No. 2020-1400

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NEW VISION GAMING & DEVELOPMENT, INC.,

Appellant,

v.

SG GAMING, INC., f/k/a Bally Gaming, Inc.,

Appellee,

KATHI VIDAL, Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office,

Intervenor.

On Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Case No. CBM 2018-00006.

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STATEMENT OF RELATED CASES

This Court previously remanded this case to the United States Patent and Trademark Office (USPTO). *See New Vision Gaming & Dev., Inc. v. SG Gaming, Inc.*, No. 2020-1399, 2021 WL 1916374 (Fed. Cir. May 13, 2021), *cert. granted, judgment vacated sub nom*. *Hirshfeld v. Implicit*, *LLC*, 211 L. Ed. 2d 210 (Oct. 18, 2021) (before Judges Newman, Moore, and Taranto). No other appeal in or from the present civil action has previously been before this or any other appellate court. *New Vision Gaming & Development v. Bally Gaming Inc.*, No. 2:17-cv-01559 (D. Nev.), involves the same patent that is at issue in this case.

INTRODUCTION

The Patent Trial and Appeal Board (Board or PTAB) found New Vision's challenged patent claims to be unpatentable after a covered business method (CBM) review. New Vision does not challenge the merits of that determination. Instead, New Vision asserts that the Board's review process under the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 316, § 10(a)(1), 125 Stat. 284 (2011), is inconsistent with structural due process principles and that the Board erred in instituting proceedings.

New Vision forfeited its constitutional argument by failing to raise it before the Board. In any event, this case is controlled by *Mobility Workx, LLC v. Unified Patents, LLC*, 15 F.4th 1146 (2021), in which this Court rejected the same structural due process challenge to the Board's AIA review process on a very similar record. New Vision's challenge to the agency's exercise of its discretion in instituting the CBM review here is equally baseless. As with inter partes review, the statute renders institution decisions "final and nonappealable" and thus beyond this Court's review. 35 U.S.C. §§ 314(d), 324(e); *Thryv, Inc v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020); *SIPCO, LLC v. Emerson Elec. Co.*, 980 F.3d 865, 870 (Fed. Cir. 2020).

STATEMENT OF JURISDICTION

The PTAB issued its decision denying rehearing as to the patent at issue in this appeal on November 20, 2019. Appx188. Appellant filed a timely notice of appeal on January 19, 2020. Appx3548; *see* 35 U.S.C. § 142; 37 C.F.R. § 90.3(a). This Court issued a limited remand for New Vision to seek Director review but retained jurisdiction on December 3, 2021. ECF 110. The Director denied review on June 7, 2022. Appx9228-9229. This Court has jurisdiction under 35 U.S.C. § 329 and 28 U.S.C. § 1295(a)(4)(A).

STATEMENT OF THE ISSUES

1. Whether appellant forfeited its structural due process challenge by failing to raise it before the Board.

2. Whether this Court's decision in *Mobility Workx, LLC v. Unified Patents, LLC*, 15 F.4th 1146 (2021), forecloses New Vision's assertion of "structural bias" in administrative patent judges' decisionmaking in violation of the Due Process Clause.

3. Whether this Court lacks jurisdiction to review agency decisions whether to institute covered business method review under 35 U.S.C. § 324(e), which makes such decisions "final and nonappealable."

STATEMENT OF THE CASE

A. Statutory And Regulatory Background

1. Congressional Control Over The USPTO's Funding.

The USPTO is a "fee-funded agency." This nomenclature is shorthand for a complex arrangement in which Congress annually appropriates funds to the USPTO based on annual USPTO fee collection estimates, but the USPTO repays these appropriated sums using fees it collects for its services. This statutory arrangement has resulted in a $0 net annual appropriation in recent years. *See, e.g.*, Pub. L. No. 116-93, div. B, 133 Stat. 2317, 2389 (2019).

By statute, fees collected by the USPTO are "available to the Director to carry out the activities of the Patent and Trademark Office," "[t]o the extent and in the amounts provided in advance in appropriations Acts." 35 U.S.C. § 42(c)(1). Thus, if the USPTO collects fees prior to receiving an appropriation or in excess of an existing appropriation, it cannot spend those funds until Congress authorizes it to do so through an appropriation. *Id.* Money collected under Title 35, including excess fees, "may only be used for expenses of the Office relating to the processing of patent applications and for other activities, services, and materials relating to patents and to cover a proportionate share of the administrative costs of the Office." *Id.* § 42(c)(3)(A). Additionally, in connection with the President's submission of annual budget requests, the Secretary of Commerce must submit in advance to Congress "any proposed disposition of surplus fees by the Office," *id.* § 42(e)(4), which Congress is free to reject. *See* Appx9077 (noting that the PTO "must still obtain congressional authority to use . . . 'excess' funds"). Accordingly, the PTAB does not have "responsibility for USPTO's budgetary request to the Office of Management and Budget," the President (not the USPTO) "submits the budget" requests to Congress, and "Congress ultimately sets the USPTO budget," regardless of the amount of fees the agency collects. *Mobility Workx, LLC v. Unified Patents, LLC*, 15 F.4th 1146, 1154 (2021).

In fact, Congress has not always appropriated to the USPTO all of the fees it collects. *See, e.g.*, Pub. L. No. 111-117, 123 Stat. 3034, 3116 (2009) (appropriating $1.8 billion to the USPTO and providing no authority to spend any additional fees collected). There are over a billion dollars in fees credited to USPTO accounts in the Treasury that the USPTO has collected but Congress has not authorized it to spend. USPTO, *Agency Financial Report* 36-37 (2022), https://perma.cc/GU22-FNRH. Congress may appropriate fees collected by the USPTO to other parts of the government. *Figueroa v. United States*, 466 F.3d 1023, 1027, 1032-33 (Fed. Cir. 2006).

