Nos. 2019-2349, -2351, -2353

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE: BOLORO GLOBAL LIMITED,

Appellant,

v.

ANDREI IANCU, DIRECTOR, U.S. PATENT AND TRADEMARK OFFICE,

Appellee.

Appeal from the United States Patent and Trademark Office
Patent Trial and Appeal Board in Nos. 14/222,613, 14/222,615, and 14/222,616

SUPPLEMENTAL RESPONSE

This Court has directed the Director of the United States Patent and Trademark Office ("USPTO") to provide his views on whether this Court's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), should be extended to ex parte examination cases. As explained below, the Board decision here implicates different remedial considerations than this Court addressed in *Arthrex*, and *Arthrex*'s remedy of a vacatur and remand is unnecessary and unwarranted here. In *Arthrex*, this Court vacated a Board decision in an inter partes review, the very type of proceeding over which the *Arthrex* panel concluded that Senate-confirmed officers had insufficient control. After invalidating administrative patent judges' (APJ)

removal restrictions and rendering them removable at-will, the Court remanded for new inter partes review proceedings before APJs whom the court now considered sufficiently controlled by Senate-confirmed officers. In contrast, this case involves an ex parte examination, a process in which the USPTO Director has always had the ability to unilaterally grant the patent applicant all the relief he seeks by issuing the patent after examination of the claims. In light of the Director's substantially greater control over examinations than inter partes reviews, *Arthrex*'s remedy should not extend to this case. There is no need to vacate and remand for new proceedings before at-will removable APJs where the Director already had adequate control over the examination process and could have accepted the patent applicant's arguments in the original examination.

Accordingly, the Director requests that the Court deny the appellant's motion to remand this case on the basis of *Arthrex* and to instead issue a briefing schedule. In the alternative, for the reasons set out in its original opposition to remand, the Director requests that the Court decline to excuse the appellant's forfeiture of its Appointments Clause challenge or hold disposition of the case until it is clear whether *Arthrex* will undergo further review.

STATUTORY AND FACTUAL BACKGROUND

1. This Court is familiar with the Patent Trial and Appeal Board and its administrative patent judges. In addition to conducting inter partes review (IPR) proceedings, the Board hears appeals from disappointed patent applicants after

examination of the applications. Unlike an IPR, which by statute the Board must "conduct," *see* 35 U.S.C. § 316(c), examination is entirely within the control of the Director. The statute provides that "*[t]he Director* shall cause an examination to be made of the application and the alleged new invention." 35 U.S.C. § 131 (emphasis added). And "if on such examination it appears that the applicant is entitled to a patent under the law, *the Director* shall issue a patent therefor." *Id.* (emphasis added). Similarly, the Director alone is charged with providing notice of any rejection of the claims and the reasons therefore. *See* 35 U.S.C. § 132. Thus, in an examination, the Director has unilateral authority to direct a decision favorable to patentability and issue the requested patent. It is only if the examination does not yield the patent claims the applicant seeks that the applicant may appeal to the Board and then to this Court. *See* 35 U.S.C. § 134; *id.* §§ 141-144.

2. Appellant Boloro Global Limited (Boloro) filed U.S. Patent Applications Nos. 14/222,613, 14/222,615, and 14/222,616.[1] The examiner rejected all Boloro's claims as unpatentable under 35 U.S.C. § 101. *See* '613 Appl., Examiner's Answer (Nov. 15, 2016); '615 Appl., Examiner's Answer (Nov. 22, 2016); '616 Appl., Examiner's Answer (Dec. 2, 2016). The Board affirmed the rejections. *See* '613 Appl., PTAB Dec. (Apr. 1, 2019); '615 Appl., PTAB Dec. (Apr. 1, 2019); '616 Appl.,

[1] Documents in connection with the examinations of Boloro's applications may be accessed via the USPTO's Public PAIR website at https://portal.uspto.gov/pair/PublicPair.

PTAB Dec. (Apr. 1, 2019). And the Board rejected Boloro's request for rehearing. *See* '613 Appl., PTAB Rehg. Dec. (Jun. 27, 2019); '615 Appl., PTAB Rehg. Dec. (Jun. 27, 2019); '616 Appl., PTAB Rehg. Dec. (Jun. 27, 2019). Boloro then appealed the Board's decisions to this Court. *See* '613 Appl., Appeal Notice (Aug. 27, 2019); '615 Appl., Appeal Notice (Aug. 27, 2019); '616 Appl., Appeal Notice (Aug. 27, 2019).

