Nos. 2020-1399, 2020-1400

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

NEW VISION GAMING & DEVELOPMENT, INC.,

Appellant,

v.

SG GAMING, INC., f/k/a Bally Gaming, Inc.,

Appellee,

ANDREI IANCU, Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office,

Intervenor.

On Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in case nos. CBM2018-00005 and CBM 2018-00006.

CORRECTED BRIEF FOR INTERVENOR

Of Counsel:
THOMAS W. KRAUSE
Solicitor
FARHEENA Y. RASHEED
Deputy Solicitor
KAKOLI CAPRIHAN
SARAH E. CRAVEN
Associate Solicitors
U.S. Patent and Trademark Office
Mail Stop 8, P.O. Box 1450
Alexandria, Virginia 22313-1450

JEFFREY BOSSERT CLARK
Acting Assistant Attorney General

MELISSA N. PATTERSON
DANA KAERSVANG
Attorneys, Appellate Staff
Civil Division, Room 7216
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530
(202) 307-1294

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases: **Page(s)**

Statutes:

Regulations:

Rule:

Legislative Material:

Other Authorities:

STATEMENT OF RELATED CASES

No other appeal in or from the present administrative proceedings has previously been before this or any other appellate court. The government is not aware of any related cases within the meaning of Federal Circuit Rule 47.5(b). Another appeal, *Mobility Works v. Unified Patents*, No. 2020-1441, raises the same constitutional challenges as this case.

INTRODUCTION

The Patent Trial and Appeal Board (Board or PTAB) found New Vision's challenged patent claims to be unpatentable after a covered business method (CBM) review in which New Vision's arguments focused solely on the validity of its claims and the effect of its contractual forum selection clause. New Vision now appeals to this Court, raising constitutional issues that it never asserted before the Board. New Vision has forfeited all of its constitutional challenges in this case, and this Court should not reach them.

If this Court nevertheless considers New Vision's constitutional arguments, it should defer consideration of the Appointments Clause challenge pending the Supreme Court's review of that issue in *Arthrex*. And it should hold that New Vision's structural due process challenge is wholly without merit.

New Vision misapprehends the facts underlying its structural due process arguments, a consequence of its failure to develop the record on this issue before the agency. New Vision asserts that individual Administrative Patent Judges (APJs) have incentives to institute trials in order to increase PTAB funding and their own paychecks. This is incorrect. Congress—not APJs, or even the U.S. Patent and Trademark Office (USPTO) Director—controls the USPTO's ability to spend collected fees through the legislative appropriations process. And there is no connection between APJ compensation and fees collected or refunded by the USPTO. APJ compensation, which is capped by statute and regulation, is wholly untethered to the number of petitions filed, granted, or denied under the Leahy-Smith America Invents Act of 2011 (AIA). New Vision's argument to the contrary rests on a number of misconceptions regarding APJs' performance reviews and work opportunities. There is simply no "structural bias" somehow tainting APJs' institution decisions in AIA proceedings.

New Vision's challenge to the agency's exercise of its discretion in instituting the CBM review here is equally baseless. As with inter partes review, the statute renders institution decisions "final and nonappealable," and thus beyond this Court's review. 35 U.S.C. §§ 314(d), 324(e); *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020).

STATEMENT OF JURISDICTION

The PTAB issued decisions denying rehearing as to the two patents at issue in these consolidated appeals on November 20, 2019. Appx68; Appx188. Appellant filed timely notices of appeal on January 19, 2020. Appx1956; Appx3548; *see* 35 U.S.C. § 142; 37 C.F.R. § 90.3(a). This Court has jurisdiction under 35 U.S.C. § 329 and 28 U.S.C. § 1295(a)(4)(A).

STATEMENT OF THE ISSUES

1. Whether appellant forfeited its structural due process and Appointments Clause challenges by failing to raise them before the Board.

2. Whether these cases should be remanded in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), while the Supreme Court reviews that decision.

3. Whether the USPTO's multilayered funding arrangements involving Congressional appropriations introduce "structural bias" into administrative patent judges' decision making in violation of the Due Process Clause.

4. Whether the Board's institution decisions are unreviewable pursuant to *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020).

STATEMENT OF THE CASE

A. Statutory And Regulatory Background

1. Congressional Control Over The USPTO's Funding.

The USPTO is a "fee-funded agency." This nomenclature is shorthand for a complex arrangement in which Congress annually appropriates funds to the USPTO based on annual USPTO fee collection estimates, but the USPTO repays these appropriated sums using fees it collects for its services. This statutory arrangement results in a $0 net appropriation. *See, e.g.,* Pub. L. No. 116-93, div. B, 133 Stat. 2317, 2389 (2019).

By statute, fees collected by the USPTO are "available to the Director to carry out the activities of the Patent and Trademark Office," "[t]o the extent and in the amounts provided in advance in appropriations Acts." 35 U.S.C. § 42(c)(1). Thus, if the USPTO collects fees prior to receiving an appropriation or in excess of an existing appropriation, it cannot spend those funds until Congress authorizes it to do so through an appropriation. *Id.* Money collected under Title 35, including excess fees, "may only be used for expenses of the Office relating to the processing of patent applications and for other activities, services, and materials relating to patents and to cover a proportionate share of the administrative costs of the Office." *Id.* § 42(c)(3)(A). Additionally, in connection with the President's submission of annual budget requests, the Secretary of Commerce must submit in advance to Congress "any proposed disposition of surplus fees by the Office," *id.* § 42(e)(4), which Congress is free to reject.

In fact, Congress has not always appropriated to the USPTO all of the fees it collects. *See, e.g.*, Pub. L. 111-117, 123 Stat. 3034, 3116 (2009) (appropriating $1.8 billion to the USPTO and providing no authority to spend any additional fees collected). There is over a billion dollars in fees credited to USPTO accounts in the Treasury that the USPTO has collected but Congress has not authorized it to spend. USPTO, *Performance and Accountability Report* 26 (2019), https://go.usa.gov/x7xD7. Congress may appropriate fees collected by the USPTO to other parts of the government. *Figueroa v. United States*, 466 F.3d 1023, 1027, 1032-33 (Fed. Cir. 2006).

In recent years, Congress has appropriated funds to the USPTO in amounts equal to the expected fees. *See, e.g.*, 133 Stat. at 2389-90. As USPTO collects fees, it repays its appropriated funds. *Id.* If the USPTO collects less revenue from fees than expected, its appropriation is reduced to match the fees collected. *Id.* In the last few years, Congress has appropriated to USPTO all the money it collects as fees so that no additional appropriation is required for USPTO to spend this money. *Compare id.* (fiscal year 2020 appropriation providing that fees collected "shall remain available until expended"), *with* 123 Stat. at 3116 (fiscal year 2010 appropriation setting a maximum appropriation with no authority to spend additional funds that USPTO might collect). The handling of USPTO fees is addressed annually by Congress in the appropriations process and can change from year to year. *Id.*

Traditionally, Congress has set fees for USPTO services by statute, subject to adjustments for inflation carried out by the agency. *See, e.g.*, 42 U.S.C. § 41 (2002). In the AIA, Congress granted the USPTO Director temporary authority to set and adjust fees by regulation. AIA, Pub. L. No. 112-29, § 10(a)(1), 125 Stat. 284 (2011). This authority currently expires in 2026, unless reauthorized. SUCCESS Act, Pub. L. No. 115-273, § 4, 132 Stat. 4158 (2018). Congress has also given the Director ongoing authority to set specific fees, including the fees for the CBM review at issue in this case. 35 U.S.C. § 321(a)).

The Director can set or adjust fees "only to recover the aggregate estimated costs to the Office." AIA § 10(a)(2). Prior to adjusting fees under the AIA, the Director must consult with the relevant Public Advisory Committee. *Id.* § 10(d). He must also publish the proposed fees and his rationales and allow for public comment. *Id.* § 10(e). The USPTO must report on this process to Congress, *id.* § 10(e)(1)(C), which can, of course, adjust fees by statute. Fees cannot take effect for 45 days, providing Congress with the opportunity to enact a law "disapproving such fee." *Id.* § 10(e)(4).

The USPTO reviews fees biennially. *See, e.g.*, Setting and Adjusting Patent Fees During Fiscal Year 2020, 85 Fed. Reg. 46,932 (Aug. 3, 2020). The USPTO can adjust fees to compensate when the volume of a particular type of filing is lower than expected. Appx4169.[1] The USPTO currently charges the petitioner in an inter partes or post-grant review a fee to consider a petition to institute, and a separate fee to conduct the trial if a review is instituted. *See* 85 Fed. Reg. at 46,944.

The use of fees to defray agency costs is common in the federal government. More than twenty-five federal agencies receive a portion, if not all, of their operating costs through user fees and other annual assessments. *See* Admin. Conference of the U.S., *Sourcebook of United States Executive Agencies* 119-20 (1st ed. 2012); *see also* U.S. Gen. Accounting Office, GAO/AIMD-98-11, *Federal User Fees: Budgetary Treatment, Status, and Emerging Management Issues* (Dec. 1997), https://go.usa.gov/x7xDH (GAO/AIMD-98-11). For example, the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, the National Credit Union Administration, the

[1] This and other appendix cites relevant to New Vision's constitutional challenge are to portions of the record that are the subject of a pending motion for judicial notice filed by New Vision. As explained below, this Court should decline to reach this issue in light of New Vision's failure to raise it before the agency. We nevertheless address New Vision's arguments and citations in the event that the Court reaches them.

