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 parties to provide their views on two questions: (1) "[w]hether the Director's purported ability to refuse to issue a patent if the Patent Trial and Appeal Board approves an application amounts to sufficient control or review over the Board's exercise of authority to render them inferior officers"; and (2) whether under the reasoning in *Freytag v. Commissioner*, 501 U.S. 868, 882 (1991), "an administrative patent judge's appointment [can] be unconstitutional with regard to *inter partes review* as was determined in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), and yet constitutional for reviewing initial examination." *See* Order at 1-2 (Apr. 13, 2020).

As explained below, under the Supreme Court's reasoning in *Freytag*, if an officer performs functions that are not "directed and supervised at some level" by Senate-confirmed officers (*Edmond v. United States*, 520 U.S. 651, 663 (1997)), he is a principal "officer within the meaning of the Appointments Clause," even if the officer also performs other functions that could be performed by an inferior officer. *Freytag*, 501 U.S. at 882. Therefore, assuming that this Court correctly held in *Arthrex* that administrative patent judges (APJs) were principal officers by virtue of their duties in inter partes review proceedings, APJs were principal officers under the Appointments Clause, and the Director's increased supervision and control over the patent examination process would not have rendered them inferior officers for purposes of ex parte examinations. Nonetheless, as the USPTO's first supplemental response explained, the Director's increased supervision and control over the patent examination process is directly relevant to the appropriate remedy, and this Court should decline to extend the vacatur remedy announced in *Arthrex* to this case.

ARGUMENT

1. In *Freytag*, the Supreme Court held that special trial judges of the United States Tax Court were inferior officers, as opposed to employees, for purposes of the Appointments Clause, because they were charged with duties that may be performed only by officers. 501 U.S. at 882. In so holding, the Court rejected the argument that the special trial judges could be considered to be employees, and hence validly serving, with respect to other statutory duties that could be performed by mere employees. *Id.*

The Court explained that "[t]he fact that an inferior officer on occasion performs duties that may be performed by an employee not subject to the Appointments Clause does not transform his status under the Constitution." *Id.* The special tax judges could not be considered "inferior officers for purposes of some of their" statutory duties, "but mere employees with respect to other responsibilities." *Id.*

Although *Freytag* involved the constitutional distinction between inferior officers and employees, rather than the distinction between principal officers and inferior ones, its Appointments Clause reasoning rests on the underlying premise that federal officials have only one "status under the Constitution" when exercising their governmental powers. *Freytag*, 501 U.S. at 882. In the present context, that means that an officer whose duties are not sufficiently "directed and supervised at some level" by Senate-confirmed officers, *Edmond v. United States*, 520 U.S. 651, 663 (1997), is a principal officer with respect to all of the responsibilities assigned to his office, even if particular responsibilities are subject to the kind of direction and supervision that would support inferior-officer status when viewed in isolation.

This Court held in *Arthrex* that APJs were principal officers, rather than inferior officers, because they were not subject to sufficient direction and supervision by the Director and the Secretary of Commerce in the performance of their functions involving final written decisions in inter partes review proceedings. 941 F.3d at 1327-35. If so, it follows under *Freytag*'s reasoning that APJs were principal officers for

purposes of all governmental functions of their office, even if they performed other functions that were subject to a greater degree of supervisory control.

2. As a result, the Director's "ability to refuse to issue a patent if the Patent Trial and Appeal Board approves an application" would not "render [APJs] inferior officers" for purposes of ex parte examination proceedings. *See* Order at 1-2. If the *only* role performed by APJs was to hear appeals from initial examination decisions, the Director's authority over the issuance of patents, together with his other forms of supervisory authority, would suffice to render APJs inferior officers, even under *Arthrex*'s Appointments Clause reasoning. But the implication of *Freytag* is that an official who is a principal officer with respect to some functions of his office, as this Court held in *Arthrex* to be true of APJs, cannot be deemed an inferior officer with respect to other functions of the same office, even if those functions would be consistent with inferior-officer status when taken in isolation.

The Director's significant supervision and control over ex parte examination proceedings is nonetheless relevant to the appropriate remedy to which Boloro is entitled, as the USPTO has explained. *See* USPTO Supp. Resp. 6-11. In *Arthrex*, this Court 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, and vacated and remanded for a new hearing before a panel of APJs who were now subject to the requisite supervision and control, *id.* at 1341. But where a Senate confirmed officer has *always* been able to unilaterally make decisions during

the administrative proceeding—as the Director has always been able to do for purposes of ex parte examinations—there is no need for such remand. Consistent with this principle, in *Arthrex* itself, despite vacating the APJs' final written decision, this Court emphasized, "[t]o be clear, on remand the decision to institute is not suspect; we see no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314." 941 F.3d at 1340.

