No. 20-74

IN THE

Supreme Court of the United States

UNITED STATES,

Petitioner,

v.

IMAGE PROCESSING TECHNOLOGIES LLC, *et al.*,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION OF RESPONDENT BOLORO GLOBAL LIMITED

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QUESTIONS PRESENTED

1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate's advice and consent, or "inferior Officers" whose appointment Congress has permissibly vested in a department head.

2. Whether the court of appeals erred by adjudicating Appointments Clause challenges brought by litigants that had not presented such a challenge to the agency.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, respondent Boloro Global Limited ("Boloro") states that it has no parent corporation and that no publicly held company owns 10% or more of its stock.

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STATEMENT

I. Statutory And Procedural Background

The Appointments Clause of the Constitution requires principal officers to be appointed by the President with the advice and consent of the Senate. U.S. Const. art II, § 2. Congress can nonetheless "vest the Appointment of such inferior Officers, as they think proper, in the … Heads of Departments." *Id.*

As noted in the government's petition, in "*Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (2019) …, the Federal Circuit held that the administrative patent judges [APJs] who sit on Board panels are principal officers who must be, but by statute are not, appointed by the President with the advice and consent of the Senate." Pet. at 25. That petition further acknowledges "because this Court's disposition of the government's petition in *Arthrex* may affect the proper disposition of these cases, [the government's] petition should be held pending the disposition of that [Arthrex] petition and any further proceedings in this Court." *Id.* at 26.

II. Proceedings Below

Boloro's *ex parte* appeals at the PTAB stem from final decisions in three patent applications (U.S. Application Ser. No. 14/222,613 ("the '613 application"), U.S. Application Ser. No. 14/222,615 ("the '615 application"), and U.S. Application Ser. No. 14/222,616 ("the '616 application")) in which all claims had been rejected by the Examiner under 35 U.S.C. 101. A split panel of the PTAB affirmed the rejections of the Examiner under 35 U.S.C. 101 both initially and in Decisions on Rehearing.

Respondent filed a motion to vacate and remand in this consolidated case in light of the *Arthrex* decision, and the Federal Circuit granted the motion based on its earlier *Arthrex* precedent.

ARGUMENT

I. Administrative Patent Judges of the U.S. Patent and Trademark Office Are Unconstitutionally Appointed Principal Officers

As in *Arthrex*, the Board's final decisions below were rendered when "the current structure of the Board violate[d] the Appointments Clause." 941 F.3d at 1335. The APJs who presided over the hearings in the *ex parte* appeals and issued the final decisions in those applications were "principal officers" under the Appointments Clause, yet were neither appointed by the President nor confirmed by the Senate. Indeed, the Federal Circuit noted that the "Director acknowledges that, under the reasoning … in *Arthrex*, … the administrative patent judges (APJs) were not constitutionally appointed at the time the Board's final decision on appeal was issued." App. 83a.

Citing *Arthrex*, the Federal Circuit held "the appropriate remedy for such a constitutional violation was to vacate the Board's decision and to remand for the purpose of reassigning the matter to a different panel of APJs for a new hearing and decision." *Id.* The Federal Circuit did just that. App. 84a.

While the Board in *Arthrex* was presiding over an *inter partes* review, the Court's analysis in that case, that the APJs who presided over the proceeding were

"principal officers" under the Appointments Clause, also holds true in these *ex parte* appeals, and the government has waived any argument to the contrary. In determining that the APJs in *Arthrex* were "principal officers," the Federal Circuit found that a determinative factor was the exercise of "significant authority pursuant to the laws of the United States." *Id.* at 1327-1328 (quoting *Buckley v. Valeo*, 424 U.S. 1, 125–26 (1976)). As part of that analysis, the Court held:

> The APJs exercise significant discretion when carrying out their function of deciding *inter partes* reviews. They oversee discovery, 37 C.F.R. § 42.51, apply the Federal Rules of Evidence, 37 C.F.R. § 42.62(a), and hear oral arguments, 37 C.F.R. § 42.70. And at the close of review proceedings, the APJs issue final written decisions containing fact findings and legal conclusions, and ultimately deciding the patentability of the claims at issue. *See* 35 U.S.C. § 318(a).

Id. at 1328.