Federal Reserve Board, the Federal Housing Finance Agency, the National Indian Gaming Commission, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Federal Communications Commission all recover at least a portion of their operating costs by levying assessments on the entities they regulate.[2]

2. The Patent Trial And Appeal Board.

In the AIA, Congress created inter partes review, post-grant review, and a special "transitional post-grant review proceeding for review of the validity of covered business method patents" (CBM proceedings). *See* 35 U.S.C. §§ 6(a), 311; AIA § 18.[3]

---

[2] *See* 12 U.S.C. § 2250 (annual assessment by Farm Credit Administration covers cost of administering programs); 42 U.S.C. § 2214 (Nuclear Regulatory Commission budget offset by annual charges); 12 U.S.C. § 16 (Office of the Comptroller of the Currency funded by annual assessments on national banks and federal savings associations); 12 U.S.C. § 1755 (National Credit Union Administration funded by assessment of annual fees); 12 U.S.C. § 243 (Federal Reserve Board imposes semi-annual assessments on Federal Reserve banks to pay salaries and other expenses);12 U.S.C. § 4516 (Federal Housing Finance Agency funded by annual assessments); 25 U.S.C. § 2717 (National Indian Gaming Commission funded entirely by fees collected from certain gaming operations); 12 U.S.C. § 1817(b)(2)(A) (Federal Deposit Insurance Corporation assesses fees to fund its deposit insurance program); 15 U.S.C. §§ 77f(b), 78m(e), 78n(g), 78ee(i) (requiring the Securities and Exchange Commission to collect fees to offset certain appropriations); 42 U.S.C. § 7178(f) (requiring the Federal Energy Regulatory Commission to collect fees to offset appropriations); Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2242, 2449 (2015) (all Federal Communications Commission appropriations offset by regulatory fees).

[3] Under Section 18 of the AIA, the transitional program for post-grant review of CBM patents sunset on September 16, 2020. AIA § 18(a). Although the program has sunset, existing CBM proceedings, based on petitions and related fees filed before September 16, 2020, are still pending.

These proceedings are conducted before the new Patent Trial and Appeal Board, the successor to the Board of Patent Appeals and Interferences. In addition to AIA proceedings, the PTAB conducts trials in derivation proceedings, hears appeals from adverse examiner decisions in patent applications and reexamination proceedings, and renders decisions in interferences. 35 U.S.C. § 6(b).

AIA proceedings, including CBM review, have two stages. First, the Board[4] decides whether to institute proceedings. This decision is "final and nonappealable." *See* 35 U.S.C. §§ 314(d), 324(e). If the agency decides to institute proceedings, the Board's final written decision as to patentability is subject to judicial review in this Court. *See id.* §§ 318(a), 319, 328(a), 329.

CBM review is one of many USPTO services for which the Director currently sets fees. Fees for post-grant review, inter partes review, and CBM review are set by the Director in light of the "aggregate costs" of these proceedings. 35 U.S.C. § 311(a) ("The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review."); *id* § 321(a) (same).

b. The PTAB is made up of four statutory members and the administrative patent judges (APJs). APJs "shall be persons of competent legal knowledge and

---

[4] By regulation, the Director has delegated the authority to "institute" proceedings to the Board. *See* 37 C.F.R. §§ 42.108 (inter partes), 42.208 (post-grant), 42.300(a) (making covered business method patent review subject to the post-grant review regulations, including § 42.208); *id.* § 42.4(a).

scientific ability." 35 U.S.C. § 6(a). APJs have both technical and legal training, including extensive patent legal experience prior to their appointment on the Board. USPTO, *New to PTAB,* https://go.usa.gov/x7gqr (last visited Oct. 26, 2020). Many also have served as USPTO examiners or judicial law clerks. *Id.*

APJ compensation in the form of base salary is subject to a statutory cap. 35 U.S.C. § 3(b)(6) (stating "[t]he Director may fix the rate of basic pay for the administrative patent judges . . . at not greater than the rate of basic pay payable for level III of the Executive Schedule"). Because of the level of expertise typical for an APJ, most APJs receive the maximum salary allowed by law. Appx3881-3887. Although an APJ also may receive a bonus, i.e., a performance award, even if they already are at the base salary cap, the aggregate total of base salary and any bonus is further subject to a regulatory cap. 5 C.F.R. § 530.203(a) (limiting total compensation to level I of the Executive Schedule); OPM, https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/20Tables/exec/html/EX.aspx (last visited Oct. 26, 2020) (presenting a salary table for levels III and I of the Executive Schedule); Appx3622-3667. Thus, APJ compensation is capped by statute and regulation, and that cap does not change based on any outcome in cases before the Board.

APJs are subject to annual performance reviews. Their evaluations are based on their performance in four areas (known as critical elements): the quality of their decisions, the quantity of their decisional output in a variety of proceedings (i.e., "Production," discussed below), their support of the mission of the Board, and their interactions with stakeholders (both internal and external). Appx3626-3646. APJs with "fully successful" or higher performance reviews are eligible for performance award bonuses of up to $10,000, which represent less than 6% of most APJs' pay. Appx3881-3887. An outstanding performance rating is reserved for "rare" instances of "high-quality performance" that "substantially exceed fully successful standards." Appx3644; Appx4061. A commendable performance rating reflects "unusually good" performance. Appx3644; Appx4061.

APJ compensation, whether it be base salary, bonus, or a combination, does not depend on outcomes of AIA institution decisions. 35 U.S.C. § 3(b)(6); 5 C.F.R. § 530.203; *see also, e.g.*, Appx3626-3667; Appx4036-4063; Appx3622-3625. An APJ is paid the same amount regardless of the number of AIA trials instituted by the Board or by the particular APJ.

Of the APJ's total performance review score, 35% is based on "Production," which corresponds to the APJ's work authoring decisions in AIA proceedings and other matters decided by the Board, such as ex parte appeals, derivation proceedings, and interference proceedings. Appx3642; Appx4042-4043. Production scores do not translate directly from the sheer number of decisions an APJ authors; rather, each decision is assigned a number of "decisional units" based on the type of decision and the complexity of the particular case. Appx3630-3632; Appx3814; Appx3843-3845; Appx4042-4046; Appx4080-4084. APJs receive decisional units for both institution decisions and final decisions. *See, e.g.*, Appx4042. The number of decisional units does not depend on the outcome of the case. *See, e.g.,* Appx3844; Appx4042-4046; Appx 4080-4084. Because "Production" is only one of four critical elements on which APJ performance ratings are based, an APJ's Production score does not by itself determine his or her overall performance rating. Appx4065-4066; Appx3643; Appx4060.

B. Factual And Procedural History

Appellant New Vision Gaming & Development, Inc. (New Vision) owns U.S. Patent Numbers 7,451,987 and 7,325,806, related patents which are "directed generally to a method of playing a bonus wager in a card game." Appx3; Appx123. The bonus hand, made up one card from each player, may be compared to a table of ranked hands to determine whether it is a winner. Appx5; Appx125. In December 2017, appellee SG Gaming filed petitions to institute CBM reviews of these patents pursuant to § 18 of the AIA. Appx402-444; Appx2002-2042.

In June 2018, exercising authority delegated from the Director, the Board granted SG Gaming's petition and instituted CBM review of the '806 patent. Appx86-120. The Board concluded that the '806 patent was a "covered business method patent" within the meaning of the statute and relevant regulations and that SG Gaming had demonstrated that it was more likely than not that these claims were unpatentable under 35 U.S.C. § 101. Appx87.

The Board rejected New Vision's argument that it should not institute proceedings because a contract between New Vision and SG Gaming included a forum selection clause in favor of Nevada courts. The Board examined the relevant statutory provisions, including 35 U.S.C. §§ 322, 324, and 326, and concluded that it did "not discern, nor has Patent Owner pointed to, any portions of chapter 32 or § 18 of the AIA, or authority otherwise, that explicitly provide for a contractual estoppel defense" or "that would require [the Board] to deny institution of a covered business method patent review based on contractual estoppel." Appx95-96. The Board instituted proceedings regarding the '987 patent in June 2018 for substantially the same reasons. Appx206-239.

The parties proceeded to the trial phase. New Vision also filed motions to amend its patent claims for both patents pursuant to 37 C.F.R. § 42.221(a). Appx1126-1138; Appx2724-2736. The Board ultimately concluded that the challenged claims of both patents were unpatentable under 35 U.S.C. § 101. Appx1-67 ('806 patent); Appx121-186 ('987 patent).

In its numerous filings before the Board, New Vision argued that its patents were valid, but did not raise any constitutional challenges to the Board. Appx1139-1163; Appx1807-1816; Appx1938-1954; Appx2737-2761; Appx3399-3408. Nor did it raise these issues at oral argument. *See* Appx1887-1937 (oral argument transcript); *see also* Appx1828-1854 (New Vision's oral argument presentation).

New Vision requested rehearing of both final written decisions in largely identical motions filed with the Board in July 2019, arguing, *inter alia*, that the Board should not have instituted proceedings in light of the forum selection clause. Appx1938-1955; Appx3530-3547. In making this argument, New Vision discussed two cases in which courts have found that a party's choice to petition the USPTO to institute an AIA proceeding was contrary to its contractual obligations regarding forum selection and then asserted that "the USPTO should have required that [SG Gaming] seek permission from the Nevada District Court to proceed in the PTAB . . . or denied institution outright." Appx1944-1945. New Vision did not make any arguments or cite any cases regarding the Board's authority to do so.

The Board denied rehearing in reasoned decisions on December 20, 2019. Appx68-84; Appx188-204. The Board found that the request for reconsideration of the institution decision was untimely. Appx71. The Board also rejected New Vision's contentions on the merits, explaining that "[n]one of these statutory provisions [governing CBM review] expressly grant us the authority to enforce contractual obligations between the parties such as by ordering Petitioner to comply with the forum selection clause" and New Vision had identified no "controlling authority that requires the Board to deny institution of a CBM review based on contractual estoppel." Appx73-74 (emphasis omitted). The Board reasoned that the forum selection clause may be enforceable, but the patent owner "must obtain that relief from the district court." Appx76.

New Vision filed timely notices of appeal with the Federal Circuit as to both final written decisions on January 19, 2020. Appx1956. In its notice of appeal, New Vision for the first time asserted an Appointments Clause challenge. Appx1957. New Vision also asserted for the first time that "delegation of the institution decision to the same panel that makes the final written decision violates the Due Process Clause," but did not assert any due process challenge regarding the Board's funding structure. Appx1957.

