2020-1441

United States Court of Appeals
for the Federal Circuit

MOBILITY WORKX, LLC,
Appellant,

v.

UNIFIED PATENTS, LLC,
Appellee,

ANDREI IANCU, UNDERSECRETARARY 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 Inter Partes Review No. IPR2018-01150.

MOBILITY'S BRIEF IN RESPONSE TO COURT'S JUNE 23 ORDER CONCERNING UNITED STATES V. ARTHREX

David A. Randall
Counsel of Record
HACKLER DAGHIGHIAN
MARTINO & NOVAK P.C.
10900 Wilshire Blvd., Suite 300
Los Angeles, CA 90024
Telephone: (310) 887- 1333
Email: dave@hdmnlaw.com

Michael Machat
MACHAT & ASSOCIATES, PC
8730 W Sunset Blvd Ste 250
West Hollywood, CA 90069-2281
Telephone: (310) 860-1833
Email: michael@machatlaw.com

Counsel for Appellant MOBILITY WORKX, LLC

CERTIFICATE OF INTEREST

Counsel for Appellant, MOBILITY WORKX, LLC certifies the following:

1. **Represented Entities**. Provide the full names of all entities represented by undersigned counsel in this case. Fed. Cir. R. 47.4(a)(1).: MOBILITY WORKX, LLC.

2. **Real Party in Interest**. 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. Fed. Cir. R. 47.4(a)(2). N/A

3. **Parent Corporations and Stockholders**. 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. Fed. Cir. R. 47.4(a)(3).: None.

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).

Tarek N. Fahmi, Ascenda Law Group, LLC

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).

Mobility Workx, LLC v. Cellco Partnership d/b/a/ Verizon Wireless, 4:17-cv-00872-ALM (EDTX).

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

Date: July 7, 2021

/s/David A. Randall
David A. Randall
Counsel for Appellant

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INTRODUCTION

Appellant Mobility Workx, LLC ("Mobility") respectfully submits this brief in response to the Court's June 23 order concerning the impact of the Supreme Court's decision in *United States v. Arthrex*, 141 S. Ct. 1970, 2021 WL 2519433 (June 21, 2021).

In view of *Arthrex*, Mobility submits that the PTAB panel's decision should be vacated and the present case remanded to the PTO for the Director to issue a certificate confirming the challenged claims. Indeed, it is clear based on the Supreme Court's *Arthrex* decision that the PTAB did not reach a final determination within the statutory 12- or 18-month period. *See* 35 U.S.C. § 316(a)(11); *see also Arthrex,* 2021 WL 2519433 at *11 ("Only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch in the preceding before us."). Moreover, in view of the Supreme Court's reasoning and a number of procedural uncertainties, absent a remand instructing the Director to issue a certificate under 35 U.S.C. § 318(b) confirming the challenged claims to be patentable, there is no clear, permissible path forward for the present appeal.

ARGUMENT

I. *Arthrex* Confirms that the PTAB Decision in this Case Was Unconstitutionally Decided and No Final Determination Was Issued Within the Statutorily Mandated Time Period

Mobility appealed the final written decision stemming from the inter partes review of U.S. Patent No.8,213,417. On appeal, Mobility raised an Appointments

Clause challenge, a Due Process Clause challenge, and sought review of the PTAB's substantive decisions of unpatentability under 35 U.S.C. §§ 102, 103. *See* Dkt. 43 at 4-5. Mobility's opening brief specifically argued that this Court's decision in *Arthrex v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), had not adequately remedied APJs' unconstitutional appointments. Dkt. 43 at 56-58. The Supreme Court has now agreed with Mobility's position. *Arthrex*, 2021 WL 2519433, at *5–6. The decision below was unconstitutional because the APJs "lacked the power under the Constitution to finally resolve the matter within the Executive Branch," *id.*, and Mobility—like Arthrex—timely raised an Appointments Clause challenge. *Cf. Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1174 (Fed. Cir. 2019) (Appointments Clause challenge is timely if raised in or prior to appellant's opening brief on appeal).

