not excused from delivering reasoned judgments).

<sup>455</sup> See generally SOP2 REV. 10, note 187, *supra*.

<sup>456</sup> See discussion of *Aqua Products*, notes 5, 115, 371, 372, 407, 408, and 412, *supra*, and accompanying text.

<sup>457</sup> See generally OFFICE OF MGMT. & BUDGET, FINAL BULLETIN FOR AGENCY GOOD GUIDANCE PRACTICES, OMB BULLETIN 07-02 (Jan. 18, 2007), *reprinted in* 72 Fed. Reg. 3432-40, 3436 (Jan. 25, 2007).

decision-making for . . . the patent examining corps.”<sup>458</sup> But the PTAB has no jurisdiction to supervise examiners.<sup>459</sup> The PTO has a sound alternative that is both grounded in law and recognizes the PTO’s internal lines of authority: if the PTO believes examiners would benefit from an explanation of the law, or that the PTO has good ground for instructing examiners in an interpretation of Federal Circuit law adverse to applicants,<sup>460</sup> then the duty to “manage and direct,” under 35 U.S.C. § 3(b)(2)(A), *requires* that it be added to the MPEP or similar guidance, using required procedural safeguards. Then, the agency is to publish its proposed \*94 amendments to the MPEP, request comment, and produce a “robust response to comments.”<sup>461</sup> This way, examiners get sound guidance, well-supported by case law and vetted by the public, that explains to both examiners and the public precisely what law is to be applied, within what scope, and under what limits. However, if a proposed rule of substantive patent law lacks sufficient support for inclusion in the MPEP, then it’s hard to see how it acquires better footing by being stated in a PTAB “precedential” or “informative” decision.

The PTAB’s practice on the opposite side of the issue is also anomalous. Some errors in examination practice are repeated and mature into many legally-erroneous rejections, which in turn, create costs for the public and costs for the agency.<sup>462</sup> The Information Quality Act, Paperwork Reduction Act, Executive

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<sup>458</sup> PTO, STANDARD OPERATING PROCEDURE 2 (REV.7) § VII (2008), *available at* <https://www.reginfo.gov/public/do/DownloadDocument?objectID=8962801> [<https://perma.cc/V2VU-YBKD>]; *See* GOOD GUIDANCE BULLETIN, note 457, *supra*, Introduction at 2, *reprinted at* 72 Fed. Reg. at 3,432 (“Guidance documents, used properly, can channel the discretion of agency employees, increase efficiency, and enhance fairness by providing the public clear notice of the line between permissible and impermissible conduct while ensuring equal treatment of similarly situated parties.”).

<sup>459</sup> *See Ex parte Gambogi*, 62 USPQ2d (BNA) 1209, 1212 (B.P.A.I. 2001) (“We decline to tell an examiner precisely how to set out a rejection.”); *compare* 35 U.S.C. § 3(b)(2)(A) (2012) (appointing duty of “management and direction” to the Commissioners), *with* 35 U.S.C. § 6 (no such jurisdiction for the Board).

<sup>460</sup> *See, e.g.*, Section IV.F, *supra* (“nonfunctional descriptive material”) and IV.I (*McAward*).

<sup>461</sup> GOOD GUIDANCE BULLETIN, note 457, *supra*, § IV(1)(c) and (d) (for revisions to economically-significant guidance, agency must invite public comment and publish a response to comments).

<sup>462</sup> *See* Email from Keith Grzelak, Vice President for Government Relations, IEEE-USA, to Susan K. Fawcett, Records Officer, Office of the Chief Information Officer, United States Patent and Trademark Office, IEEE-USA

Order 12,866, the Patent Act (35 U.S.C. §§ 2(b)(2)(F), 3(a)(2)(A)), the GOOD GUIDANCE BULLETIN (as implementing guidance for several of these laws), and other laws urge or require that corrective guidance be issued to examiners to “channel discretion” and reduce these error streams.<sup>463</sup> The PTAB could be a major participant in improving predictability and efficiency for the PTO and the public: among all the eyes in the PTO, the PTAB has the best vantage point to assess examiner errors that lead to the greatest number of high-cost prosecutions. If the PTAB notices that examiners have recurring misunderstandings about a point, or that examination procedure could be improved, the PTAB can and should recommend an amendment for incorporation into the MPEP. However, PTAB APJs have a potential conflict of interest: the PTAB’s production-compensation system provides some financial incentive *not* to eliminate examiner errors that feed \*95 the PTAB’s docket, especially with “easy reversal” rejections.<sup>464</sup> It is not known whether this is a significant underlying cause for the low number of PTAB precedential opinions on issues that could reduce commonly-recurring examiner errors.

The *Good Guidance Bulletin* instructs that changes to economically-significant agency guidance must be run through notice and comment.<sup>465</sup> The PTO may wish to consider whether some public vetting is appropriate before decisions are designated “precedential” or “informative,” and for some amendments to the Standard Operating Procedures.

The Office of Patent Examination Procedure and editors of the MPEP should review the MPEP for reliance on PTAB decisions. There’s a noticeable correlation between the direction of PTAB decisions (in favor or the applicant vs. against) and the likelihood that the decision is incorporated into the MPEP.<sup>466</sup> This raises a number of questions: Why are applicant-favorable decisions like

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comments on paperwork ICR 0651-0032 18 (May 29, 2012) (available at [http://www.uspto.gov/news/fedreg/comments/0651-0031\\_IEEE\\_Comment.pdf](http://www.uspto.gov/news/fedreg/comments/0651-0031_IEEE_Comment.pdf) [<https://perma.cc/U4FS-S99T>]) (patent prosecution is about 12 million attorney hours per year, approximately \$4 billion per year, and a substantial fraction of that is due to unpredictable PTO processes).