In its opening brief in this Court, New Vision argued for the first time that the Board's funding mechanism creates a structural due process violation and also raised an Appointments Clause challenge. This Court certified the constitutional questions to the Attorney General pursuant to Fed. R. Civ. P. 44(a) and 28 U.S.C. § 2403(a). New Vision moved for this Court to take judicial notice of over 1,200 pages of material in support of that claim, none of which was part of the record below. SG Gaming opposed the motion. This Court deferred consideration of the motion for judicial notice to the merits panel. *See* Order (Sept. 2, 2020).

SUMMARY OF ARGUMENT

In these appeals, New Vision devotes only a fraction of its briefing to any argument that the Board erred in its determinations that New Vision's patent claims to methods of playing a card game are ineligible under Section 101. Instead, New Vision focuses on alleged constitutional defects in the administrative proceeding that it never raised before the agency and on its disagreement with the Board's decisions to institute post-grant review in the first instance. This Court should decline to reach these forfeited constitutional claims and reject New Vision's attempt to obtain judicial review of the institution decisions.

As an initial matter, in failing to raise such objections during administrative proceedings, New Vision forfeited its claims that the post-grant review proceedings were structurally biased in violation of the Due Process Clause and that the APJs were invalidly appointed under the Appointments Clause. Waiting until appeal to bring these challenges deprived the agency of any opportunity to address any alleged constitutional defects. This consideration is particularly weighty with respect to New Vision's structural due process claim, which turns on numerous misunderstandings of the Board's funding mechanism and APJ compensation. These are questions to which the agency should have had an opportunity to apply its expertise and ensure that the record is sufficiently developed to permit this Court to conduct the constitutional analysis.

If it reaches these constitutional issues, this Court should defer consideration of the Appointments Clause claim until after the Supreme Court issues its decision in *Arthrex*, in which a writ of certiorari has been granted. *See* Order, *Arthrex, Inc. v. Smith & Nephew, Inc.*, __ S. Ct. __, Nos. 19-1434, 19-1452, 19-1458, 2020 WL 6037208, at *1 (U.S. Oct. 13, 2020). And it should reject New Vision's claim that APJs have an impermissible structural bias in favor of institution, a contention that turns on New Vison's misunderstanding of both due process principles and the USPTO's compensation practices. Institutional interests give rise to structural due process concerns only where money paid as result of a decisionmaker's adjudicative decision flows directly into a fund that the decisionmaker "directly control[s]" in his executive role. *Delaware Riverkeeper Network v. FERC*, 895 F.3d 102, 112 (D.C. Cir. 2018), *overruled on other grounds by Allegheny Def. Project v. FERC*, 964 F.3d 1 (D.C. Cir. 2020) (en banc). Where—as here—an agency's funds are subject to congressional appropriations, the necessary direct control is absent.

Indeed, unlike agency adjudicators in other administrative arrangements deemed consistent with due process principles, APJs do not control even appropriations *requests* sent to Congress or make decisions regarding allocation of appropriated funds within the agency as a whole. Thus, to the extent that there could be any link between the USPTO's institutional budgetary interests and APJs' review of petitions to institute AIA proceedings, it would be far too remote to support New Vision's claim of structural bias. And APJs have no personal pecuniary temptation to favor institution; New Vision's allegations to the contrary turn on an inaccurate portrayal of APJ compensation based on the incomplete records it has asked this Court to add to the record here. APJs' salaries are capped by statute and regulation, and do not depend in any way on the outcome of institution proceedings. APJ performance reviews, and the small bonus pay that may follow from such reviews, take into account both the quality and quantity of an APJ's decisional output as part of a holistic review of the APJ's performance. In that process, the agency does not accord any greater value to decisions granting institution than it does to those denying institution. Nor is there any even potential incentive to institute AIA proceedings to generate more opportunities to issue decisions; the PTAB has more than enough cases to give APJs as many writing assignments as they desire.

Finally, New Vision may not challenge the Board's decision to institute the covered business method review here based on a forum selection clause to which New Vision and SG Gaming agreed. As the Supreme Court recently held in construing the materially identical provision governing inter partes review, the AIA "renders 'final and nonappealable' the 'determination by the Director whether *to institute*'" an AIA proceeding. *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020) (quoting 35 U.S.C. § 314(d)); *see* 35 U.S.C. § 324(e). Nor does the APA permit New Vision to challenge the institution decision, since the APA does not authorize judicial review "to the extent that . . . statutes preclude judicial review" of the challenged agency action, 5 U.S.C. § 701(a)(1), as section 324(e) plainly does.

ARGUMENT

I. Standard of Review

This Court reviews constitutional challenges to acts of Congress and statutory interpretation questions de novo. *See Demko v. United States*, 216 F.3d 1049, 1052 (Fed. Cir. 2000).

II. New Vision's Constitutional Challenges Are Forfeited And Meritless.

A. New Vision Forfeited Its Constitutional Challenges By Failing To Raise Them Before The Agency.

1. This Court should decline to consider the constitutional challenges to the PTAB that New Vision raises for the first time on appeal. "[A]s a general rule . . . courts should not topple over administrative decisions unless the administrative body not only has erred, *but has erred against objection made at the time appropriate under its practice*." *Woodford v. Ngo*, 548 U.S. 81, 90 (2006) (alteration in original; quotation marks omitted). Thus, the "general rule" is that "a federal appellate court does not consider an issue not passed upon below," although courts maintain "discretion to decide when to deviate from that general rule." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1327 (Fed. Cir. 2019) (quotation marks omitted).

As this Court explained, such a rule "'gives [the] agency an opportunity to correct its own mistakes . . . before it is haled into federal court,'" and "it promotes judicial efficiency, as '[c]laims generally can be resolved much more quickly and economically in proceedings before [the] agency than in litigation in federal court.'" *In re DBC*, 545 F.3d 1373, 1378-79 (Fed. Cir. 2008)(alterations in original) (quoting *Woodford*, 548 U.S. at 89). "When a party raises arguments on appeal that it did not raise to the Board, they 'deprive[] the court of the benefit of the [Board's] informed judgment.'" *Acoustic Tech., Inc. v. Itron Networked Sols., Inc.*, 949 F.3d 1360, 1364 (Fed. Cir. 2020) (quoting *In re NuVasive, Inc.*, 842 F.3d 1376, 1380 (Fed. Cir. 2016)). The

PTAB's "expertise" in its own procedures and the statutes it regularly applies can "be brought to bear" on even constitutional challenges to those statutes. *Elgin v. Department of Treasury*, 567 U.S. 1, 23 (2012) (quoting *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 214-15 (1994)). Additionally, "exhaustion simplifies the court's task by providing it with a factual record developed by the agency." *Committee of Blind Vendors v. District of Columbia*, 28 F.3d 130, 133 (D.C. Cir. 1994). Thus, while this Court has discretion to consider a constitutional challenge raised for the first time on appeal from the PTAB, it does not do so unless the appellant shows that the situation was "exceptional." *DBC*, 545 F.3d at 1379-80.

Having failed to raise its structural due process and Appointments Clause challenges before the Board, New Vision is not entitled to raise them on appeal. Before the PTAB, it filed multiple substantive briefs and participated in an oral hearing. In all of these filings and at the hearing, it never raised its constitutional challenges. Appx1139-1163; Appx1807-1816; Appx1828-1854; Appx1887-1937; Appx1938-1954; Appx2737-2761; Appx3399-3408. Only after its merits arguments repeatedly failed to persuade the Board did New Vision raise these constitutional challenges here.

In such circumstances, permitting New Vision to raise these arguments "for the first time on appeal would encourage what Justice Scalia has referred to as sandbagging." *DBC*, 545 F.3d at 1380. This occurs when a litigant "suggest[s] or permit[s], for strategic reasons, that the trial court pursue a certain course, and later—

if the outcome is unfavorable—claim[s] that the course followed was reversible error." *Id.* (quoting *Freytag v. Commissioner*, 501 U.S. 868, 895 (1991) (Scalia, J., concurring in part and concurring in the judgment)).

Requiring a litigant to raise all its objections to "preserve[] its right to appeal the issue," prevents such gamesmanship, even if the agency does not "correct[] the [alleged] problem, or even acknowledge[] that the problem existed." *DBC*, 545 F.3d at 1379. New Vision identifies *no* reason why it could not have raised either of its constitutional challenges during Board proceedings, let alone the type of exceptional circumstance that would warrant an exercise of this Court's discretion to reach these forfeited challenges. And, although New Vision summarily suggests (Br. 57) that the PTAB never addresses constitutional claims, that is incorrect. *See, e.g., Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1330-31 (Fed. Cir. 2019) (affirming PTAB decisions addressing state sovereign immunity); *TopGolf Int'l, Inc. v. Amit Agarwal*, No. IPR2017-00928, Paper 40, at 80 (P.T.A.B. Jun. 13, 2018) (addressing retroactive application of IPR); *Apple Inc. v. Voip-Pal.com, Inc.*, No. IPR2016-01198, 2018 WL 6729050, at *3-4 (P.T.A.B. Dec. 21, 2018) (addressing due process).

2. The importance of raising issues before the agency is particularly apparent with respect to New Vision's structural due process challenge, which involves numerous allegations regarding the USPTO's funding structure, the functioning of the PTAB, and the roles and relationships between its members. USPTO funding and the role and influence of USPTO fees on PTAB decisions are precisely the type of "threshold questions that may accompany a constitutional claim" to which the agency should have an opportunity to "apply its expertise." *Elgin*, 567 U.S. at 22-23. New Vision's assertion that the performance review process creates incentives for administrative patent judges to institute proceedings implicates similar threshold issues. The PTAB is, of course, extremely familiar with its own performance appraisal system, and is best positioned to address in the first instance New Vision's assertion that the rating system influences its members' judicial decision making.