In view of this Constitutional violation, the question then is what the proper remedy is. In *Arthrex,* the Supreme Court concluded that "the appropriate remedy [was] a remand to the Acting Director for him to decide whether to rehear" the *Arthrex* case. *Id.* at *13. Mobility, respectfully submits, however, that the Supreme Court's remedy fails to take into account the statutory time limit in § 316(a)(11), which requires a final determination to be made within 12- and at most 18- months after institution. That has plainly not happened in the Mobility IPR. Moreover, given the uncertainties associated with a remand under Arthrex, it is unclear when such a final determination will or could be made. As such, the Director should be instructed to

issue a certificate under § 318(b) confirming the challenged claims, or, in the alternative, dismissing Unified's petition for failing to reach a final determination within the statutory mandated period. 35 U.S.C. §316(a)(11).

II. In the Alternative, If Remanded, the PTO Should Allow Further Development of the Record on the Due Process Challenge

To the extent that the court does not instruct the Director to issue a certificate confirming the challenged claims, or otherwise dismiss the Petitioner's petition, a remand may permit the PTAB and/or the PTO Director to consider Mobility's constitutional due process argument—namely "[w]hether the unusual structure for instituting and funding AIA postgrant reviews violates the Due Process Clause in view of *Tumey v. Ohio*, 273 U.S. 510 (1927), and its progeny, which establish 'structural bias' as a violation of due process." Dkt. 43 at 28-49. On appeal, the PTO argued that the Due Process Clause argument involved "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." Dkt. 54 at 12-13.

Since oral argument and the panel's decision in this case, at least one report has identified additional evidence indicating that the pecuniary interest and appearance of structural bias may be more significant and troubling than first understood. One recent study explored the empirical relationships between PTAB judges' compensation and their decisionmaking. Ron. D. Katznelson, *The Pecuniary Interests of*

PTAB Judges-Empirical Analysis Relating Bonus Awards to Decisions in AIA Trials (June 21, 2021) ("Katznelson").[1] This new information and analysis of public records strongly suggest the inaccuracy of several PTO assertions, such as the PTO's claim that bonuses are capped at $10,000 or 6%. Dkt. 54 at 9-10, 38. The analysis further indicates that the level of compensation may be more correlated to the grant or denial of institutions than previously acknowledged by the PTO. Katznelson, at 32.

Mobility's due process argument first detailed the appearance of incentives created by the PTAB's compensation structure, but importantly, Mobility does not have to prove actual bias to prevail. Mobility maintains that this Court is the appropriate venue to assess the constitutionality of the PTAB structure, but Mobility also recognizes that remand could permit the PTAB and/or the PTO to consider Mobility's due process challenge in light of new evidence.

A remand may also permit the development of a fuller factual record, to the extent the PTO and/or Appellee Unified have argued or might argue that additional facts are necessary to assess whether the identified pecuniary interest rises to the level of a due process violation.

In short, if the Court declines to consider Mobility's structural due process arguments, it should remand the case to the PTO for further proceedings consistent

[1] https://works.bepress.com/rkatznelson/91 (last visited July 7, 2021).

with the Supreme Court's decision in *Arthrex*, and consistent with any other applicable administrative law principles and statutory requirements for IPRs.

III. There Appear to Be Significant Questions About How the PTO Can Lawfully Implement the *Arthrex* Decision Under Current Circumstances

Beyond the specific recommendations above, Mobility further notes that there appear to be significant hurdles to the PTO's proper implementation of the *Arthrex* decision. The PTO recently provided informal guidance on how the agency generally intends to proceed.[2] However, this informal guidance raises more questions than answers.

First, *Arthrex* requires Director or Acting Director review. *Arthrex*, 2021 WL 2519433, at *11. The PTO has no current Director or Acting Director, however. Instead, Drew Hirshfeld is identified as "performing the functions and duties of the Under Secretary of Commerce for Intellectual Property and Director" of the PTO.[3] He is neither the Director nor the Acting Director. His permanent role is

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[2] U.S. Patent & Trademark Office, USPTO Implementation of an Interim Director Review Process Following Arthrex, at https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/uspto-implementation-interim-director-review; U.S. Patent & Trademark Office, Arthrex Q&As, https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas; U.S. Patent & Trademark Office, Boardside Chat: Arthrex and The Interim Procedure for Director Review, https://www.uspto.gov/sites/default/files/documents/20210701-PTAB-BoardsideChat-Arthrexfinal.pdf (last visited July 7, 2021).