The Director has sole authority over the decision whether to grant the requested patent or instead to reject any of the requested claims, 35 U.S.C. §§ 131-32, and thus could, acting by himself, have issued a decision during the examination proceeding favorable to Boloro, or directed an examiner to issue such a decision. *See* USPTO Supp. Br. 7-9. That decision would have become the final decision of the agency, with no involvement of the Board at all. The Director did not do so here, permitting the examiner to issue a decision rejecting all of Boloro's claims. There is thus no cause in this circumstance to remand to the agency for new proceedings before a different panel of APJs. Unlike in *Arthrex*, there is not even a theoretical possibility here that APJs deprived the Senate-confirmed Director of the opportunity to unilaterally grant Boloro the relief it seeks.

This Court's order denying rehearing en banc in *VirnetX Inc. v. Cisco Systems Inc.*, No. 19-1671, 2020 WL 2462797 (Fed. Cir. May 13, 2020), does not require a different result. Although the Court there concluded that Board decisions in inter partes

reexamination proceedings were subject to *Arthrex*'s vacatur-and-remand remedy, it did "not go so far" as to opine on the proper remedy in "all Board proceedings." *See id.* at 2. As discussed above, the government agrees with the Court's assessment in *VirnetX* that, under *Freytag*, "all of [an] appointee's duties" assigned by statute are relevant in "assessing an Appointments Clause challenge." *Id.* at 1-2. But that principle does not control the remedial determination the Court must make in light of any Appointments Clause violation.[1]

There are significant differences between inter partes reexamination and ex parte examination that counsel in favor of declining to vacate the agency's decision here. The *VirnetX* panel explained that both inter partes reexamination and inter partes review "involve third-party challenges to the claims of an issued patent and, importantly, in both, APJs exercise significant authority on behalf of the government by issuing final decisions that decide the patentability of the challenged claims." *Id.* at

[1] The *VirnetX* panel misunderstood the government to be arguing that APJs "should be deemed constitutionally appointed officers at least when it comes to their duties reviewing appeals of inter partes reexaminations." *Id.* at *1. The government did not argue that APJs' status under the Appointments Clause varied depending on the duties performed. Rather, the government argued, as it does here, that the *remedy* for any Appointments Clause should vary depending on the level of control Senate-confirmed officers exercised over the type of proceeding in question. *See id.*, ECF No. 47, at 7-13 (USPTO rehearing petition) (the "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*"). Because the panel understood the government to be addressing the existence of an Appointments Clause violation, rather than the appropriate remedy for a violation, the panel did not address the remedial issue.

2. Unlike inter partes reexamination, ex parte examination involves no third party, or any chance that a Director-controlled decision favorable to patentability during the examination process can be changed through a Board appeal by a third party. *Cf.* 35 U.S.C. §§ 134(c), 315(b) (2006) (permitting a "third-party requester" in an inter partes reexamination to appeal a "final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent" to the Board). Thus, the Director could have offered Boloro all the relief it wanted during the examination by issuing the requested patent, and the Board would not even arguably be able to disturb the Director's determination.[2] There is simply no analog in ex parte examination to the inter partes reexamination provision that the *VirnetX* court concluded left "the Director's 'hands … tied.'" *VirnetX*, 2020 WL 2462797, at 2 (quoting *Arthrex*, 941 F.3d at 1329) (citing Pre-AIA 35 U.S.C. § 316(a), which provided that the Director "shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable"). Given the Senate-confirmed Director's complete control over the initial examination, there is no reason to vacate

[2] Indeed, unlike the patentee after an inter partes reexamination, the applicant in an initial examination always may file a continuation application if its claims are rejected by both the examiner and the Board. *See* 35 U.S.C. § 120. The Director would be free to reverse course during the examination of such a continuation application and thus allow the applicant to obtain the same claims that the Board had rejected. *See* Manual of Patent Examining Procedure § 706.03(w) (permitting, but not requiring, application of res judicata principles where a claim presented in a continuation application is not patentably distinct from one rejected in a Board decision).

the agency's decision and remand for a new determination by APJs whom *Arthrex* rendered subject to greater control by a Senate-confirmed official.

CONCLUSION

For the foregoing reasons, and those explained in the government's first supplemental response, the Court should decline to extend *Arthrex*'s vacatur-and-remand 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 possible Supreme Court review in *Arthrex*.

Respectfully submitted,

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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 April 13, 2020, because it does not exceed 10 pages, excluding the parts exempted under Federal Circuit Rule 35(c)(2).

/s/ Courtney L. Dixon
COURTNEY L. DIXON

CERTIFICATE OF SERVICE

I hereby certify that on May 27, 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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