3. After Boloro filed its notices of appeal, a panel of this Court decided an Appointments Clause question in *Arthrex*. 941 F.3d at 1327-35. *Arthrex* was an appeal from an inter partes review, and the Court examined at length the means that Senate-confirmed officers had to control the Board's decision in an inter partes review. *See id.* at 1329-31. In light of perceived limits on such control, the *Arthrex* panel concluded that APJs are principal, not inferior, officers; invalidated the removal restrictions applicable to APJs in order to remedy this perceived constitutional defect; and vacated and remanded for a new proceeding before a new panel of APJs. *Id.* at 1330-40.

Boloro then filed a motion to vacate the Board's decisions and remand for further proceedings consistent with the Court's decision in *Arthrex*. ECF No. 15, Remand Motion at 1. The government opposed Boloro's motion, arguing that Boloro forfeited any Appointments Clause challenge by failing to raise it before the agency, and that in any event, a remand based on *Arthrex* was premature. ECF No. 16. The Director further noted that if the Court decided to address the applicability of *Arthrex* to these appeals from examinations—an issue of first impression—he

"request[ed] the opportunity for further briefing of this issue." ECF No. 16, at 9. This Court subsequently issued an order directing the government to "address[] whether *Arthrex* should be extended to *ex parte* examination cases." ECF No. 19.

ARGUMENT

The Court should decline to extend the vacatur remedy announced in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), to this case. The examination proceedings at issue in these appeals were not addressed in *Arthrex*, and they present distinct remedial issues. And even presuming that *Arthrex*'s remedy does apply in this context, remand is inappropriate in light of Boloro's forfeiture and premature before it is clear whether *Arthrex* itself will undergo further review in this Court or the Supreme Court. Accordingly, this Court should deny Boloro's motion to remand, or in the alternative, hold this case pending further review of the panel's constitutional ruling in *Arthrex*.

1. In *Arthrex*, a panel of this Court considered the status of the Board's administrative patent judges under the Appointments Clause in the context of an inter partes review proceeding. The court concluded "the control and supervision of the APJs" by superior, Senate-confirmed officers "is not sufficient to render them inferior officers," because the "lack of control over APJ decisions does not allow the President to ensure the laws are faithfully executed." 941 F.3d at 1335. That determination was based solely on the court's assessment of APJs' role under the inter partes review statute. *Id.* at 1329-31. In view of perceived limits on the ability of the

Director and the Secretary of Commerce to control the inter partes review process, the panel decided that under the "current structure of the Board," APJs were principal officers who "must be appointed by the President and confirmed by the Senate." *See id.* at 1335.

To remedy this perceived constitutional defect, the Court did not invalidate the statutory requirement that APJs be appointed by the Secretary of Commerce, *see* 35 U.S.C. § 6(a), or otherwise require that APJs be appointed as principal officers. Rather, the Court invalidated APJs' statutory removal protections, rendering them removable at will by the Secretary of Commerce. *See Arthrex*, 941 F.3d at 1337-38. Doing so, the panel reasoned, "renders [APJs] inferior rather than principal officers," because "[a]lthough the Director still does not have independent authority to review decisions rendered by APJs, his provision of policy and regulation to guide the outcomes of those decisions, coupled with the power of removal by the Secretary without cause provides significant constraint on issued decisions." *Id.* at 1338. The Court then vacated the Board's final written decision and "h[eld] that a new panel of APJs must be designated to hear the *inter partes* review anew on remand." *Id.* at 1340.

A judicial order requiring an agency to undertake a new proceeding is a form of injunctive relief that requires the exercise of the court's equitable discretion-—including in constitutional separation-of-powers cases. *See generally Ford Motor Co. v. National Labor Relations Bd.*, 305 U.S. 364, 373 (1939) ("[W]hile the court [reviewing an agency decision] must act within the bounds of the statute and without intruding

upon the administrative province, it may adjust its relief to the exigencies of the case in accordance with the equitable principles governing judicial action."); *John Doe Co. v. CFPB*, 849 F.3d 1129, 1133 (D.C. Cir. 2017) (recognizing "traditional constraints on separation-of-powers remedies" and noting "vacatur of past actions is not routine"). Thus, courts must consider whether vacatur and remand are warranted in light of the particular constitutional violation and circumstances before them.