By failing to raise the issue before the PTAB, New Vision denied the PTAB the opportunity to bring its knowledge and experience to bear in addressing these claims. Indeed, excusing forfeiture of this issue would be particularly inappropriate since New Vision contends that "the PTO on its own accord can fix" the alleged constitutional defect it declined to raise before the agency. Br. 57; *cf. DBC*, 545 F.3d at 1379 (refusing to excuse forfeiture where the agency "could have evaluated and corrected the alleged constitutional infirmity" if the issue had been "timely raised . . . before the Board"). Moreover, New Vision's decision to deprive the Board of the opportunity to address this claim also means that the agency had no chance to ensure that the record before this Court accurately reflects the agency's practices. Rather, New Vision's due process claim turns on factual inferences it asks this Court to draw from the incomplete set of records attached to its motion for judicial notice. It submits these documents in support of an argument in a "fact-specific question that agency expertise is best suited to consider in the first instance."' *Malladi Drugs & Pharm., Ltd.*

v. Tandy, 552 F.3d 885, 891 (D.C. Cir. 2009). New Vision's complete failure to raise its constitutional claim in any way before the agency makes this an especially unsuitable case in which to permit a party to circumvent the general rule that this Court's "review of the [PTAB]'s decision is confined to the four corners of that record." *In re NuVasive, Inc.*, 842 F.3d at 1380 (quoting *In re Watts*, 354 F.3d 1362, 1367 (Fed. Cir. 2004)).

3. This Court should likewise decline New Vision's request to reach its forfeited Appointments Clause challenge. New Vision never raised this argument before the Board, even though this Court issued the *Arthrex* decision while its requests for rehearing of the relevant final written decisions here were still pending before the Board.

This Court ruled in *DBC* that it will consider an Appointments Clause challenge to the statutory method of appointing APJs if it is raised for the first time on appeal *only* if the appellant shows that the situation was "exceptional." *DBC*, 545 F.3d at 1379-80; *see also Lucia v. SEC*, 138 S. Ct. 2044, 2055 (2018) ("'one who makes a *timely* challenge to the constitutional validity of the appointment of an officer who adjudicates his case' is entitled to relief" (emphasis added) (quoting *Ryder v. United States*, 515 U.S. 177, 182-83 (1995)). New Vision does not argue that this case is somehow "exceptional" under *DBC*, 545 F.3d at 1379-80. New Vision simply chose not to raise an Appointments Clause challenge until after the Board ruled against it, even after this Court issued its high-profile opinion in *Arthrex* while New Vision's rehearing request was pending before the Board. In these circumstances, this Court should decline to exercise its discretion to excuse forfeiture of this claim.

B. Any Appointments Clause Consideration Should Be Deferred Pending The Supreme Court's Resolution Of *Arthrex.*

As explained above, New Vision forfeited its Appointments Clause issue by failing to raise it before the Board, even after this Court decided *Arthrex*, possibly waiting to see whether it prevailed on rehearing before the Board before deciding whether to raise the argument. Accordingly, this Court should decline to reach this argument.

If this Court nevertheless wishes to consider the Appointments Clause issue in this case, it should defer doing so pending the Supreme Court's review of *Arthrex* in the Supreme Court. The government acknowledges that this Court concluded in *Arthrex* that an Appointments Clause defect existed in the statutes governing the Board at the time it issued its final written decision in this case, and it preserves for any further review in this case its disagreement with that conclusion. The Supreme Court has now granted the government's petition for a writ of certiorari in *Arthrex*. *See* Order, *Arthrex, Inc. v. Smith & Nephew, Inc.*, __ S. Ct. __, Nos. 19-1434, 19-1452, 19-1458, 2020 WL 6037208, at *1 (U.S. Oct. 13, 2020). It would be inefficient and burdensome for the Court, the parties, and the agency to process a remand in this case before the Supreme Court issues a decision. Thus, as it has in other cases, the Court should defer disposition on this ground until the Supreme Court acts. *See, e.g.*, *Oren Techs., LLC v. Proppant Express Invs. LLC*, No. 20-1146 (Fed. Cir. May 18, 2020) (staying appeal pending final resolution of the Supreme Court's review in *Arthrex*). And, because the Board has issued a blanket order administratively staying remands under *Arthrex* pending Supreme Court review, the proceedings would not move forward at the Board until after that review anyway. *See* General Order in Cases Remanded Under *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), at 1-2 (P.T.A.B. May 1, 2020).

C. The PTAB's Funding Mechanism Is Consistent With The Due Process Clause.

New Vision contends that the funding mechanisms supporting the PTAB's work unconstitutionally bias administrative patent judges in favor of institution, thus violating the neutrality requirement of the Fifth Amendment's Due Process Clause. New Vision asks this Court to vacate the Board's final written decision cancelling its patent claims—not because of any actual bias of the APJs who issued this decision, but because of what New Vision claims is an inherent structural bias in all USPTO proceedings instituted by APJs. Although not pointing to any regulations it considers constitutionally problematic, New Vision asserts that "PTO regulations and implementation" render "the PTAB institution process" per se unconstitutional. Br. 56-57; *see also id.* at 34-56 (relying solely on extra-record material to support its claims regarding APJ compensation). This argument is meritless.

1. Institutional Pecuniary Interests Introduce Unconstitutional Structural Bias Only In Rare Circumstances Not Present Here.

a. The Due Process Clause prohibits procedures that "offer a possible temptation to the average man as a judge . . . which might lead him not to hold the balance nice, clear, and true." *Tumey v. Ohio*, 273 U.S. 510, 532 (1927). A procedure offers this kind of unconstitutional temptation if it provides the decisionmaker with a "direct, personal, substantial pecuniary interest" in the outcome of the proceeding. *Id.* at 523. Unconstitutional bias may also exist where a decisionmaker with institutional responsibilities has a "strong" motivation to rule in a way that would aid the institution. *Id.* at 533; *see also Ward v. Village of Monroeville*, 409 U.S. 57, 60 (1972). These principles "appl[y] with equal force to . . . administrative adjudicators." *Gibson v. Berryhill*, 411 U.S. 564, 579 (1973). Those asserting a disqualifying interest bear the burden of establishing one. *See Schweiker v. McClure*, 456 U.S. 188, 195-96 (1982).

A trio of Supreme Court cases guides the analysis of a claim of structural bias due to official motivations. In *Tumey*, the first case in which the Court recognized a structural bias claim, a statute gave a mayor authority to try, without a jury, individuals accused of unlawfully possessing liquor. *See* 273 U.S. at 516-17. The mayor-judge was entitled to compensation beyond his regular salary if he convicted the defendant, and the funds for this extra compensation came from the criminal fines he imposed. *Id.* at 520. Portions of the criminal fines were also deposited in the village's general treasury fund, which he presided over as chief executive officer. *See id.* at 533. The Supreme

Court concluded that Tumey was denied due process in this proceeding because the mayor had "a direct, personal, substantial pecuniary interest in reaching a conclusion against him in his case," *id.* at 523, as well as a strong "official motive to convict and to graduate the fine to help the financial needs of the village," *id.* at 535.

One year later, in *Dugan v. Ohio*, 277 U.S. 61 (1928), the Supreme Court clarified when official motivations could create unconstitutional bias. There, the Court ruled that a mayor who, acting alone, had "no executive, but only judicial, duties" was not impermissibly tempted to convict a defendant and impose criminal fines. *Id.* at 65. The Court acknowledged that the mayor's fixed salary was paid out of the general fund into which the criminal fines he imposed were deposited, but nonetheless concluded that his relationship to the general fund was too "remote" to create an unconstitutional temptation. *Id.* The Court reasoned that the mayor, "as one of five members of the city commission" controlling city funds, had an insufficient connection to the general fund or the "financial policy of the city" to create a strong enough motivation to favor a particular outcome in the proceedings over which he presided. *Id.*

In *Ward*, the Court addressed yet another mayor's court. In contrast with *Dugan*, the mayor in *Ward* exercised both judicial and executive responsibilities by himself, and was responsible for the village's financial affairs. 409 U.S. at 58. The mayor had to "account[] annually to the [village] council" for the village's budget, and "[a] major part of village income" was "derived from the fines, forfeitures, costs, and fees imposed by him in his mayor's court." *Id.* The Supreme Court found a due process violation, concluding that an unconstitutional "'possible temptation' may also exist when the mayor's executive responsibilities for village finances may make him partisan to maintain the high level of contribution from the mayor's court." *Id.* at 60.

Under these cases, the "mere fact that an administrative or adjudicative body derives a financial benefit from fines or penalties that it imposes is not in general a violation of due process." *Van Harken v. City of Chicago*, 103 F.3d 1346, 1353 (7th Cir. 1997). The fact that an official's decisions add to his institution's coffers is not sufficient to establish a structural due process problem unless money paid as result of a decisionmaker's adjudicative decision flow directly into a fund that the decisionmaker "directly control[s]" in his executive role. *See Delaware Riverkeeper Network v. FERC*, 895 F.3d 102, 112 (D.C. Cir. 2018). Even these factors may not be enough to create a due process violation, especially where any "financial motivations" are "attenuate[d]" by, *e.g.*, the ability to seek funding "to recoup losses" through other means, such as "raising fees." *See Alpha Epsilon Phi Tau Chapter Hous. Ass'n v. City of Berkeley*, 114 F.3d 840, 847 (9th Cir. 1997) (White, J.). The "Supreme Court has jealously protected the due process requirement of impartiality when the decisionmakers stood to gain substantial, personal pecuniary benefits from their adjudicative decisions." *Doolin Sec. Sav. Bank v. FDIC*, 53 F.3d 1395, 1406 (4th Cir. 1995). But, as *Dugan* shows, the same "stringent" standards do not apply to allegations of institutional bias. *Alpha Epsilon Phi Tau*, 114 F.3d at 845. Thus, *Ward* remains the only case in which the Supreme Court has upheld claims that "*institutional* pecuniary interests rendered the adjudicator unconstitutionally biased." *Doolin Sec. Sav. Bank,* 53 F.3d at 1406 (emphasis added).

b. Where Congress is responsible for budget decisions and appropriations, the necessary direct control is absent. *See Delaware Riverkeeper*, 895 F.3d at 112. In particular, the courts of appeals that have considered the application of this line of cases to federal agencies have rejected structural similar due process challenges.