APJs in *ex parte* appeals carry out similar functions when they hear oral arguments under 37 C.F.R. § 41.47 and, at the close of the appeal proceedings, issue final written decisions containing fact findings and legal conclusions. *See* 37 C.F.R. § 41.50. Although not specifically addressed in *Arthrex*, in *ex parte* appeals, the PTAB also has the power: (1) to disqualify counsel (37 C.F.R. § 41.5(b)); (2) to admit people *pro hac vice* (37 C.F.R. § 41.5(a) "authorize a person other than a registered practitioner to appear as counsel in a specific proceeding"); and (3) to "order

appellant to additionally brief any matter that the Board considers to be of assistance in reaching a reasoned decision on the pending appeal" (37 C.F.R. § 41.50(d)). The PTAB then ultimately decides the patentability of the claims at issue by "review[ing] adverse decisions of examiners upon applications for patents." 35 U.S.C. § 6(b)(1). Furthermore, after a decision, under 35 U.S.C. § 6(c), "[o]nly the Patent Trial and Appeal Board may grant rehearings."

Thus, the then-appointed Administrative Patent Judges of the PTAB were unconstitutionally appointed principal officers.

II. Even If APJs Are Found To Be Constitutional Appointed Generally, Respondent's PTAB Panel Deciding Issues under 35 U.S.C. § 101 Were Not

The government's petition acknowledges "because this Court's disposition of the government's petition in *Arthrex* may affect the proper disposition of these cases, [the government's] petition should be held pending the disposition of that [Arthrex] petition and any further proceedings in this Court." Pet. at 26. Respondent agrees that the government's petition initially should be held pending the disposition of *Arthrex* because the Appointments Clause challenge will likely be settled by *Arthrex*.

However, in the context of these appeals in particular, the APJs also exercised significant authority by virtue of what they were being asked to render judgment on. The only issue before them on rehearing was whether to ignore the actual statutory language of 35 U.S.C. § 101 as written

by Congress and to instead substitute their own judgment for Congress' by deciding whether to affirm the rejection of the claims under 35 U.S.C. § 101 as being directed to ***judicially-excepted*** subject matter. That is, without being appointed like federal judges under U.S. Const. art. III, § 1, they were being asked to act like Article III judges in determining the applicability of a ***judicial*** exception.

The extent of that independent authority, without oversight by the Director, is brought into focus by the fact that the panel members themselves ***disagreed*** as to whether the judicial exception applied. That is, at least one of the panel members must, by definition, have been contradicting the decision of what the Director would have done because there was a 2-1 split among the panel.

III. The Appointments Clause Challenge Was Timely Raised

Respondent raised its Appointments Clause challenge as part of a motion to vacate and remand before filing its opening brief. As in *Arthrex*, Appellant timely raised its Appointments Clause challenge "before the first body capable of providing it with the relief"— the Court of Appeals for the Federal Circuit.

Moreover, raising an Appointments Clause challenge before the Board would have been futile. The Federal Circuit in *Arthrex* expressly addressed the issue when it held:

> the Board was not capable of providing any meaningful relief to this type of Constitutional challenge and it would therefore have been

> futile for [the Appellant] to have made the challenge there. "An administrative agency may not invalidate the statute from which it derives its existence and that it is charged with implementing."

Id. at 1339 (citing *Jones Bros., Inc. v. Sec'y of Labor*, 898 F.3d 669, 673 (6th Cir. 2018)).

Indeed, the PTAB does not even have jurisdiction to hear such challenges. See *Thunder Basin Coal Co.* v. *Reich*, 510 U.S. 200, 215 (1994) ("[a]judication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies").

CONCLUSION

The government's petition should be held pending the disposition of *Arthrex*. Should the Court find that the *Arthrex* panel was unconstitutionally appointed, the Court should deny this petition as well. Even if this Court finds that the *Arthrex* panel was constitutionally appointed, it should nonetheless find that the panel in the appeals at-issue here was unconstitutionally appointed by virtue of the grounds of rejection that the APJs were asked to review -- a judicially-created exception under 35 U.S.C. § 101 requiring them to act as Article III judges. Furthermore, the Federal Circuit properly adjudicated Respondent's Appointments Clause challenge because raising the issue before the PTO would have been futile.

Respectfully submitted,

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