No such relief is warranted in an appeal from an examination. The *Arthrex* court did not consider any USPTO proceeding except inter partes review, nor did it in any way examine the level of supervision and control that Senate-confirmed officers have over other USPTO proceedings. That level of superior-officer authority over a particular proceeding is key in determining whether vacatur and remand is warranted in light of any Appointments Clause defect under *Arthrex*. In *Arthrex*, having invalidated and severed Title 5's removal protections for APJs in order to provide a more "significant constraint on issued decisions" in inter partes reviews, 941 F.3d at 1338, the Court vacated and remanded for a new hearing before judges who were now subject to the requisite supervision and control. *Id.* at 1341. But where a Senate-confirmed officer such as the Director has *always* been able to unilaterally make decisions during the administrative proceeding—and can in no way have been stymied by an inadequately controlled Board—there is no need for such a remand.

That is the case during examination of a patent application. In an examination, the Director acting alone has authority to make a final decision favorable to a patent

owner. Unlike an inter partes review, which a three-member Board is statutorily tasked with conducting, *see* 35 U.S.C. §§ 6(c), 316(c), examinations are entrusted to the Director. *See* 35 U.S.C. § 131 (making the Director the only USPTO official tasked with "caus[ing] an examination to be made"). The Director has sole authority over the decision whether to grant the requested patent or to instead reject any of the requested claims. *See* 35 U.S.C. § 132. Thus, acting by himself, the Director could have issued a decision during the examination proceeding—or directed an examiner to issue a decision—favorable to Boloro. That decision would have become the final decision of the agency, with no involvement by the Board at all. The Director, of course, did not do so here, permitting the examiner to issue a decision rejecting all of Boloro's claims.

The Director's control in this regard is not affected by patent applicants' ability to appeal rejections to the Board. *See* 35 U.S.C. § 134(a). Such appeal is only available to patent applicants "any of whose claims has been twice *rejected*." *Id.* (emphasis added). Where the Director-controlled examination results in a decision favorable to patentability, the Board has no ability to second-guess that result. And even where the examination yields a rejection, and the Board affirms that result on appeal, there is no possibility that a Senate-confirmed officer was unconstitutionally controlled by a subordinate. That is the case here: the Director-controlled examiner rejected all Boloro's claims, and the Board affirmed that result, making remand for reconsideration before better-controlled APJs needless. Unlike *Arthrex*, there is no

even theoretical possibility in this case that APJs deprived the Senate-confirmed Director of the opportunity to unilaterally grant the litigant here all the relief it seeks.[2]

2. Denying a remand here would, moreover, accord with *Arthrex*'s recognition that not every matter in which an unconstitutionally appointed Board participated need be revisited. The *Arthrex* panel made clear it saw "no constitutional infirmity in the institution decision" rendered by the Board because "the statute clearly bestows such authority [to make an institution decision] on the Director pursuant to 35 U.S.C. § 314." 941 F.3d at 1340; *see also* 37 C.F.R. § 42.4(a) (delegating the Director's institution authority to the Board). As discussed, in an examination, as in IPR institution, the Director has the unilateral authority to act, *e.g.*, issue the requested patent or deny institution of an inter partes review. In either circumstance, the Board's participation in a matter while its APJs were—under *Arthrex*—

[2] Given the agreement between the Director-controlled examiner and the Board that Boloro's claims should be rejected, this case provides no occasion for the Court to address the scope of the Director's control if the Board were to *disagree* as to patentability. But as a plurality of this Court has indicated, the Director's statutory control over the examination and patent-issuance process means that the Board's decision does not control the Director's ultimate patentability determination. *See In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc) (Rich, J., joined by Newman, Lourie, Rader, JJ.) (opining that even "if the Board approves an application, the [head of the USPTO] has the option of refusing to sign a patent" and "has an obligation to refuse to grant a patent if he believes that doing so would be contrary to law"), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (plurality opinion). "Only a court can order the [head of the USPTO] to act, not the Board." *Alappat*, 33 F.3d at 1535 (noting that the USPTO head's refusal to sign a patent at the Board's behest "would be subject to a mandamus action by the applicant").

unconstitutionally appointed does not necessarily create any "constitutional infirmity" in the resultant decision. *Arthrex*, 941 F.3d at 1340.