The D.C. Circuit, for example, recently rejected the argument that FERC's funding structure, by which fees paid for approved pipelines fund FERC's activities pursuant to an appropriations statute, "incentiviz[es] the Commission to approve new pipelines in order to secure additional sources for its future funding." *Delaware Riverkeeper*, 895 F.3d at 106. The D.C. Circuit concluded that "FERC's funding structure is clearly constitutional," reasoning that "the Commission's budget, like the mayor's salary in *Dugan*, is fixed by a distinct legislative body." *Id.* at 112. Indeed, the D.C. Circuit considered that case to be "easier" than *Dugan* in part because "whereas the mayor in *Dugan* sat on the five-member body that fixed his salary and exercised control over incoming fines, FERC commissioners enjoy no comparable degree of influence over Congress." *Id.*; *see also* 42 U.S.C. § 7171 (vesting FERC's powers in the commissioners).

The D.C. Circuit rejected the argument that approving more pipelines would enable the FERC to seek additional funding from Congress. It reasoned that "similar theoretical concerns existed in *Dugan*" and "the Court deemed it dispositive that (i) the mayor's salary was not directly linked to individual fines and (ii) the mayor did not directly control the revenue generated by those fines." *Delaware Riverkeeper*, 895 F.3d at 112. The Fifth Circuit similarly rejected the argument that Congress might adjust an agency's funding based on its workload, concluding that any resulting pecuniary interest would be "so remote, trifling and insignificant that it may fairly be supposed to be incapable of affecting the judgment or influencing the conduct of an individual" hearing officer. *United States v. Benitez-Villafuerte*, 186 F.3d 651, 660 (5th Cir. 1999) (quotation marks omitted).

The Fourth Circuit rejected a claim of bias against FDIC's assessment of premiums for deposit insurance. Plaintiffs in that case argued that FDIC had an incentive to categorize savings institutions as higher risk so they would have to pay the FDIC higher deposit insurance premiums, thereby replenishing the agency's deposit insurance fund. *Doolin Sec. Sav. Bank*, 53 F.3d at 1405-06. The Fourth Circuit reasoned that "[t]he FDIC's interest in maintaining the fund appears no greater than the interests of many agencies that adjudicate penalty or fee determinations in their own administrative proceedings" and "such an interest does not render all agencies incapable of adjudicating disputes within their own proceedings given the strong public interest in effective, efficient, and expert decisionmaking in the administrative setting." *Id.* at 1407.

This Court has also rejected a similar structural due process challenge to another administrative mechanism by which a third party may ask the USPTO to reconsider the patentability of an issued patent. In *Patlex Corp. v. Mossinghoff*, 771 F.2d 480 (Fed. Cir. 1985), this Court considered a structural due process challenge to reexamination decisions. At the time, the regulation provided that the party seeking reexamination should pay the full fee, but that, "[i]f the Commissioner decides not to institute a reexamination proceeding, a refund of $1,200.00 will be made to the requester of the proceeding." *Id.* at 487 (quoting 37 C.F.R. § 1.26(c) (1985)). Appellants asserted that "this procedure unlawfully weights the PTO's initial decision in favor of granting reexamination, because only if reexamination is granted will the PTO avoid refunding $1,200 of the $1,500 fee for reexamination." *Id.* This Court rejected that argument, finding that there was a "clear distinction from the *Tumey* and *Ward* cases, since in those cases the fines were discretionary and were levied at the initiative of those benefiting from the income." *Id.*

Viewed against this backdrop, it is clear that the PTAB's funding structure does not give rise to an impermissible temptation for APJs to institute proceedings. As was the case in *Delaware Riverkeeper*, "Congress sets" the USPTO's budget and "it is a criminal offense for agency officials to spend even one penny more" than Congress appropriates. *Delaware Riverkeeper*, 895 F.3d at 112 (citing 31 U.S.C. §§ 1341(a)(1)(A), 1350). If the USPTO collects fees beyond its congressional authorizations, Congress may—but does not have to—appropriate the additional money to the USPTO. *See,* *e.g.*, *Figueroa v. United States*, 466 F.3d 1023, 1027 (Fed. Cir. 2006); Pub. L. 111–117, 123 Stat. 3034, 3116 (2009) (setting a maximum appropriation with no authority to spend additional funds that USPTO might collect); Pub. L. 108-7, 117 Stat. 11, 72 (2003) (appropriating a maximum of $1,015,229,000 out of fiscal year 2003 fees, and providing authority to spend a specified amount of surplus fees collected in prior years); *see also* USPTO, *Performance and Accountability Report for Fiscal Year 2004,* at 60, https://go.usa.gov/x74SD (last visited Oct. 26, 2020) (discussing unappropriated fees in fiscal year 2004).

Congress may also place conditions on USPTO's ability to spend any additional funds. *See, e.g.,* Pub. L. No. 116-93, div. B, 133 Stat. 2317, 2389-90 (2019) (reprogramming requirements); 35 U.S.C. § 42(c)(2) (funds are available to the USPTO only "[t]o the extent and in the amounts provided in appropriations Acts"). Indeed, there are funds in the USPTO accounts within the Treasury that it collected in the form of fees but is unable to spend because Congress has not appropriated that revenue and the funds cannot currently be reprogrammed. USPTO, *Performance and Accountability Report*, at 26 (2019), https://go.usa.gov/x7xD7. And although Congress has chosen at present to segregate those funds from Treasury's general fund and credit them to the USPTO, *see* 35 U.S.C. § 42(b), Congress is neither required to appropriate these funds to the USPTO nor obliged to maintain this statutory regime. Congress remains in ultimate control of the government's use of these funds and any others the USPTO collects.

Moreover, just as was true of the ex parte reexamination proceeding at issue in *Patlex*, fees for the institution and trial stages pay the costs of the service provided. *Patlex Corp.*, 771 F.2d at 487. As in *Patlex,* these are not discretionary fees levied at the initiative of those benefiting from the income. *Id.* Congress has by statute created the USPTO's fee-for-service model, and Congress, by statute, controls the USPTO's appropriations. 35 U.S.C. § 42(c)(1). While the Director currently has the authority to set fees, subject to Congressional approval, rather than Congress setting them directly as it did at the time of *Patlex*, the PTAB does not have discretion regarding whether to charge a fee for any particular petition or trial.

c. The involvement of Congress in appropriating funds distinguishes this case from those in which a structural due process problem has been identified, and is alone enough to decide this case. But the gulf between this case and *Ward* is particularly wide because APJs lack control even over the President's budgetary proposal.

In *Dugan*, the Supreme Court considered the mayor's relationship "to the fund contributed to by his fines as judge, or to the executive or financial policy of the city" to be "remote" where the mayor was one of five members of a commission that "exercises all the legislative power of the city, and together with the [city] manager exercises all its executive powers." *Dugan*, 277 U.S. at 63, 65. In *Delaware Riverkeeper*, the D.C. Circuit concluded that "FERC's funding structure is clearly constitutional" and the case was "easier" than *Dugan* in part because "whereas the mayor in *Dugan* sat on the five-member body that fixed his salary and exercised control over incoming fines, FERC commissioners"—in whom the powers of the Commission are vested, *see* 42 U.S.C. § 7171—"enjoy no comparable degree of influence over Congress." *Id.*

The APJs' control over the fees they collect is remote even by comparison to *Delaware Riverkeeper*, let alone *Dugan*. Like FERC commissioners, APJs certainly do not have the type of influence over the governmental body deciding how to allocate the collected funds—Congress—that existed in *Dugan*. But unlike FERC commissioners, APJs do not have authority over budgetary matters on behalf of the USPTO. *Cf.* 42 U.S.C. § 7171(j) (requiring the Secretary of Energy to include "the amount requested by the Commission in its budgetary presentation to the Secretary and the Office of Management and Budget"). Rather, the Director, not the APJs, has responsibility for USPTO's budgetary request to the Office of Management and Budget, in consultation with the USPTO Public Advisory Committees. *See* 35 U.S.C. §§ 3(a)(2)(B), 5(d)(1). The Chief Judge, the Deputy Chief Judge, and the Vice Chief Judge are responsible for "prepar[ing] budget requests" for the Director and "[e]xecut[ing] the operating budget," Appx4005; *see also* Appx4103; Appx4109, but are not represented on the Public Advisory Committees and does not have final control even over the Director's submission to the Department of Commerce.[5] *See*

[5] The Director retains control over the USPTO's use of the funds appropriated by Congress. Nothing prevents the Director from receiving input from officials within the USPTO, but New Vision makes no representations that the officials involved in this case even offered any such input. The only APJs who offer such input regarding PTAB funding are the Chief Judge, the Deputy Chief Judge, and the

https://www.uspto.gov/about-us/organizational-offices/public-advisory-committees/patent-public-advisory-committee/patent (listing members); https://www.uspto.gov/about-us/organizational-offices/public-advisory-committees/trademark-public-advisory-committee-0 (same).

Indeed, not even the Director has the type of budgetary responsibilities present in *Dugan*, where the mayor had a one-fifth role in the legislative body controlling town finances. Once the Director completes the review process regarding the USPTO budgetary request, the Director submits that proposal first to the Department of Commerce and Public Advisory Committees and then to the Office of Management and Budget. 35 U.S.C. § 1; 35 U.S.C. § 3(a)(2)(B); Office of Privacy and Open Gov't, *Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office,* DOO 10-4 § 3.01(e)(5), (Sept. 28, 2012), https://go.usa.gov/x72qh (DOO 10-4). Additional review occurs at both steps. DOO 10-4 § 3.01(e)(5); OMB Circular No. A–11 § 10, p. 4 (2020), https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf. The President is ultimately responsible for transmitting the President's Budget to Congress. *See* 31 U.S.C. § 1105(a). It is then up to Congress how much money to appropriate for the USPTO's use under any conditions Congresses chooses to impose.

Vice Chief Judge. Appx4005; Appx4103; Appx4109. These officials were not involved in the APJ decision on appeal, so their incentives are not relevant to this case, but in any event their role in budgetary matters is far more attenuated than that played by the mayor in *Dugan* or the FERC Commissioners in *Delaware Riverkeeper*.