<sup>463</sup> GOOD GUIDANCE BULLETIN, note 457, *supra*, Introduction at 2, *reprinted at* 72 Fed. Reg. at 3432.

<sup>464</sup> BPAI Shuts Down Dissent in Favor of Efficiency, PATENTLY-O blog (May 21, 2009), <https://patentlyo.com/jobs/2009/05/bpai-shuts-down-dissent-in-favor-of-efficiency.html> [<https://perma.cc/2YH4-AULY>].

<sup>465</sup> GOOD GUIDANCE BULLETIN, note 457, *supra*, § IV(1)(c) and (d).

<sup>466</sup> See Section III.B, *supra*.

*Bhide* and *Eggert* not abstracted into the MPEP? Why are applicant-adverse PTAB decisions like *Nehls* and *Curry* allowed to stymie MPEP-ization of applicant-favorable language from multiple Federal Circuit decisions like *Lowry*—why are *Nehls* and the MPEP silent on “step one” of the Federal Circuit’s “printed matter” rule? Why is the applicant-favorable language of *Curry* not incorporated to counterbalance the applicant-adverse language, and omission of applicant-favorable step one language from *Lowry*? Likewise, why are applicant-favorable decisions on the definition of “new ground of rejection” (of both the Federal Circuit and PTAB) not accurately abstracted into the MPEP?<sup>467</sup> Are MPEP-ization decisions made in a \*96 manner consistent with the Paperwork Reduction Act and various benefit-cost directives from the Office of Management and Budget? Current practices raise costs by tens of thousands of dollars for many tens of thousands of applications per year.<sup>468</sup>

In telephone conversations with examiners, it’s clear they’re aware of applicant-adverse PTAB precedential and non-precedential PTAB decisions, and trained to apply them—and, if asked for authority to support rejections, will provide copies—even though the provided copies often bear headings that they are not to be relied on as precedent, and the decisions are not referenced in the

<sup>467</sup> Errors in the current MPEP discussion of “new ground” have been brought to the PTO’s attention on multiple occasions. *See, e.g.*, email from James Jefferies, President, IEEE-USA, to Raul Tamayo, United States Patent and Trademark Office, at 23–24 (Oct. 30, 2015), *available at* [https://www.uspto.gov/sites/default/files/documents/2015ig\\_a\\_ieee\\_02nov2015.pdf](https://www.uspto.gov/sites/default/files/documents/2015ig_a_ieee_02nov2015.pdf) [<https://perma.cc/7UNU-JGDX>]; Email from Thomas Tierney, Vice President of IEEE-USA, to Raul Tamayo, United States Patent and Trademark Office, at 7–8 (Jul. 31, 2014), *available at* <https://www.uspto.gov/sites/default/files/patents/law/comments/al-a-ieeeusa20140731.pdf> [<https://perma.cc/CA3G-GDCE>]; Letter from Keith Grzelak to Susan K. Fawcett, note 462, *supra*, at 34–40; letter from Kipman T. Werking and Jonathan R. Lee to Linda Horner, Administrative Patent Judge, regarding Board of Patent Appeals and Inferences Rules, at 6 (Jan. 14, 2011), *available at* [http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule\\_comment\\_nov2010\\_werking\\_lee\\_a.pdf](http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_werking_lee_a.pdf) [<https://perma.cc/5XJ5-TFLX>]; Letter from David Boundy to Linda Horner, Administrative Patent Judge, regarding Board of Patent Appeals and Inferences Rules, at 9 (Jan. 14, 2011), *available at* [http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule\\_comment\\_nov2010\\_boundy.pdf](http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_boundy.pdf) [<https://perma.cc/PCF2-NV85>].

<sup>468</sup> *See Agency Bad Guidance Practices*, note 62, *supra* (estimating attorney costs for the PTO’s neglect of the law governing guidance at about \$2 billion per year, and economic effect at several times that).

MPEP.<sup>469</sup> In implementing the *Good Guidance Bulletin*, the PTO should develop written guidelines for examiners' reliance on PTAB decisions, to help examiners fully comply with all applicable laws, and understand the difference between agency pronouncements that *do* bind the public and those that do *not*.

Implementation of the *Good Guidance Bulletin* would bring sunlight to many areas of the PTO that need disinfectant. Several petitions have requested that the PTO implement this *Bulletin*; senior PTO officials signed decisions refusing to do so.<sup>470</sup>

## VI. \*97 CONCLUSION

Administrative law expertise is becoming more important to successful representation of clients in intellectual property matters. The PTAB and Federal Circuit can only address legal issues properly raised by the parties. Expertise in administrative law and agency rulemaking can guide agency tribunals to favorable decisions, and present compelling arguments to courts after unfavorable decisions.

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<sup>469</sup> E.g., U.S. Patent Application No. 09/611,548, Office Action Appendix at 2 (Mar. 10, 2017) (in response to a request from applicant to examiner for authority supporting a legal position, examiner provides two Board decisions, each bearing the legend "The opinion in support of the decision being entered to day was not written for publication and is not binding precedent of the Board"). Yet the examiner relies on them.

<sup>470</sup> E.g., U.S. Patent Application No. 10/113,841, Decision on Petition at 19–20 (Jul. 14, 2011).

In fact, the PTO has regressed. A number of laws, *see* note 432, *supra*, require agencies to make clear which guidance is in effect, and what has expired, been withdrawn, etc. For years, the MPEP Foreword stated that "Orders and Notices ... which have been omitted or not incorporated in the text may be considered obsolete." This sentence was removed from the MPEP Ninth Edition in March 2014. Now the status of old guidance is—what?