

2020-1272

---

United States Court of Appeals  
for the Federal Circuit

---

**United Fire Protection Corp.,**  
Appellant

v.

**Engineered Corrosion Solutions, LLC,**  
Appellee

---

Appeal from the United States Patent and Trademark Office,  
Patent Trial and Appeal Board, No. IPR2018-00991

---

**Intervenor USPTO Director's  
Opposition to Appellant's Motion to Remand in Light of *Arthrex***

---

THOMAS W. KRAUSE  
Solicitor

FARHEENA Y. RASHEED  
Deputy Solicitor

MOLLY R. SILFEN  
Associate Solicitor

USPTO Office of the Solicitor  
Mail Stop 8, P.O. Box 1450  
Alexandria, Virginia 22313  
(571) 272-9035

January 24, 2020

Attorneys for the Director of the USPTO

---

## **Introduction**

The USPTO respectfully opposes United Fire’s motion to vacate and remand the institution decision of the Patent Trial and Appeal Board and receive a new institution decision from a different panel of Board judges in reliance on *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

United Fire petitioned for inter partes review, and the USPTO decided not to institute a proceeding. United Fire filed a notice of appeal and now argues that the Board judges’ institution decision was unconstitutional in light of *Arthrex*. But in *Arthrex*, this Court determined that institution decisions are not constitutionally suspect, concluding, “we see no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the [USPTO] Director pursuant to 35 U.S.C. § 314.” United Fire thus cannot raise a colorable constitutional challenge to the agency’s denial of institution, let alone articulate any basis for a remand under *Arthrex*. This Court should therefore deny United Fire’s motion for a remand.<sup>1</sup>

## **Background**

United Fire filed a petition for inter partes review of all of the claims of U.S. Patent No. 9,144,700 (the ’700 patent), owned by Engineered Corrosion Solutions. *United Fire Protection Corp. v. Engineered Corrosion Solutions, LLC*, IPR2018-

---

<sup>1</sup> United Fire has not shown any jurisdictional basis for this appeal at all. The government is currently evaluating whether the Court has jurisdiction over this appeal.

00991, 2018 WL 6016749, at \*1 (PTAB Nov. 15, 2018) (decision denying institution). A prior inter partes review filed by a different petitioner had confirmed the patentability of all of the claims of the '700 patent. *Id.*; *id.* at \*3.

The Board denied institution, explaining that under 35 U.S.C. § 314(a) it has discretion not to institute an inter partes review. *Id.* at \*3. The panel went through seven nonexclusive factors, outlined in a prior precedential decision, that relate to “whether to exercise [its] discretion under § 314(a)” and deny institution, even without a separate statutory bar on the proceeding. *Id.* The panel determined that, on balance, the circumstances weighed “in favor of invoking [its] discretion under § 314(a) to deny institution of inter partes review.” *Id.* at \*8. One Board judge dissented, disagreeing with the way the majority weighed the factors. *Id.* at \*8-9.

United Fire sought rehearing, and the Board again declined to institute review. *United Fire Protection Corp. v. Engineered Corrosion Solutions, LLC*, IPR2018-00991, 2019 WL 5089762 (PTAB Oct. 10, 2019) (rehearing decision). The panel explained that it had not misapprehended or overlooked any of the facts that United Fire pointed to and that it would continue to exercise its discretion not to institute review. *Id.* at \*1-2.

At no point did United Fire argue to the agency that the panel did not have the authority to decide United Fire’s inter partes review petition based on an alleged Appointments Clause problem.<sup>2</sup>

After the Board’s rehearing decision but before United Fire’s notice of appeal, this Court issued its *Arthrex* decision. The Court determined that the Board’s administrative patent judges (APJs) had, up to that point, been unconstitutionally appointed and that “where the final decision was rendered by a panel of APJs who were not constitutionally appointed,” and “where the parties”—in that case the patent owner—“presented an Appointments Clause challenge on appeal,” the panel’s decision “must be vacated and remanded” for a hearing before a different panel of APJs. *Arthrex*, 941 F.3d at 1338-40. The Court held, however, that there was “no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314.” *Id.* at 1340.