Even after Congress has determined how and at what level to fund the USPTO, control over how to divide up the appropriated funds within the office is vested in the Director (subject to any conditions Congress imposes). *See* 35 U.S.C. § 1(a); 35 U.S.C. § 3(a)(1); *see also, e.g.* 133 Stat. at 2389-90 (limiting spending on official reception and representation expenses to $900 and directing $2,000,000 to the Office of the Inspector General). New Vision cites nothing to support its suggestion that APJs, rather than Congress and the Director, control such decisions, and thus determine what portion of funds appropriated to the USPTO will be used for the PTAB. Rather, New Vision cites documents indicating only that PTAB leadership makes an initial budgetary proposal and then executes the budget allocated to the PTAB within the congressionally and Director-controlled budget. Appx4005; Appx4301; Appx4109.

New Vision suggests (Br. 37) that PTAB's budget is determined by the fees it collects, but this is incorrect. Congress sets the USPTO's budget as a whole, and in the absence of any congressional direction regarding allocation of appropriated funds to particular entities within the USPTO, the Director has statutory authority to make all budgetary decisions within the USPTO, including decisions about allocating funds to entities within the USPTO, such as the PTAB. *See* 35 U.S.C. § 1(a) (empowering the USPTO to "exercise independent control of its budget allocations and expenditures"); 35 U.S.C. § 3(a)(1) (vesting all "powers and duties" of the USPTO in the Director). Any direct link between the fees collected as a result of institution decisions and the PTAB's budget is thus entirely absent. *Cf. Tumey*, 273 U.S. at 533; *Ward*, 409 U.S. at 60-61.

Indeed, even the incomplete documentation of USPTO finances that New Vision belatedly seeks to introduce into the record make clear that the current fee regime gives APJs no incentive to institute more AIA reviews to aid the agency's bottom line even indirectly. While Congress has in recent years limited the USPTO's budget to the fees it collects, *see, e.g.*, 133 Stat. at 2389-90, Congress has never required individual components within the USPTO to be cost-neutral. Accordingly, some fees are set artificially low to foster innovation. Appx4162. Fees for post-grant review and covered business method review are "below the FY 2019 actual unit costs" for these services "due to uncertainties about future costs." 85 Fed. Reg. at 46,946. The current post-grant review fees "reduce the subsidization," but do not eliminate it. Appx4208. New Vision does not even attempt to explain how APJs could have a financial incentive to institute proceedings conducted at a loss.

Moreover, the Director can seek to adjust fees to compensate when the volume of a particular type of filing is lower than expected, Appx4169, further reducing any financial incentive to institute proceedings to cover costs. *Alpha Epsilon*, 114 F.3d at 847 (reasoning that a housing Board's "authority to raise fees for the next year should it fall below budget in any particular year" "further attenuates the financial motivations of the Board"). In any event, as this Court reasoned in *Patlex*, fees for service that are tied to the cost of proceedings do not raise the same concerns as the fines at issue in *Tumey* and *Ward*. *Patlex Corp.*, 771 F.2d at 487.

New Vision assumes (Br. 41-42) that the more proceedings the Board institutes, the greater its ability to seek large appropriations from Congress in the future. But, as the D.C. Circuit explained, such "long-term incentives" do not establish a due process violation. *Delaware Riverkeeper*, 895 F.3d at 112. Indeed, "similar theoretical concerns existed in *Dugan*." *Id.* The Fifth Circuit likewise rejected this type of argument in concluding that, although "INS's congressional funding depends to some extent on its statistical workload in apprehending and deporting aliens," any resulting pecuniary interest would be "so remote, trifling and insignificant that it may fairly be supposed to be incapable of affecting the judgment or of influencing the conduct of an individual" hearing officer. *Benitez-Villafuerte*, 186 F.3d at 660 (quotation marks omitted).

d. New Vision cites no support for its expansive conception of what constitutes structural bias violating due process principles. Instead, it relies on cases in which a government entity's budget depended directly on the fees collected, rather than being subject to separate legislative appropriations, and where the decisionmaker directly controlled the resulting funds, unlike the situation here. Br. 37-38, 49. For example, New Vision relies heavily on a district court case, *Rose v. Village of Peninsula*, 875 F. Supp. 442 (N.D. Ohio 1995). That case involved a traffic fine imposed by a mayor whose executive authority was identical to that in *Ward* and was delineated in "the same statutes as those that defined the village mayor's authority in *Ward*." *Id.* at 448, 450.

The other cases on which New Vision relies also involve fines or fees imposed by decisionmakers who themselves controlled the resulting funds. Br. 49-50 (discussing *Cain v. White*, 937 F.3d 446, 449, 454 (5th Cir. 2019), *cert. denied*, 140 S. Ct. 1120 (2020) (finding a structural due process problem where fines and fees levied by judges went into a fund "over which the Judges exercise total control" and can be "earmarked for specific purposes" and also "goes to support the salaries of each Judges' staff," meaning that reductions in fine collections cause reductions in the judges' staff and staff salaries)); *Caliste v. Cantrell*, 937 F.3d 525, 526 (5th Cir. 2019) (finding a structural due process problem where money from magistrate's bail decisions went into fund for court expenses "[a]nd the magistrate is a member of the committee that allocates those funds"); *Esso Standard Oil Co. v. Lopez-Freytes*, 522 F.3d 136, 147-48 (1st Cir. 2008) (finding due process problem where fine that would be twice the size of Board's annual operating budget would be deposited into fund over which Board "has complete discretion," where there were also indications of actual bias).

New Vision's broad theory of structural bias could jeopardize many government programs for which Congress has established a user-fee system. The benefit of increasing the number of users on whom an agency could impose a fee could, under New Vision's reasoning, render that agency unconstitutionally biased in decisions that could change the number of users or the size of the fees. More than twenty-five federal agencies receive a portion, if not all, of their operating costs through user fees and other annual assessments. *See* Admin. Conference of the U.S., *Sourcebook of United States Executive Agencies* 119-20 (1st ed. 2012); *see also* GAO/AIMD-98-11.

Given the obvious and legitimate congressional interests in establishing such funding mechanisms, it is unsurprising that this Court rejected a challenge to this type of arrangement in *Patlex* and neither the Supreme Court nor other circuits have concluded that such a generalized budgetary concern is the type of interest that creates unconstitutional bias. *See Dugan*, 277 U.S. at 65; *Delaware Riverkeeper*, 895 F.3d at 112; *Doolin*, 53 F.3d at 1407; *Northern Mariana Islands v. Kaipat*, 94 F.3d 574, 580-81(9th Cir. 1996); *Van Harken*, 103 F.3d at 1353. Indeed, as the Fourth Circuit has explained, not only would such a finding "seriously undermine the ability of agencies in general to adjudicate disputes that affect their official policies," but it would also conflict with the presumption that government officials in these agencies perform their duties consistent with statutory requirements. *Doolin*, 53 F.3d at 1407. The court observed that although "all agencies inherently have some level of 'institutional bias,' … such an interest does not render … agencies incapable of adjudicating disputes within their own proceedings given the strong public interest in effective, efficient, and expert decisionmaking in the administrative setting." *Id.* To accept plaintiffs' institutional bias claim there, the court concluded, would "abrogate the presumption of honesty and integrity of administrators who serve as adjudicators," *id.* (citing *Schweiker*, 456 U.S. at 195, and *Withrow v. Larkin*, 421 U.S. 35, 47 (1975)).

Thus, any interest that agencies have in maintaining a sufficiently large group of fee-paying entities is too remote an interest to overcome this presumption and support a finding of a "temptation" of constitutional dimensions. And the frequency with which Congress has chosen to create user-fee funding mechanisms indicates such mechanisms' constitutionality. *See Richardson v. Perales*, 402 U.S. 389, 410 (1971) (refusing to invalidate Social Security Administration hearing examiners' role in both gathering evidence and making conclusions, since such a decision would "bring down too many procedures designed, and working well, for a governmental structure of great and growing complexity").

2. The APJs Do Not Have A Personal Pecuniary Interest In Their Institution Decisions.

Faced with the lack of any plausible claim of institutional interests strong enough to create a structural due process problem, New Vision attempts to argue (Br. 40-41) that APJ salaries create an incentive for APJs to institute proceedings. This contention is without foundation.

To raise due process concerns, the adjudicator's interest must be "direct, personal, substantial, [and] pecuniary." *Aetna Life Ins. Co. v. Lavoie*, 475 U.S. 813, 826 (1986) (quotation marks omitted). Courts have found that decisionmakers have a constitutionally problematic personal stake in the outcome of a decision where they have a significant financial stake in the outcome of a particular case. The mayor in *Tumey*, for example, was paid when he convicted a defendant but not when he acquitted. *Tumey*, 273 U.S. at 523. A financial interest that is "highly speculative and contingent," by contrast, does not give rise to a due process violation. *See Aetna Life*, 475 U.S. at 826 (holding that no due process problem was present where state court justices who were putative class members in a pending class action decided a case that would affect the viability of the class action, although the judge who filed the class action could not decide the controlling case).

In this case, APJs have no financial stake in the outcome of their institution decisions. In terms of an APJ's salary, there is simply no link to the fees collected for AIA trials that he or she institutes. As discussed above, APJ salaries (with or without performance award bonuses) are capped by statute and regulation, 35 U.S.C. § 3(b)(6), 5 C.F.R. § 530.203, and most APJs already receive the maximum base salary allowed, Appx3881-3887.[6] As in *Dugan*, where the Court relied on the fact that the mayor "receive[d] a salary in any event, whether he convicts or acquits," *Dugan*, 277 U.S. at 65, APJ compensation does not depend on whether or not proceedings are instituted in any or all cases. APJ salaries are "not directly linked" in any way to individual fines or fees. *Delaware Riverkeeper*, 895 F.3d at 112.

[6] *See* https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2019/EX.pdf (2019 executive pay table).

