Nos. 2020-1425, 2022-1157, 2022-1159

United States Court of Appeals for the Federal Circuit

COREPHOTONICS, LTD.,

Appellant,

APPLE INC.,

Appellee,

ANDREW HIRSHFELD, PERFORMING THE FUNCTIONS AND DUTIES OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,

Intervenor.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board, in No. IPR2018-01133.

APPELLANT'S REPLY IN SUPPORT OF COMBINED PETITION FOR PANEL REHEARING AND REHEARING *EN BANC*

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March 29, 2022

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2020-1425; 2022-1157; 2022-1159

Short Case Caption COREPHOTONICS, LTD. v. APPLE INC.

Filing Party/Entity COREPHOTONICS, LTD.

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box**. Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 3/29/2022

Signature: /s/ Robert J. Gajarsa

Name: Robert J. Gajarsa

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☐ None/Not Applicable
Corephotonics, Ltd.		Samsung Electronics Benelux B.V.

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☐ None/Not Applicable ☐ Additional pages attached

Reza Mirzaie of Russ August & Kabat	C. Jay Chung, formerly of Russ August & Kabat	James S. Tsuei of Russ August & Kabat
Bahrad A. Sokhansanj, formerly of Russ August & Kabat		

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

☐ None/Not Applicable ☐ Additional pages attached

Corephotonics, Ltd. v. Apple Inc., Case No. 5:17-cv-06457-LHK (N.D. Cal.)		

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☑ None/Not Applicable ☐ Additional pages attached

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I. INTRODUCTION

The Supreme Court held in *Arthrex* that "[o]nly an officer properly appointed to a principal office may issue a final decision binding the Executive Branch in [an IPR] proceeding." *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1985-86 (2021). The answers to this Court's two questions are therefore straightforward: (1) someone "appointed by the Secretary of Commerce" (Acting Director or otherwise) cannot constitutionally issue such a decision, and (2) that includes Commissioner Hirshfeld, who is an inferior constitutional officer.

There is no reasonable way to reconcile Apple's and the PTO's positions with the Supreme Court's clear constitutional mandate. Their framework requires the Director-Review function to be freely and fully delegable to any inferior officer, including Administrative Patent Judges ("APJs"). That, however, means APJs could issue final decisions binding the Executive Branch in IPR proceedings. That cannot be right—it is exactly what the Supreme Court's declared to be unconstitutional in *Arthrex*.

Continuing essential functions during the inevitable vacancies that occur in principal offices is important. But the Constitution is not a contract of convenience. The "burdens on governmental processes" caused by the Appointments Clause "often seem clumsy, inefficient, even unworkable." *INS v. Chadha*, 462 U.S. 919, 959 (1983). That does not make them any less critical to the fair and proper

functioning of our constitutional democracy. They must be imposed, and they must be followed faithfully, regardless of the burden.

There also is no compelling case to create a unique constitutional exception here. The lack of proper Director Review in this case threatens to extinguish—not protect—core property rights that have been ingrained in the Constitution since the founding of our nation. The sky will also not fall if Director Reviews must await properly appointed constitutional officers. By declining to make an appointment under the FVRA, the President has clearly signaled that they are not emergency functions that must continue outside the proper constitutional framework here.

The Court's opinion on the merits of the Board's non-final decision should be withdrawn and the case remanded for a properly appointed Director to conduct the Director Review that Corephotonics timely requested below. At minimum, though, *en banc* review should be granted to consider this important issue after fulsome briefing and argument.

II. ARGUMENT

A. Review By An Acting Director Appointed By The Secretary Of Commerce Is Not Constitutionally Sufficient

Arthrex directly answers this Court's first question. The Supreme Court unequivocally held in *Arthrex* that officers appointed by the Secretary of Commerce (APJs) violate the Appointments Clause when issuing final decisions for the United States in IPR proceedings. *See* Pet. 4-8. The Court even specifically addressed

whether appointment by the Secretary of Commerce was sufficient—"although the APJs' appointment by the Secretary allowed them to lawfully adjudicate the petition *in the first instance*, they *lacked the power under the Constitution* to finally resolve the matter within the Executive Branch." *Arthrex*, 141 S. Ct. at 1987 (citation omitted and emphasis added). That is why "[d]ecisions by APJs *must be* subject to review by the Director" of the PTO because "*[o]nly an officer properly appointed to a principal office* may issue a final decision binding the Executive Branch in [an IPR] proceeding." *Arthrex*, 141 S. Ct. at 1985-86 (emphasis added). Assigning that special task "only" (*id.*) to a principal officer adheres to "the traditional rule that a principal officer, if not the President himself, makes the final decision on how to exercise executive power," particularly "[w]hen it comes to the patent system," thus preserving "political accountability" of such functions. *Id.* at 1982, 1984-85.