United Fire filed a notice of appeal and then filed the pending motion, seeking a remand and a rehearing of its petition before a different panel of APJs. The USPTO is intervening concurrently with filing this response. *See* 35 U.S.C. § 143.

---

<sup>2</sup> United Fire cites its notice of appeal to this Court, but, confusingly, cites the version in the agency’s docket. United Fire Mot. 3. To be clear, United Fire never raised its Appointments Clause challenge at the agency; the notice of appeal was the first time it was ever raised.

## Argument

### **United Fire cannot articulate any colorable constitutional challenge to an institution decision under *Arthrex***

In *Arthrex*, this Court determined that a final written decision of the Board had to be remanded due to the Court's conclusion that the Board's administrative patent judges suffered from an Appointments Clause defect. Notably, however, *Arthrex* unambiguously announced that this determination does not apply to institution decisions: "To be clear, on remand the decision to institute is not suspect; we see no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314." *Arthrex*, 941 F.3d at 1340. Indeed, since the Director alone possesses the authority to institute or decline to institute inter partes review, *see* 35 U.S.C. § 314, the officer-status of the officials to whom the Director has chosen to delegate his authority is irrelevant.

United Fire ignores this explicit holding of *Arthrex* and instead argues that, although the Board here did not issue a final written decision, the institution decision nevertheless somehow falls under *Arthrex*. United Fire is wrong. The institution decision was not "based entirely on APJ discretion with no presidentially appointed officer reviewing the decision." United Fire Mot. 3. As the Board explained, and United Fire repeats, a "decision whether to institute is within the Director's discretion, and that discretion has been delegated to the Board." *Id.* (quoting 2018 WL 6016749, at \*4); *see* 35 U.S.C. § 314 (stating, among other things, "The Director

shall determine whether to institute an inter partes review under this chapter”); 37 C.F.R. § 42.4(a) (“The Board institutes the trial on behalf of the Director.”); *id.* § 42.108. That delegation is perfectly appropriate; the Patent Act explicitly envisions such delegations. 35 U.S.C § 3(b)(3) (“The Director shall (A) appoint such officers ... of the Office as the Director considers necessary to carry out the functions of the Office; and (B) ... delegate to them such of the powers vested in the Office as the Director may determine.”); *id.* § 6(a) (maintaining any “delegation of authority” to the Board during Board’s change in name); *cf. Michigan Dep’t of Educ. v. U.S. Dep’t of Educ.*, 875 F.2d 1196, 1203 (6th Cir. 1989) (“If a governmental Department could not function under the authority of temporary personnel during the absence of the principal, the entire functioning of government could collapse during such times.”).

Under that delegation, the Director alone maintains supervisory authority. *See* Manual of Patent Examining Procedure, § 1001.01 (“The authority of the Director of the USPTO to review and supervise the work of the Office is exercised by the promulgation of the Rules of Practice; issuance of orders, notices and memoranda stating Office policies and modes for effectuating these policies; decisions on petitions by applicants; and by the designation of particular cases which must be submitted to the Director of the USPTO or other officials authorized by the Director of the USPTO.”). And the fact that one member of the panel dissented from the institution decision (*United Fire Mot. 3*) has no bearing on the Director’s delegation

of authority to the Board or the Director's sole authority to control institution decisions.

United Fire also asserts that the institution decision (and rehearing decision) are the final decision of the agency and so must also be “a final written decision” that was found in *Arthrex* to be faulty. United Fire Mot. 3. Yes, institution decisions are “final.” *Id.* (quoting 35 U.S.C. § 314(d)). But that does not make an institution decision the “final written decision” of the Board that was found improperly statutorily assigned to the APJs in *Arthrex*. Rather, this Court in *Arthrex* was exclusively directed to the “Final Written Decision” of the “Board” under 35 U.S.C. § 318(a)—a decision that is issued only “[i]f an inter partes review is instituted and not dismissed.” That is why *Arthrex* explicitly distinguished institution decisions. 941 F.3d at 1340.

