UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PANASONIC CORPORATION OF NORTH AMERICA *et al.*,

Petitioner

vs.

CELLSPIN SOFT, INC.,
Patent Owner

Case IPR2019-00131
Patent No. 9,258,698

PATENT OWNER'S OBJECTIONS TO THIS PROCEEDING FOR VIOLATING THE APPOINTMENTS CLAUSE OF THE U.S. CONSTITUTION

The Patent Owner, Cellspin Soft, Inc. ("Cellspin") hereby objects to this proceeding, from its institution decision to date, and furthermore going forward, up to an including any final written decision or further Patent Trial and Appeal Board (PTAB) proceedings, as follows:

Although it is likely a futile effort to try to convince an executive body of its unconstitutionality, Cellspin respectfully submits these objections nonetheless. The Administrative Patent Judges (APJs) of the PTAB, including the APJs presiding over this proceeding, were appointed in violation of the Appointments Clause of the Constitution. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019). Without limitation, APJs are "principal officers," including because neither the Secretary of Commerce (who appoints APJs) nor the Director of the USPTO "exercises sufficient direction and supervision" over APJs for them to be inferior officers. *Id.* at *4. The U.S. Constitution requires "principal officers" to be appointed by the President with the advice and consent of the Senate. U.S. Const. art. II, § 2, cl. 2.

As noted below, in an ineffective attempt to cure the identified constitutional violation, the *Arthrex* court held that the Director of the USPTO must be permitted to remove APJs without cause. This "remedy" was erroneously ruled to allow APJs to be prospectively classified as inferior officers. It also erroneously seeks to have pending PTAB proceedings, including this one, proceed to final determination following defective institution decisions and under still Constitutionally infirm APJs.

The Supreme Court's framework for distinguishing principal officers from inferior officers involves (1) that "an individual must occupy a 'continuing' position established by law to qualify as an officer." *Lucia v. SEC*, 138 S. Ct. 2044, 2051 (2018); and (2) that the individual must "exercis[e] significant authority pursuant to the laws of the United States." *Id.* The Supreme Court has explained that "[w]hether one is an 'inferior' officer depends on whether he has a superior."

Edmond v. United States, 520 U.S. 651, 662–63, 117 S.Ct. 1573 (1997). Further, "'inferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Id.* There is no "exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes." *Id*. at 661, 117 S.Ct. 1573. However, the Court in *Edmond* noted three factors: (1) whether an appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers. *See id*. at 664–65, 117 S.Ct. 1573.

As also noted in *Arthrex*, in *Edmond* the Supreme Court deemed it "significant" whether an appointed official has the power to review an officer's decision such that the officer cannot independently "render a final decision on behalf of the United States." *Edmond*, 520 U.S. at 665. In inter partes review proceedings such as this one, no presidentially appointed officer has independent statutory authority to review a final written decision by the APJs before the decision issues on behalf of the United States. *Arthrex*, 2019 WL 5616010, *4. There are more than 200 APJs and a minimum of three must decide each inter partes review. 35 U.S.C. § 6(c). *Id.* Yet the Director is the only member of the Board who is nominated by the President and confirmed by the Senate. *Id.*

In *Arthrex*, the panel determined that the first and third control-and-supervision factors supported the conclusion that APJs are principal officers, and that the second did not. With respect to the first factor, "[n]o presidentially-appointed officer has independent statutory authority to review a final written decision by the APJs before the decision issues on behalf of the United States." *Arthrex*, 2019 WL 5616010, at *4. Although the Director may actually or theoretically influence or exercise some degree of control for various aspects of the inter partes review process,

he or she clearly lacks "sole authority to review or vacate any decision by a panel of APJs." *Id.* at *5. Further, the Director influencing APJ decisions is far different from exercising review authority over those decisions. Including to the extent such influence lacks notice and an opportunity to be heard, it would clearly violate the Due Process Clauses of the Fifth and Fourteenth Amendments.

According to the *Arthrex* panel, the second factor weighed in favor of finding the APJs to be inferior officers, because the PTO Director allegedly "exercises a broad policy-direction and supervisory authority over the APJs." Arthrex, 2019 WL 5616010, at *5. That authority includes powers to issue policy directives guiding APJs' decision-making, designate PTAB decisions as precedential and hence binding on future APJ panels, institute inter partes review, designate the panel of judges to decide each review, and adjust APJs' pay. *Id.* at *5–6. Contrary to the Federal Circuit's holding, these powers of the PTO director do not weigh in favor of APJs being inferior officers, including because there is no meaningful nexus between these powers and the substance or finality of the rulings issued by APJs.

The third factor favored APJs being deemed principal officers. Here, the law provides that APJs "may be removed 'only for such cause as will promote the efficiency of the service'" *Arthrex*, 2019 WL 5616010, at *7 (quoting 5 U.S.C. § 7513(a)).

The *Arthrex* panel also acknowledged the possible relevance of other factors beyond the three-part test distilled from *Edmond*, namely that "the APJs do not have limited tenure, limited duties, or limited jurisdiction." *Arthrex*, 2019 WL 5616010, at *8. Although not given weight by the *Arthrex* panel, these factors also weigh in favor of APJs being principal officers, despite the Federal Circuit's erroneous attempt to remedy the problem by rewriting 5 U.S.C. § 7513(a).

Despite its error in assessing factor 2, the *Arthrex* panel correctly concluded that APJs qualify as principal officers. Having correctly concluded that the PTAB's statutory structure violated the Appointments Clause, the *Arthrex* panel erroneously concluded that it could remedy the situation by ruling the statutory provision of for-cause removal to be unconstitutional as applied to APJs. *Arthrex*, 2019 WL 5616010, at *9. Specifically, the panel held unconstitutional the application to APJs of 35 U.S.C. § 3(c), which subjects PTO officers and employees to the provisions of title 5 of the United States Code, including the for-cause removal provision in 5 U.S.C. § 7513(a). The panel characterized its severability holding as "follow[ing] the Supreme Court's approach in Free Enterprise Fund" and the D.C. Circuit's approach in Intercollegiate, both of which cured constitutional violations by "sever[ing] the problematic 'for-cause' restriction from the statue rather than holding the larger structure . . . unconstitutional." *Arthrex*, 2019 WL 5616010, at *9.

The Federal Circuit's "remedy" has not yet become effective because the mandate in *Arthrex* has not issued and further appellate proceedings are possible if not likely. However, apparently the government has taken the erroneous position that the "remedy" of removing for-cause removal is already in place, despite the current lack of a mandate from the Federal Circuit. Whether or not that is so, this purported "remedy" is insufficient for at least four reasons. First, the Federal Circuit lacked the judicial power to rewrite the statute as erroneously attempted to do in Arthrex. Severability turns on whether "the statute will function in a manner consistent with the intent of Congress." *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 685, 107 S.Ct. 1476, 94 L.Ed.2d 661 (1987). Here, there is no Congressional intent supporting the *Arthrex* decision, including any intent that APJs be removable at will, or for a statutory scheme allowing USPTO Director to exercise authority over APJ decisions by firing them if he or she is displeased with a

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.