Accordingly, Director Review by any officer appointed by the Secretary of Commerce ("Acting Director" or otherwise) is therefore not constitutionally sufficient under the Appointments Clause in light of *Arthrex*. That such an officer might be "appointed 'temporarily' to serve as *acting* [Director] does not change the analysis." *N.L.R.B. v. SW Gen., Inc.*, 137 S. Ct. 929, 946 n.1 (2017) (Thomas, J., concurring). Courts should "not think the structural protections of the Appointments Clause can be avoided based on such trivial distinctions"—especially where it is clear that such service is not actually "temporary" in any real sense (like here, where

Commissioner Hirshfeld has been holding the Director's office for more than a year). *See id.*

In any event, Commissioner Hirshfeld was not appointed as Acting Director by the Secretary of Commerce. Accordingly, the Appointments Clause violation here would persist even if the Court answers its first question in the affirmative.

B. Review By Commissioner Hirshfeld Was Not Sufficient To Remedy The Appointments Clause Violation In This Case

Commissioner Hirshfeld is not a principal constitutional officer. Under *Arthrex*, he therefore cannot perform Director Review. *See* Pet. 4-8. Apple and the PTO claim otherwise based on *United States v. Eaton*, 169 U.S. 331 (1898), in light of the purportedly temporary delegation of blanket authority to Commissioner Hirshfeld in AOO 45-1. That theory does not hold water.

Apple and the PTO misapply *Eaton*. *See* Apple Resp. 4; PTO Resp. 9. The Supreme Court there did not hold that inferior officers may always perform the functions of a principal officer temporarily without violating the Appointments Clause. The Court found no such violation of the Appointments Clause when: (1) "*Congress*" expressly "vest[ed] *in the president* the appointment of [such] a subordinate officer" for "temporarily performing the functions of [a principal office]"; and (2) the "subordinate officer" exercises such power only "for a limited time, and under special and temporary conditions." *Eaton*, 169 U.S. at 343 (emphasis added); *see also Designating an Acting Attorney General*, 2018 WL

6131923, at *12 (O.L.C. Nov. 14, 2018) (*Eaton* "considered whether Congress could authorize the President" to appoint an acting officer). The continuing Constitutional soundness of that conclusion is debatable. *See, e.g.*, *SW Gen.,* 137 S. Ct. at 945-46 (Thomas, J., concurring) (discussing how appointment of principal officers under the FVRA may violate the Appointments Clause, even after *Eaton*). But the Court need not confront that issue—neither of the two necessary conditions is present.

1. *First*, there is no Congressionally vested power being exercised akin to *Eaton*. There, "Congress" vested that power in "the president." *Eaton*, 169 U.S. at 343. But here, AOO 45-1 was promulgated by a former *PTO Director*. Thus, whatever the conditions of the delegation of authority to Commissioner Hirshfeld to perform the functions and duties of the Director's Office may be, *Eaton*, which dealt with authorizations by *Congress* and *the President*, does not condone it.

Congress also could not have vested that power in the Director. *See New York v. United States*, 505 U.S. 144, 182 (1992) ("The Constitution's division of power among the three branches is violated where one branch invades the territory of another, whether or not the encroached-upon branch approves the encroachment."). Nor did Congress even attempt to do so. Apple and the PTO suggest that Congress vested that power in the Director *sub silentio* in the organic acts establishing the structure and delegation authority of the Director and other PTO officers. *See* Apple Resp. 9-10; PTO Resp. 5, 10. Both also proclaim that such power to delegate means

the FVRA has no application here. *E.g.*, Apple Resp. 12; PTO Resp. 18. And the PTO even claims that "all of the duties of the Director, including the Director-review function, are delegable" by Congress's design. PTO Resp. 18. But executive officers cannot delegate their duties in whole, including their constitutional responsibility to actively supervise those to whom they delegate. *See Free Enter. Fund v. Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 496–97 (2010). Yet that is exactly what officers would do with *future* delegations of their authority that apply when their office is vacant, since non-existent officers cannot supervise anyone.

More importantly, though, Congress spoke to this issue by passing the FVRA to control the temporary delegation of powers for vacant principal offices. As the Senate explained at the time, the FVRA was necessary in large part to nullify attempts by the DOJ to encroach on Congress's constitutional role in a way similar to the approach the PTO and Apple advances here. For "decades," the DOJ had maintained that Congress gave its department head *carte blanche* authority to designate inferior officers for "temporarily filling vacant advice and consent positions" because the "department's organic act vests the powers and functions of the department in its head and authorizes that officer to delegate such powers and functions to subordinate officials or employees as she sees fit." *Federal Vacancies Reform Act of 1998*, S. Rep. No. 105-250, at 3 (1998). As the Senate explained, that was "wholly lacking in logic, history, or language." *Id.* at 3. Congress never

intended for originating acts that awarded delegation powers to allow agencies to usurp Congress's advice and consent role for filling vacant principal offices (and certainly not for offices holding the delegation power). The FVRA was designed to foreclose such arguments. *See id.* at 4 ("If the Vacancies Act is to function as it is designed—to uphold the Senate's prerogative to advise and consent to nominations through placing a limit on presidential power to appoint temporary officials—the Justice Department's interpretation of the existing statute must be ended. Legislation is needed to ensure this result …."); *see* 5 U.S.C. § 3345. Congress's clear intent for the FVRA should not be cast aside; the Director's delegation powers cannot authorize temporary appointments to that very office.