To be sure, there are benefits to working at a well-funded agency, but "this kind of interest is too contingent and speculative and insubstantial to constitute the direct stake in the outcome of a case that is constitutionally infirm," especially where any interest depends on the legislature continuing a particular funding model in future years. *Kaipat*, 94 F.3d at 581. The Ninth Circuit thus found that no due process concerns were raised by depositing fines imposed by judges into a fund to build a new courthouse, although judges "are only human" and "will no doubt welcome courthouse facilities that are more comfortable, efficient and secure." *Id.*

New Vision's argument appears to rest on the fact that APJs with average and above average performance reviews can qualify for performance award bonuses of up to $10,000, and that currently one factor in the performance review is the number of "decisional units" the APJ has earned. *See, e.g.*, Appx3631-3632. The number of decisional units an APJ earns is based upon the number of decisions authored in the various jurisdictions of the Board. As discussed in more detail above, however, the total number of decisional units an APJ may earn over a year does not depend on the outcomes of those decisions. In particular, as applicable here, the number of decisional units earned by an APJ does not depend on whether an AIA trial is instituted (or not instituted) via the decision authored by the APJ. APJ performance reviews are entirely neutral as to decision outcomes. *See, e.g.*, Appx3626-3667; 4036-4063; Appx3622-3625. Furthermore, the number of decisional units earned overall is but one factor that is evaluated together with, *inter alia*, an APJ's ability to produce high quality decisions in a timely manner and conduct themselves and their proceedings appropriately. Appx3626-3643.

New Vision apparently believes that APJs need to grant petitions and institute AIA trials in order to ensure a steady pipeline of work so that they can issue decisions and earn decisional units. Br. 42. This is incorrect. The PTAB has more than enough work, including substantial numbers of both AIA cases (in which APJs make decisions on institution) and other Board cases (in which no decision on institution is involved, such as ex parte appeals). The Board received over 6,700 ex parte appeals in fiscal year 2020, and currently has a significant backlog of over 7,500 such appeals.[7] Additionally, AIA (inter partes review, post-grant review, and CBM) petition filings increased slightly in fiscal year 2020[8] compared to fiscal year 2019[9] and decisions on those petitions—whether granting or denying institution—earn APJs decisional units. There is no need for APJs to grant petitions and institute AIA trials in order to ensure that they have sufficient work.

---

[7] *See* USPTO, *Appeal and Interference Statistics*, 3, 5 (Aug. 31, 2020), https://go.usa.gov/x7rhS.

[8] *See* USPTO, *Trial Statistics: IPR, PGR, CBM*, 5 (Sept. 2020), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf (1,513 petitions).

[9] *See* USPTO, *Trial Statistics: IPR, PGR, CBM*, 5 (Sept. 2019), https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-09-30.pdf (1,464 petitions).

Granting or denying institution in a particular case also does not affect a particular APJ's opportunities to author additional decisions. The PTAB continuously assigns cases to APJs, as needed, and continually balances APJ workloads over time. *See* USPTO, *PTAB Standard Operating Procedure 1 (Revision 15)*: *Assignment of Judges to Panels* 1 (last visited Oct. 22, 2020) (SOP 1).[10] When assigning new cases, PTAB considers an APJ's current caseload and availability in view of existing and potential statutory due dates, as well as any other workload at the Board. SOP 1, at 1, 12. If an APJ is "below his or her target participation level in AIA proceedings," that judge is given priority when assigning cases. SOP 1, at 12. An APJ may also request ex parte appeal cases if he or she wishes to write additional decisions. SOP 1, at 5. Additionally, APJs are expected to support the mission of the Board in other ways, including by spending some time on non-decision related activities, such as mentoring newer members of the Board, participating on committees, preparing continuing legal education material, and developing rules or policies. *See* Appx3623-3624. APJs may also be detailed to other units within USPTO. APJs who are assigned a significant amount of non-decision related activities can receive production goal adjustments. Appx3623 (discussing production adjustments for special projects); *see also* Appx3623 (APJs may explain if they have issued few decisions).

[10] Available at https://go.usa.gov/x7Yq8.

Even if the PTAB were to eliminate its backlog of ex parte appeals and if the current load of AIA petitions were reduced, there would still be no basis for concluding that APJs would have a financial incentive to institute proceedings. The current performance evaluation criteria, which include the volume of decisions an APJ has authored as one of several evaluation criteria, reflect the current situation in which the PTAB is handling a large volume of AIA petitions and trying to reduce its backlog of ex parte appeals. If, at some point in the future, it is no longer necessary for APJs to produce such a high volume of decisions, USPTO could revise the performance standards. USPTO has done so in the past. *Compare* Appx3631, *with* Appx3891 (older form without numerical thresholds for top two ratings). There is no reason to speculate that, in a hypothetical future where the Board has a lower volume of work, the USPTO would give APJs artificially low performance reviews if APJs were contributing fully to the agency's mission. And such speculation certainly could not give rise to any inference that APJs currently have an unconstitutional temptation to add to the PTAB's current workload.

In any event, in addition to the quantity of authored decisions, APJs are also evaluated on the quality of their written work. Their written decisions should be "logically presented, soundly reasoned, [and] have accurate analysis." Appx3627. Thus, APJs who do their jobs incorrectly by instituting (or failing to institute) trials based on considerations other than the facts and the law would have lower performance ratings. Unnecessary, meritless AIA petitions would lack the necessary factual findings and legally supported explanations for the decision outcome, as required of APJs in their performance reviews. Appx3627; Appx4037-4038.

Even more puzzling is New Vision's assertion (Br. 44-46) that APJs lack independence in a way that creates incentives to institute proceedings. New Vision's argument apparently rests on the incorrect assumption that APJs are reviewed by officials who face incentives to institute proceedings. APJs are typically reviewed by Lead APJs, who have no more incentive to institute proceedings than other APJs. Appx3635. As noted above, APJ reviews are based on a number of specific factors and stated criteria, none of which includes the number of proceedings an APJ institutes. The Chief Judge, Deputy Chief Judge, and Vice Chief Judges are in part evaluated on the goal of reducing the PTAB's backlog in ex parte appeals and issuing timely decisions in AIA proceedings, Appx3904; Appx4032; Appx4110, goals that would not be furthered by instituting unnecessary proceedings.[11]

[11] Indeed, the Board precedent has implemented numerous procedures and policies that provide additional bases to deny institution under certain circumstances, even if the merits of a petition warrant institution, to address fairness, balance, predictability, and other stakeholder concerns. *See e.g.*, *General Plastic Indus. Co. v. Kaisha*, IPR2016-01357, 2017 WL 3917706, at *7 (P.T.A.B. Sept. 6, 2017) (providing nonexclusive factors considered under § 314(a)); *Apple, Inc. v. Fintiv, Inc.*, 2020 WL 2126495, at *2 (P.T.A.B. Mar. 20, 2020) (same); *Advanced Bionics, LLC v. Med-El Elektromedizinische Gerate GMBH*, IPR2019-01469, 2020 WL 740292, at *3-4 (P.T.A.B. Feb. 13, 2020) (discussing two-part framework considered under 35 U.S.C. § 325(d)). AIA petition institution rates have gone down over the years. *See* USPTO, *Trial Statistics*, slide 6 (Sept. 2020), https://go.usa.gov/x723R.

In any event, supervision by agency officials does not create the type of "direct, personal, substantial, [and] pecuniary" interest that gives rise to a structural due process problem. *See Ward*, 409 U.S. at 60 (quoting *Tumey*, 273 U.S. at 523) (discussing general standard). For example, the Seventh Circuit rejected a structural due process challenge where the hearing officers who presided over parking tickets were "hired by, and can be fired at will by, the City's Director of Revenue, who may want to maximize the City's 'take' from parking tickets." *Van Harken*, 103 F.3d at 1352. Similarly, the Sixth Circuit rejected the argument that a state agency's adjudication of a permitting decision that was strongly supported by state leadership presented a structural due process problem. *Hammond v. Baldwin*, 866 F.2d 172, 178 (6th Cir. 1989). The Sixth Circuit reasoned that "such a rule could lead to the impossible consequence of disqualifying any branch or official of the state from adjudicating any controversy in which the state has a pecuniary or policy interest." *Id.*; *see also Marcello v. Bonds*, 349 U.S. 302, 311 (1955) (rejecting as "without substance" a due process challenge to immigration proceedings on the basis that the adjudicator "was subject to the supervision and control of officials in the Immigration Service charged with investigative and prosecuting functions").

Finally, New Vision suggests that APJs are biased when they participate in both the institution and trial phase in a particular case because they may prejudge the case before seeing the full trial record. This Court already rejected this argument in *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023 (Fed. Cir. 2016), as New Vision concedes, Br. 43. As this Court explained, "[b]oth the decision to institute and the final decision are adjudicatory decisions and do not involve combining investigative and/or prosecutorial functions with an adjudicatory function." 812 F.3d at 1030. Such procedures are "directly analogous to a district court determining whether there is 'a likelihood of success on the merits' and then later deciding the merits of a case." *Id.* Far from being problematic, many courts encourage such arrangements for reasons of judicial efficiency. This Court's internal operating procedures, for example, provide that "[a] motions panel that decides to expedite an appeal may decide to reconstitute itself as the merits panel." IOP 3, para. 1.[12] And in any event, it is unclear what connection New Vision considers the alleged "prejudging" of the record to have to its claims of improper financial incentives.

III. New Vision May Not Challenge The Board's Institution Decisions.

New Vision also seeks review of the Board's decisions to institute proceedings in these cases, arguing that the PTAB "should have considered" different factors "as part of its discretionary analysis" in determining whether to institute the requested proceedings. Br. 58-63. But Congress made institution decisions "final and nonappealable," 35 U.S.C. § 324(e)), foreclosing appellate review of New Vision's challenge.

[12] Available at http://www.cafc.uscourts.gov/sites/default/files/rules-of-practice/IOPs/IOPsMaster2.pdf.

Examining Section 314(d)'s materially identical "No Appeal" provision in inter partes review, the Supreme Court has explained that "Congress has told the *Patent Office* to determine whether" a review "should proceed, and it has made the agency's decision 'final' and 'nonappealable.'" *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016) (quoting 35 U.S.C. § 314(d)). The statute "renders 'final and nonappealable' the 'determination by the Director whether *to institute an inter partes review* under this section.'" *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020) (quoting 35 U.S.C. § 314(d)). Section 314(d) thus "preclud[es] review of the Patent Office's institution decisions" with sufficient clarity to overcome the "'strong presumption' in favor of judicial review," even in cases in which an agency is alleged to have violated a statutory condition. *Thryv*, 140 S. Ct. at 1373 (quoting *Cuozzo Speed Techs.*, 136 S. Ct. at 2140-41).