Thus, under the explicit terms of *Arthrex*, no remand is appropriate or available. But even assuming that United Fire could raise a colorable challenge to the institution decision under *Arthrex*, there would nonetheless be reasons to refuse to entertain it. Unlike *Arthrex*—a patent owner involuntarily brought before the Board—United Fire was the *petitioner*, affirmatively seeking to invoke the agency authority and seeking a hearing before the agency. And unlike *Arthrex*, United Fire had alternative avenues for seeking the same relief of invalidating an issued patent, such as asserting invalidity in district court, either as a defense in a patent

infringement suit or as a standalone declaratory judgment suit. Now that United Fire is disappointed in the outcome of the inter partes review petition *it chose*, it wants a rehearing before a different panel.

United Fire's decision to ask the USPTO to exercise its statutory authority means it cannot belatedly complain about that authority of that forum to decide its dispute. United Fire's silence before the agency regarding any asserted Appointments Clause defect was not simply forfeiture; its request that the agency resolve its dispute was an affirmative waiver of any such argument. *See United States v. Olano*, 507 U.S. 725, 733 (1993) ("Whereas forfeiture is the failure to make the timely assertion of a right, waiver is the intentional relinquishment or abandonment of a known right." (quotation marks omitted)). Thus, even if *Arthrex* were to somehow apply to institution decisions, and even assuming that the *Arthrex* panel's forfeiture analysis applies to future cases, there would be no basis to apply it here. *See Stern v. Marshall*, 564 U.S. 462, 481-82 (2011) (refusing to allow a party who has "consented" to a tribunal's "resolution of [its] claim" to later challenge the tribunal's authority over that claim and disapproving of "a litigant 'sandbagging' the court—remaining silent about his objection and belatedly raising the error only if the case does not conclude in his favor" (marks omitted)).

In sum, under the explicit terms of *Arthrex*, United Fire cannot articulate a colorable constitutional challenge to the institution decision here, and no remand is appropriate or available.<sup>3</sup>

### **Conclusion**

This Court should deny United Fire's motion to vacate and remand the Board's decision.

---

<sup>3</sup> Even if the Court thought the remedy provided to *Arthrex* should be available to United Fire, the government and both private parties have all filed petitions for rehearing en banc in *Arthrex*. In addition, en banc petitions on the issues raised by *Arthrex* have been filed in *Uniloc v. Facebook et al.*, No. 18-2251, *Bedgear, LLC v. Fredman Bros. Furniture Co.*, Nos. 18-2082, -2083, -2084, and *Image Processing Technologies LLC v. Samsung Electronics Co. Ltd.*, Nos. 18-2156, 19-1408, and additional en banc petitions may be filed in other pending cases. These en banc petitions raise significant questions regarding the underlying Appointments Clause challenge, as well as issues relating to forfeiture and remedy. It would be inefficient and burdensome for the Court, the parties, and the agency to engage in further proceedings in this case relating to the *Arthrex* decision before the en banc Court decides what to do with that decision.

Dated: January 24, 2020

Respectfully submitted,

/s/ Molly R. Silfen  
THOMAS W. KRAUSE  
Solicitor

FARHEENA Y. RASHEED  
Deputy Solicitor

MOLLY R. SILFEN  
Associate Solicitor

USPTO Office of the Solicitor  
Mail Stop 8, P.O. Box 1450  
Alexandria, Virginia 22313  
(571) 272-9035

Attorneys for the Director of the USPTO

### **Certificate of Compliance**

I certify that the foregoing Intervenor USPTO Director's Opposition to Appellant's Motion to Remand in Light of *Arthrex* contains 1,861 words as measured by the word-processing software used to prepare this brief.

Dated: January 24, 2020

Respectfully submitted,

/s/ Molly R. Silfen

MOLLY R. SILFEN

Attorney for the Director of the USPTO

### **Certificate of Service**

I hereby certify that on January 24, 2020, I electronically filed the foregoing Intervenor USPTO Director's Opposition to Appellant's Motion to Remand in Light of *Arthrex* with the Court's CM/ECF filing system, which constitutes service, pursuant to Fed. R. App. P. 25(c)(2) and Fed. Cir. R. 25(e)(1).

/s/ Molly R. Silfen

MOLLY R. SILFEN

Attorney for the Director of the USPTO