

2019-2349, 2019-2351, 2019-2353

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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**IN RE: BOLORO GLOBAL LIMITED,**  
*Appellant.*

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

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**DIRECTOR APPELLEE’S OPPOSITION TO APPELLANT’S MOTION  
TO REMAND IN LIGHT OF *ARTHREX***

Appellee, the Director of the United States Patent and Trademark Office (“USPTO”), respectfully opposes Appellant’s motion to remand the final decision of the Patent Trial and Appeal Board (“Board”) in these consolidated ex parte appeals. Appellant asks the Court to remand this appeal based on the same Appointments Clause violation found in this Court’s decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), and order a new panel of Board judges to be assigned to these cases on the basis that the original panel was not constitutionally appointed at the time the Board decision was rendered. Appellant’s Mot. (ECF No. 15) at 2-3. Appellant’s Motion should be rejected.

As Appellant's Motion concedes, this is the first time Boloro has raised any Appointments Clause challenge in these applications, having failed to do so during the administrative proceedings at the USPTO. *Id.* at 6. This Court has already held that it will consider an Appointments Clause challenge to the statutory method of administrative patent judges' appointment raised for the first time on appeal only in "exceptional cases." *In re DBC*, 545 F.3d 1373, 1379-80 (Fed. Cir. 2008). Boloro does not attempt to argue that exceptional circumstances exist here. As in *DBC*, the issue "could have been raised" with the agency and Boloro simply failed to do so. *Id.* at 1380. And now that this Court has opined on this issue in *Arthrex*, there is even less reason to overlook Boloro's forfeiture.

If the Court excuses Appellant's forfeiture and permits Appellant to raise an Appointments Clause challenge at this stage, the Court should hold any decision on Appellant's Motion. The Government and both parties have filed petitions for rehearing en banc in *Arthrex*, which raise significant questions regarding *Arthrex's* holding and remedy. Additional en banc requests and responses are pending in related cases. Those pending vehicles counsel holding any decision here to await subsequent developments that could moot or impact the requested relief here. Withholding action here to await those developments is particularly warranted given that Appellant's Motion calls for extending *Arthrex's* reach. Appellant's Motion acknowledges that *Arthrex*—which addressed the Appointments Clause issue in the context of an inter partes trial under the AIA—must be extended to reach these appeals, which arise

from ex parte examination. Mot. at 3-5. However, it is far from clear whether *Arthrex* even applies to ex parte examination proceedings. See USPTO Opp. to Remand Motion, *In re Steve Morsa*, Appeal No. 19-1757, ECF No. 23 (filed Nov.14, 2019) (pointing out, in an ex parte appeal, that the differences between examination and an AIA trial would call for a different Appointments Clause analysis).

The Court should wait to engage that important question until the Court resolves whether *Arthrex* was correctly decided in the first instance. Ultimately, if the Court elects to proceed with Appellant's Motion, the Government respectfully requests additional briefing to address whether differences between ex parte and AIA proceedings limit the reach of *Arthrex*, an important legal question that should be explored through more significant briefing than motions practice provides.

### **BACKGROUND**

This appeal arises from the examination of application serial nos. 14/222,613; 14/222,615; and 14/222,616, each directed to claims generally relating to methods and systems for secure financial transactions on a mobile phone. Appellant sought review by the Board of the Examiner's rejections of all pending claims as unpatentable under 35 U.S.C. §§ 101 and 112. On April 1, 2019, a panel of the same three APJs issued separate decisions in the three applications, each decision affirming the Examiner's rejection of the pending claims under § 101. On June 27, 2019, the panel maintained its affirmance in light of Appellant's rehearing request. At no point did Appellant raise an Appointments Clause argument with the USPTO.

Appellant then appealed the Board's decisions to this Court, which consolidated the three separate appeals. Appeal No. 19-2349, ECF Nos. 1-3. On January 2, 2020—four days before the Appellant's opening brief was due—Appellant filed the instant motion. ECF No. 15.