As the Court explained, review of the USPTO's institution decision would "tug against" Congress's objective in making such decisions final and nonappealable, "wasting the resources spent resolving patentability" and leaving invalid patents enforceable. *Thryv*, 140 S. Ct. at 1374. A successful appeal on grounds related solely to institution "would unwind the agency's merits decision" in cases in which the patent owner "could not prevail on patentability," thereby "operat[ing] to save" patent claims that the agency has determined should never have been issued. *Id.*

These principles preclude judicial review of New Vision's challenge to the Board's institution decision. The relevant statutory language addressing judicial review of the institution of CBM and post-grant review proceedings is identical to the provision construed by the Supreme Court in *Cuozzo* and *Thryv*, and there is no basis for interpreting Section 324(e)'s "final and nonappealable" language differently from that in Section 314(d). In its institution decision, the PTAB considered the significance of the forum selection clause under its statute, and determined that instituting proceedings in spite of the forum selection clause was consistent with 35 U.S.C. § 324(a) and not at odds with any other section of the statute. Appx94-96. Review of this decision is barred under "*Cuozzo*'s holding that § 314(d) bars review at least of matters 'closely tied to the application and interpretation of statutes related to the institution decision." *Thryv*, 140 S. Ct. at 1373 (quoting *Cuozzo*, 136 S. Ct., at 2141).

Here, New Vision points to no statute that it asserts the Board violated in instituting review, asserting only that the Board should have exercised its "discretionary authority" to decline to institute review in light of the parties' contractual forum-selection clause. Br. 58-59. Such a claim is a challenge to the Board's exercise of its institution discretion under Section 324(a) itself, and is even more plainly unreviewable than the claims in *Cuozzo* and *Thyrv*. *See Thryv*, 140 S. Ct. at 1373 (barring review of the USPTO's "interpretation of statutes related to the institution decision"). Where a litigant contends "essentially, that the agency should have refused to institute" a requested review, Congress's decision to make such decisions "final and nonappealable" "makes that contention unreviewable" regardless of how a litigant may frame its attack on an institution decision. *Id.* at 1377.[13]

New Vision suggests that, notwithstanding *Thryv* and *Cuozzo*, this Court could review the institution decision here under the Administrative Procedure Act. Br. 63. But the APA does not authorize judicial review "to the extent that . . . statutes preclude judicial review" of the challenged agency action. 5 U.S.C. § 701(a)(1).[14] And again, as the Supreme Court unambiguously held in *Thryv*, Section 314(d) is a "bar on judicial review of the agency's decision to institute inter partes review" that "preclude[s]" appeals based on challenges to the agency's application of institution-

[13] New Vision erroneously suggests that the Board misunderstood the scope of its discretion and considered itself bound to institute review in the absence of a statutory bar on institution based on a "contractual estoppel defense." *See, e.g.*, Br. 60. But the Board merely observed that there was no such defense explicit in the statute and that New Vision "identified no … authority—such as by statute, rule, or binding precedent—that would *require us to deny* institution of a covered business method patent review based on contractual estoppel." Appx95-96 (emphasis added). And it concluded that to the extent New Vision sought some *other* remedy based on its contract with SG Gaming—such as "ordering [SG Gaming] to seek permission from the Nevada district court to file a petition" or "awarding damages to either party for breach of contract disputes"—it lacked authority to provide such relief. Appx73-74. But even had the Board considered its discretion to decline institution under Section 324(e) limited, New Vision's challenge would simply constitute "an ordinary dispute about the application of an institution-related statute" that this Court could not review. *Thryv*, 140 S. Ct. at 1373 (quotation marks omitted).

[14] APA review is unavailable for claims that the USPTO misapplied is discretion to deny institution even where the statutory criteria are satisfied because institution denials are "committed to agency discretion by law," 5 U.S.C. 701(a)(2); *see Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) ("[T]he agency's decision to deny a petition is a matter committed to the Patent Office's discretion) (citing 5 U.S.C. § 701(a)(2)).

related statutes, 140 S. Ct. at 1370, and there is no basis to distinguish Section 324(e)'s effect on post-grant reviews. Thus, while this Court is of course free to review the final written decision with respect to patentability issued in an inter partes or post-grant review, *see* 35 U.S.C. §§ 318(a), 319, 328(a), 329, the APA provides no authority to judicially review the agency's determination whether to even hold such an administrative proceeding in the first place.

Nor has the Supreme Court suggested that judicial review of *institution* decisions is available where a litigant alleges that the USPTO has engaged in "shenanigans." *See* Br. 60, 64. The Supreme Court explained that giving effect to the clear meaning of the "final and nonappealable" language regarding institution did "not categorically preclude review *of a final decision*." *Cuozzo*, 136 S. Ct. at 2141-42 (emphasis added; quotation marks omitted). But the Court did not indicate that the *institution decision itself* would be so reviewable, contrary to Section 314(d)'s terms. Similarly, New Vision errs in asserting (Br. 64) that denying review in this case would conflict with the Supreme Court's decision in *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018). The Supreme Court addressed the scope of *SAS* in *Thyrv* and explained that its "reviewability holding is inapplicable" where, as here, an appellant "challenges not the manner in which the agency's review 'proceeds' once instituted, but whether the agency should have instituted review at all." *Thryv*, 140 S. Ct. at 1376.

As the Supreme Court has explained, "[t]he APA confers a general cause of action upon persons 'adversely affected or aggrieved by agency action within the meaning of a relevant statute,' 5 U.S.C. § 702, but withdraws that cause of action to the extent the relevant statute 'preclude[s] judicial review.'" *Block v. Community Nutrition Inst.*, 467 U.S. 340, 345 (1984) (quoting 5 U.S.C. § 701(a)(1)); *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1357-59 (Fed. Cir. 2012) (concluding that the Patent Act's "intricate scheme for administrative and judicial review of PTO patentability determinations . . . evinces a clear Congressional intent to preclude actions under the APA"). While it is true that "legislative departure from the norm must be clear" to bar APA review, *Dickinson v. Zurko*, 527 U.S. 150, 155 (1999), the statute in this case "preclud[es] review of the Patent Office's institution decisions with sufficient clarity to overcome the strong presumption in favor of judicial review." *Pregis Corp.*, 700 F.3d at 1373 (quoting *Cuozzo*, 136 S. Ct. at 2140-41).

The AIA's comprehensive and detailed scheme for judicial review of PTO's patentability determinations unmistakably evinces Congress's intent to preclude resort to the default cause of action provided by the APA. The only provision of the Patent Act that authorizes judicial review of a PTO decision in a post-grant review proceeding is section 329, which permits a direct appeal to this Court from "the final written decision of the Patent Trial and Appeal Board under section 328(a)." 35 U.S.C. § 329. In contrast, Congress specified that "[t]he determination by the Director whether to institute a post-grant review under this section *shall be final and nonappealable*." 35 U.S.C. § 324(e) (emphasis added).

Allowing APA review of PTO's institution decisions would destroy the streamlined system Congress created for administrative and judicial review of issued patents. Congress imposed firm time limits on AIA procedures. The PTO has three months to decide whether to institute post-grant review, 35 U.S.C. §§ 314(b), 324(c), and generally has one year after institution to issue a final determination, *see* 35 U.S.C. §§ 316(a)(11), 326(a)(11). The statute of limitations for APA actions, by contrast, is six years. *See* 28 U.S.C. § 2401(a). If New Vision were correct, therefore, a patent owner could conceivably file an APA action challenging PTO's decision to *commence* a post-grant review long after that review—and any related appeal to this Court—had already reached completion.

Additionally, Congress's decision to restrict review under the Patent Act to "a single district court or to a direct appeal to the Federal Circuit," evidenced its intent "to preclude challenges to such PTO actions under the APA," over which "[e]very district court of the United States [would have] jurisdiction." *Pregis Corp.*, 700 F.3d at 1359; *see* 35 U.S.C. § 141(c) (proving that PTAB decisions can be appealed "only to the United States Court of Appeals for the Federal Circuit."). "By reducing two levels of appeal to just one," Congress intended to "substantially accelerate the resolution of inter partes cases," 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl), a goal that would be thwarted by permitting APA review. "It would require the suspension of disbelief to ascribe to Congress the design to allow its careful and thorough remedial scheme to be circumvented" by invocation of the APA. *Brown v.*

General Servs. Admin., 425 U.S. 820, 833 (1976); *Pregis Corp.*, 700 F.3d at 1358 ("The Patent Act expressly provides an intricate scheme for administrative and judicial review of PTO patentability determinations that evinces a clear Congressional intent to preclude actions under the APA seeking review of the PTO's reasons for deciding to issue a patent.").

CONCLUSION

For the foregoing reasons, this Court should hold that New Vision's constitutional challenges are either forfeited or meritless, and it should decline to review New Vision's challenge to the agency's institution decisions.

Respectfully submitted,

JEFFREY BOSSERT CLARK
Acting Assistant Attorney General
MELISSA N. PATTERSON

/s/ Dana Kaersvang
DANA KAERSVANG
Attorneys, Appellate Staff
Civil Division, Room 7216
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530
(202) 307-1294
Dana.L.Kaersvang@usdoj.gov

Of Counsel:
THOMAS W. KRAUSE
Solicitor
FARHEENA Y. RASHEED
Deputy Solicitor
KAKOLI CAPRIHAN
SARAH E. CRAVEN
Associate Solicitors
U.S. Patent and Trademark Office
Mail Stop 8, P.O. Box 1450
Alexandria, Virginia 22313-1450

October 2020

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limit of Federal Circuit Rule 32(b)(1) because it contains 13,928 words. This brief also complies with the typeface and type-style requirements of Federal Rule of Appellate Procedure 32(a)(5)-(6) because it was prepared using Microsoft Word 2016 in Garamond 14-point font, a proportionally spaced typeface.

/s/ Dana Kaersvang
DANA KAERSVANG