[3] U.S. Patent & Trademark Office, Drew Hirshfeld https://www.uspto.gov/initiatives/expanding-innovation/national-council-expanding-innovation/drew-hirshfeld (last visited July 7, 2021)

Commissioner for Patents. For Commissioner Hirshfeld to make decisions that are to be made by a Director or Acting Director would only repeat the constitutional problems confirmed in *Arthrex*.

Second, the PTO's decision to employ Commissioner Hirshfeld in place of a Director or Acting Director raises fundamental questions under the Federal Vacancies Reform Act ("FVRA") of 1998. *See* 5 U.S.C. § 3345(a)(3); *see also LM-M v. Cuccinelli*, 442 F. Supp. 3d 1, 36 (D.D.C. 2020) (holding that rules promulgated under a "functions and duties" interim officer cannot be enforced until a Senate-confirmed officer is inaugurated); *Guedes v. Bureau of Alcohol, Tobacco, Firearms,* 920 F.3d 1, 11 (D.C. Cir. 2019) (discussing requirements of Vacancies Reform Act); *NLRB v. SW General, Inc.,* 137 S. Ct. 929, 938 (2017) ("Subsection (b)(1) of the FVRA prevents a person who has been nominated for a vacant PAS office from performing the duties of that office in an acting capacity.").[4]

Third, any new procedures for implementing *Arthrex* must proceed through rulemaking. Trials under the America Invents Act are "formal adjudications" under the Administrative Procedure Act ("APA"). 35 U.S.C. § 314(a)(4); *Dell Inc. v. Acceleron, LLC,* 818 F.3d 1293, 1301 (Fed. Cir. 2016). With respect to formal adjudications, the typical rule is that procedural requirements of the APA apply. *See, e.g., Facebook, Inc. v. Windy City Innovations*, LLC, 953 F.3d 1313, 1342-43 (Fed. Cir. 2020). All of this will

[4] A "PAS office" is an office requiring Presidential appointment and Senate confirmation.

further ensure that the PTO further fails to comply with its statutory mandate to issue a final determination within 12- to 18-months of institution. 35 U.S.C. § 316(a)(11).

Lastly, it is also not clear how the PTO will implement new procedures and comply with any necessary rulemaking requirements to avoid further potential problems, such as ensuring no conflicts of interest, ensuring impartiality, and avoiding *ex parte* communications. Patent owners and patent challengers alike ought to have confidence in the system. Without transparency, there will be no confidence.

CONCLUSION

For the foregoing reasons, the PTAB panel's decision should be vacated and the present case remanded to the PTO for the Director to issue a certificate confirming the challenged claims. Alternatively, the present case should be remanded with instructions to the PTO Director to decide the pending issues in accordance with *Arthrex* and other applicable laws and rules.

Respectfully submitted,

Date: July 7, 2021

/s/David A. Randall

David A. Randall
HACKLER DAGHIGHIAN MARTINO & NOVAK
10900 Wilshire Blvd., Suite 300
Los Angeles, CA 90024
Tel: 310-887-1333
Fax: (310) 887-1334
Email: dave@hdmnlaw.com
Attorney for Appellant

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

The foregoing filing complies with the relevant type-volume limitation of the Federal Rules of Appellate Procedure and Federal Circuit Rules because it meets the following:

the filing contains 10 pages / _____ words / _____ lines of text, which does not exceed the maximum authorized by this court's order (ECF No. 84).

Date: July 7, 2021

/s/David A. Randall

David A. Randall
HACKLER DAGHIGHIAN MARTINO & NOVAK
10900 Wilshire Blvd., Suite 300
Los Angeles, CA 90024
Tel: 310-887-1333
Fax: (310) 887-1334
Email: dave@hdmnlaw.com
Attorney for Appellant

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing paper entitled

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was filed with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF SYSTEM. Counsel registered with the CM/ECF system have been served by operation of the Court's CM/ECF SYSTEM per Fed. R. App. P. 25 and Fed. Cir. R. 25(c) on the 7th day of July 2021.

Date: July 7, 2021

/s/David A. Randall

David A. Randall
HACKLER DAGHIGHIAN MARTINO & NOVAK
10900 Wilshire Blvd., Suite 300
Los Angeles, CA 90024
Tel: 310-887-1333
Fax: (310) 887-1334
Email: dave@hdmnlaw.com
Attorney for Appellant