## ARGUMENT

### **A. Remand is not available under *Arthrex* because Appellant forfeited any challenge under the Appointments Clause**

Appellant forfeited its Appointments Clause challenge and thus remand should be denied. Appellant's failure to preserve the Appointments Clause challenge before the agency during an examination proceeding serves as a basis for considering it forfeited. *DBC*, 545 F.3d at 1378 (refusing to consider an Appointments Clause challenge to the statutory method of administrative patent judges' appointment—which at the time provided for appointment by the Director, not the Secretary of Commerce—because the applicant raised the challenge for the first time on appeal). As *Arthrex* notes, “[i]t is the general rule . . . that a federal appellate court does not consider an issue not passed upon below.” 941 F.3d at 1326 (quoting *Singleton v. Wulff*, 428 U.S. 106, 120-21 (1976)).

Appellant could have made its Appointments Clause objection in any of the three involved applications before reaching the Board by petition to the Director under 37 C.F.R. § 1.181. Appellant could thereafter have raised the issue during its Board appeal in a petition to the Chief Administrative Patent Judge under 37 C.F.R.

§ 41.3, or in one of its requests for rehearing to reconsider the Board's final decision. Appellant did not exercise any of those opportunities to raise an Appointments Clause issue. Instead, Appellant waited until after the Board issued its decisions adverse to its interests.

Appellant offers no excuse for its failure to raise this issue before the Board in the involved applications here. *See Bolvito v. Mukasey*, 527 F.3d 428, 438 (5th Cir. 2008) (holding that petitioners waived their claims that the conduct of an immigration hearing violated their due process rights because petitioners failed to raise their objections at the hearing). Appellant instead argues that *Arthrex* rejected the argument that failing to raise the argument before the Board provides a proper basis for forfeiture. Mot. at 6. Forfeiture is a discretionary doctrine (*see, e.g., Freytag v. Commissioner*, 501 U.S. 868, 878-79 (1991)); another panel's decision on waiver does not bind another judge or panel of judges on this Court from reaching a different conclusion on different facts. Indeed, the panel in *Arthrex* declined to apply forfeiture principles in that case despite the earlier decision in *DBC* applying those same principles to an Appointments Clause challenge. *See Arthrex*, 941 F.3d at 1339-40. Further, the Government's en banc petition in *Arthrex* raises significant questions about whether the panel's decision there improperly abandoned conventional rules of forfeiture in the Constitutional space. *See U.S. Petition for Rehearing En Banc, Arthrex, Inc. v. Smith & Nephew, Inc.*, Appeal No. 18-2140, ECF No. 77, at 11-14 (Dec. 16, 2019). The issues raised by the Government's en banc petition in *Arthrex* both

counsel against simply adhering to *Arthrex*'s forfeiture determination, as well as holding any decision here pending resolution of the en banc petitions in that case.

**B. Appellant's Motion Seeking to Extend *Arthrex* to Ex Parte Proceedings Should Be Held Pending Resolution by the En Banc Court in *Arthrex* or Should Receive Full Briefing**

Appellant acknowledges that *Arthrex* addressed the Appointments Clause issue in the context of inter partes AIA trials and makes several arguments why *Arthrex* should be extended to fit the ex parte examination context of the underlying applications here. Mot. at 3-5. The Court should withhold exploring these important issues in the context of this motion for at least two reasons.

First, it may be unnecessary. As already discussed, both the Government and two private parties have sought rehearing in *Arthrex*. Additional en banc petitions on issues raised in *Arthrex* are pending in other cases. *See, e.g., Uniloc 2017 LLC v. Facebook, Inc. et al.*, Appeal No. 2018-2251, ECF No. 47 (Dec. 2, 2019); *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, Appeal No. 2018-2082, ECF No. 73 (Jan. 8, 2020); *id.*, ECF No. 74 (Jan. 9, 2020) (Notice from Court requesting response from Appellant Bedgear). These en banc petitions raise significant questions regarding various aspects of *Arthrex*, including the Appointments Clause Challenge, forfeiture, and remedy, all of which are relevant to the proper disposition of Appellant's Motion to remand here. It would be inefficient and burdensome for the Court and the parties to engage in further proceedings in this case before the full Court has had a chance to consider *Arthrex*.

Second, Appellant's Motion raises an issue of first impression. In view of Appellant's forfeiture in this case and the multiple pending en banc petitions in *Arthrex* and related cases, the Court need not analyze here whether differences between AIA proceedings and ex parte cases preclude the extension of *Arthrex* to ex parte cases. However, if this Court elects to reach whether *Arthrex* applies to ex parte proceedings, it should do so based on fuller briefing than motions practice provides. Thus, if the Court decides to entertain Appellant's Motion, the Government requests the opportunity to submit further briefing on whether Appellant's attempt to analogize the ex parte proceedings here to the trial procedures in *Arthrex* passes scrutiny before granting the requested remand.