In addition, the PTO and Apple also fail to explain how a past Director could delegate authority for the office itself and for a function *that did not even exist at the time*. *See Freytag v. Commissioner*, 501 U.S. 868, 879-80 (1991) (discussing how the separation of powers does not depend on any one official's views, including Presidents). And unlike what Apple and the PTO suggest, the President is not somehow ratifying Commissioner Hirshfeld's acts or controlling them by holding the power to appoint a Director. Commissioner Hirshfeld cannot be removed at-will, and silence is not supervision. *See, e.g.*, *Free Enter. Fund*, 561 U.S. at 496-97 ("[T]he President cannot delegate ultimate responsibility or the active obligation to

supervise that goes with it, because Article II makes a single President responsible for the actions of the Executive Branch." (quotation marks and citation removed)).

2. *Second*, even assuming the appointment of Commissioner Hirshfeld were somehow authorized by Congress through AOO 45-1 (it was not), neither the PTO nor Apple explain how Commissioner Hirshfeld was also restricted to wielding the authority of the Director's office "for a limited time, and under special and temporary conditions." *Eaton*, 169 U.S. at 343. Under AOO 45-1 (at II.D), the delegation to Commissioner Hirshfeld was not temporally "limited" at all—it is unbounded, and he has been performing the duties of the Director for over a year (more than a quarter of the current administration's term). *See SW Gen.,* 137 S. Ct. at 946 n.1 (Thomas, J., concurring). And there are no "special and temporary conditions" on Commissioner Hirshfeld's delegation under AOO 45-1. The only purported one is that the Commissioner may perform only "non-exclusive functions and duties" of the Director. AOO 45-1, II.D. But that is meaningless according to the PTO, since supposedly "all of the duties of the Director" are non-exclusive and delegable to subordinates, "including the Director-review function." PTO Resp. 18.

The PTO's and Apple's specific justifications (PTO Resp. 18-19; Apple Resp. 12-14) for declaring Director Review a "non-exclusive" function (and thus a delegable one outside the FVRA) are equally unconvincing. That other agencies direct subordinate officers to make final adjudicative decisions is irrelevant—

different statutes apply to those agencies, and, if the facts were similar, wrong following wrong does not make right. The Board's power to rehear its own decisions is also irrelevant. The Supreme Court acknowledged that power of the Board in *Arthrex* and left it in place, while making clear that what was necessary under the Appointments Clause was review by the Director, *not* the Board. *See Arthrex*, 141 S. Ct. at 1985-87. And if the constitutional requirement for Director Review was fully delegable right back to the Board, *Arthrex*'s holding would be a nullity.

There is thus nothing "special and temporary" (*Eaton*, 169 U.S. at 343) about the authorization in AOO 45-1 that the PTO relies upon—it is a full transfer of the Director's power to the Commissioner to in effect "hold" the Director's office for a potentially unlimited time. *See, e.g.*, *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 101 n. 11 (2007) (discussing how one element of *Eaton* is determining whether an inferior officer "holds" a principal office). More importantly, Congress dictated in the FVRA what "special and temporary conditions" would control delegations of authority for inferior officers to perform the duties and functions of a principal office when there was a vacancy. *See United States v. Smith*, 962 F.3d 755, 764 (2020) (explaining how the strictures of *Eaton* are fulfilled by the FVRA's "specific time limitations and other

conditions on the tenure of acting department heads"). The PTO cannot cast those limiting conditions aside without replacing them with something.[1]

C. There Is No Threat To Orderly Functioning Of The Government

The President chose not to tap Commissioner Hirshfeld to do the work of the Director under the FVRA. That does not mean the PTO will "face paralysis." PTO Resp. 11. It must mean, in the President's calculus, that there is no emergency at all. For good reason. Stripping away the rights of patentees should not be accelerated—it must be done with full process under the law and (per *Arthrex*) only upon direct action (or at least supervision) of a properly appointed principal officer. We previously "lived under a form of government that permitted arbitrary governmental acts to go unchecked" without a safeguard like the Appointments Clause. *Chadha,* 462 U.S. at 959. There is no reason to return to it here.

III. CONCLUSION

Rehearing by the panel or the Court *en banc* should be granted, the panel's opinion withdrawn, and the case remanded for the requested Director Review to be conducted by a properly appointed principal officer. At minimum, however, *en banc* rehearing should be granted to consider the important issue presented here upon more fulsome briefing and argument.

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[1] Apple asserts (Resp. 10-11) that Corephotonics waived any objection based on the FVRA. But as Apple concedes, Corephotonics did raise the FVRA before the PTO and this Court. *See id.*

March 29, 2022

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I hereby certify that the foregoing document complies with the type limitations of the Federal Rules of Appellate Procedure and the Federal Circuit Rules and, as a reply, does not exceed one-half the length of the 20-page limitation for response set by the Court's November 30, 2021 Order, excluding parts exempted by Federal Circuit Rule 32.

/s/ Robert J. Gajarsa

March 29, 2022 Robert J. Gajarsa

Counsel for Appellant