Nor does *Lucia v. SEC*, 138 S. Ct. 2044 (2018), require or support vacatur and remand here. There, the Court concluded that administrative law judges' (ALJ) duties were of the kind that had to be performed by an officer of the United States. *See id.* at 2052-54. The ALJ who "heard and decided Lucia's case" had not at the time been appointed as any kind of constitutional officer, and in that circumstance, the Court decided that "the 'appropriate' remedy for an adjudication tainted with an appointments violation is a new 'hearing before a properly appointed' official." *Id.* at 2050, 2055 (quoting *Ryder v. United States*, 515 U.S. 177, 188 (1995)). This Court in *Arthrex*, in contrast, did not suggest that the functions performed by APJs could not be performed by inferior officers or that the APJs had not already been appointed as inferior officers. *See* 35 U.S.C. § 6(a) (providing for APJ appointment by a Department head). Rather, by invalidating APJs' removal protections, the *Arthrex* panel indicated that the constitutional defect lay in the perceived lack of control over APJs' functions. *Arthrex*, unlike *Lucia*, therefore does not require a remedy involving "properly appoint[ing]" the official, but rather merely increasing superior officers' control over APJs' conduct of their duties. A remand could be an appropriate remedy for this particular Appointments Clause violation only if Senate-confirmed officers

lacked sufficient control in the first place, as the panel found to be the case in IPRs.[3] But there is no need to redo an administrative proceeding in which the Director already had unfettered control and could have used his sole authority to grant Boloro's patent applications.

3. Even were the Court to consider extending *Arthrex*'s remedy to the examination context, remand would be inappropriate and premature. As the government explained in its initial response, Boloro forfeited any Appointments Clause challenge by failing to raise it before the agency, and this Court should decline to excuse that forfeiture. *See* ECF No. 16, at 4-6. And in any event, it is as yet unclear whether the constitutional rule announced in *Arthrex* will remain good law. Boloro seeks a remand on the basis of the same Appointments Clause challenge that was addressed in *Arthrex*. *See* ECF No. 15. All parties, including the government, have petitioned for en banc review in *Arthrex*, and those petitions remain pending. *See* U.S. En Banc Pet., No. 2018-2140, ECF No. 77 (Fed. Cir. Dec. 16, 2019) (U.S. *Arthrex* Pet.); Arthrex En Banc Pet., No. 2018-2140, ECF No. 78 (Fed. Cir. Dec. 16, 2019). Appellees' En Banc Pet., No. 2018-2140, ECF No. 79 (Fed. Cir. Dec. 16, 2019). As the government's en banc petition explains, the *Arthrex* panel's decision rested on several significant errors, including whether APJs are inferior officers under the

[3] As the Government has argued, the Appointments Clause challenge would also have to be properly preserved in order for a remand to be appropriate.

Appointments Clause. *See generally supra* U.S. *Arthrex* Pet. At minimum, the Court should hold this case pending any further review of *Arthex* by this Court sitting en banc or the Supreme Court.

CONCLUSION

For the foregoing reasons, the Court should decline to extend *Arthrex*'s remedy to appeals from ex parte examinations and should thus deny the motion to remand. In the alternative, the Court should hold this case pending resolution of any further review in *Arthrex*.

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CERTIFICATE OF COMPLIANCE

I hereby certify that this response complies with the requirements of Fed. R. App. P. 32(a)(5) and (6) because it has been prepared in 14-point Garamond, a proportionally spaced font. I further certify that this response complies with the Court's order of February 5, 2020, because it does not exceed 20 pages, excluding the parts exempted under Federal Circuit Rule 35(c)(2).

/s/Melissa N. Patterson
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CERTIFICATE OF SERVICE

I hereby certify that on March 20, 2020, I electronically filed this response with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. I further certify that I will cause paper copies to be filed with the Court upon request.

The participants in the case are represented by registered CM/ECF users and service will be accomplished by the appellate CM/ECF system.

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