As just one consideration, Appellant does not acknowledge that, in contrast with an AIA proceeding, the Director has full control over the patent examination process, including the unilateral authority to grant or reject any application. In particular, the Patent Act provides that *the* "Director shall cause an examination to be made of [patent] application[s]," *the* "Director shall be responsible ... for the issuance of patents," and all issued "[p]atents shall be ... signed *by the Director*." 35 U.S.C. 3, 131, 153 (emphasis added). Ordinarily, of course, the Director "cause[s]" examinations "to be made" and patents to be issued through the examining corps. *See* 35 U.S.C. § 131. However, the statute does not require him to do so and USPTO regulations permit petitions to the Director to exercise his supervisory authority over the Office, including patent examination. 37 C.F.R. § 1.181. If the Director believes a

patent should issue, he is not dependent on the Board or an examiner to issue it. And, if the Director believes a patent should not issue, the Board has no power to compel him to issue it. *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (“Moreover, the Commissioner is not bound by a Board decision that an applicant is entitled to a patent. Only a court can order the Commissioner to act, not the Board.”), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (plurality opinion); *accord id.* at 1550 (Archer, C.J., joined by Nies, J., concurring).

Appellant thus incorrectly asserts that the Board exercises the same power under 35 U.S.C. § 6(b)(1) in ex parte examination here that the panel in *Arthrex* relied upon in the inter partes context under 35 U.S.C. § 318(a). Mot. at 4. The Board does not “decide[] the patentability of the claims at issue” in an ex parte appeal (*id.*); the Board simply has the power to “review adverse decisions of examiners” under 35 U.S.C. § 6(b)(1). The Board’s review is subject to the Director’s ultimate authority as to whether a patent shall issue.

Indeed, in a case where the Director chooses not to delegate the examination function to an examiner and makes the examination decision himself, the statute does not even authorize appeal to the Board. The Board hears appeals only “from the decision of the primary examiner.” 35 U.S.C. § 134. The Board decision does not limit the Director’s authority to overrule the Board. *See* 35 U.S.C. § 131. Moreover, in appeals to this Court from patent examination decisions, it is “*the Director*” who “shall submit to the court in writing the grounds for the decision of the *Patent and Trademark*

*Office* [which the Director heads], addressing all of the issues raised in the appeal.” 35 U.S.C. § 143 (emphases added).

Appellant makes additional arguments as to why *Arthrex* should be extended to this ex parte appeal. Given the word limit for motions, suffice it to say here that the Government disagrees that these arguments prove a viable basis to extend *Arthrex* to the ex parte context. While consideration of this issue should await a case where the issue has not been forfeited or mooted by external events, the Director requests the opportunity for further briefing of this issue in this case if the Court nevertheless elects to engage this important issue here.

### **CONCLUSION**

For the foregoing reasons, Appellant’s Motion to remand the Board’s decision should be denied and the case should proceed to the merits. Alternatively, any decision here should be held pending consideration of *Arthrex* by the full Court or to

provide for complete briefing on the important issues of first impression raised by Appellant's Motion.

Dated: January 13, 2020

Respectfully submitted,

/s/Robert J. McManus

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**RULE 32(g) CERTIFICATE OF COMPLIANCE**

I certify pursuant to Fed. R. App. P. 32(g) that the foregoing DIRECTOR APPELLEE'S OPPOSITION TO APPELLANT'S MOTION TO REMAND IN LIGHT OF *ARTHREX* complies with the type-volume limitation required by the Court's rule. The total number of words in the foregoing Opposition is 2117 words as calculated using the Word® software program.

/s/ Robert J. McManus

Robert J. McManus

Associate Solicitor

U.S. Patent and Trademark Office

### CERTIFICATE OF SERVICE

I hereby certify that on January 13, 2020, I electronically filed the foregoing DIRECTOR APPELLEE'S OPPOSITION TO APPELLANT'S MOTION TO REMAND IN LIGHT OF *ARTHREX* with the Court's CM/ECF filing system, which constitutes service, pursuant to Fed. R. App. P. 25(c)(2) and Fed. Cir. R. 25(e)(1).

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