In recent years, Congress has appropriated funds to the USPTO in amounts equal to the expected fees. *See, e.g.*, Appx4858-4859[1] (133 Stat. at 2389-90). As the USPTO collects fees, it repays its appropriated funds. *Id.* If the USPTO collects less revenue from fees than expected, its appropriation is reduced to match the fees collected. *Id.* In the last few years, Congress has appropriated to the USPTO all the money it collects as fees so that no additional appropriation is required for the USPTO to spend this money. *Compare id.* (fiscal year 2020 appropriation providing that fees collected "shall remain available until expended"), *with* 123 Stat. at 3116 (fiscal year 2010 appropriation setting a maximum appropriation with no authority to spend additional funds that the USPTO might collect). The handling of USPTO fees is addressed annually by Congress in the appropriations process and can change from year to year. *Id.*; Appx9075-9076.

Traditionally, Congress has set fees for USPTO services by statute, subject to adjustments for inflation carried out by the agency. *See, e.g.*, 42 U.S.C. § 41 (2002); Appx9075-9076. In the AIA, Congress granted the USPTO Director

[1] This and other appendix citations relevant to New Vision's constitutional challenge are to portions of the record that were not in the record before the Board. As explained below, this Court should decline to reach this issue in light of New Vision's failure to raise it before the Board at the appropriate time. We nevertheless address New Vision's arguments and citations in the event that the Court reaches them.

temporary authority to set and adjust fees by regulation. AIA § 10(a)(1), 125 Stat. 284, 316 (2011). This authority currently expires in 2026, unless reauthorized. Study of Unrepresented Classes Chasing Engineering and Success Act of 2018, Pub. L. No. 115-273, § 4, 132 Stat. 4158, 4159. Congress has also given the Director ongoing authority to set specific fees, including the fees for the CBM review at issue in this case. 35 U.S.C. § 321(a).

The Director can set or adjust fees "only to recover the aggregate estimated costs to the Office." AIA § 10(a)(2), 125 Stat. at 316. Prior to adjusting fees under the AIA, the Director must consult with the relevant Public Advisory Committee. AIA § 10(d), 125 Stat. at 317. She must also publish the proposed fees and her rationales and allow for public comment. AIA § 10(e), 125 Stat. at 317-18. The USPTO must report on this process to Congress, AIA § 10(e)(1)(C), 125 Stat. at 317, which can, of course, adjust fees by statute. Fees cannot take effect for 45 days, providing Congress with the opportunity to enact a law "disapproving such fee." AIA § 10(e)(4), 125 Stat. at 318.

The USPTO reviews fees biennially. *See, e.g.*, Setting and Adjusting Patent Fees During Fiscal Year 2020, 85 Fed. Reg. 46,932 (Aug. 3, 2020). The USPTO can adjust fees to compensate when the volume of a particular type of filing is lower than expected. Appx4169. The USPTO currently charges the petitioner in an inter partes or post-grant review a fee to consider a petition to institute and a separate fee to conduct the trial if a review is instituted. *See* 85 Fed. Reg. at 46,944.

The use of fees to defray agency costs is common in the federal government. More than 25 federal agencies receive a portion, if not all, of their operating costs through user fees and other annual assessments. *See* Admin. Conference of the U.S., *Sourcebook of United States Executive Agencies* 109-10 (2d ed. 2018); *see also* U.S. Gen. Accounting Office, GAO/AIMD-98-11, *Federal User Fees: Budgetary Treatment, Status, and Emerging Management Issues* (Dec. 1997), https://perma.cc/9F8R-TJ8W. For example, the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, the National Credit Union Administration, the Federal Reserve Board, the Federal Housing Finance Agency, the National Indian Gaming Commission, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Federal Communications Commission all recover at least a portion of their operating costs by levying assessments on the entities they regulate.[2]

[2] *See* 12 U.S.C. § 2250 (annual assessment by Farm Credit Administration covers cost of administering programs); 42 U.S.C. § 2214 (Nuclear Regulatory Commission budget offset by annual charges); 12 U.S.C. § 16 (Office of the Comptroller of the Currency funded by annual assessments on national banks and federal savings associations); 12 U.S.C. § 1755 (National Credit Union Administration funded by assessment of annual fees); 12 U.S.C. § 243 (Federal Reserve Board imposes semi-annual assessments on Federal Reserve banks to pay salaries and other expenses);12 U.S.C. § 4516 (Federal Housing Finance Agency

Continued on next page.

2. The Patent Trial And Appeal Board.

a. In the AIA, Congress created inter partes review, post-grant review, and a special "transitional post-grant review proceeding for review of the validity of covered business method patents" (CBM proceedings). *See* 35 U.S.C. §§ 6(a), 311; AIA § 18, 125 Stat. at 329-31.[3] These proceedings are conducted before the PTAB, the successor to the Board of Patent Appeals and Interferences. In addition to AIA proceedings, the PTAB conducts trials in derivation proceedings, hears appeals from adverse examiner decisions in patent applications and reexamination proceedings, and renders decisions in interferences. 35 U.S.C. § 6(b).

AIA proceedings, including CBM review, have two stages. First, the Board[4] decides whether to institute proceedings. This decision is "final and

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funded by annual assessments); 25 U.S.C. § 2717 (National Indian Gaming Commission funded entirely by fees collected from certain gaming operations); 12 U.S.C. § 1817(b)(2)(A) (Federal Deposit Insurance Corporation assesses fees to fund its deposit insurance program); 15 U.S.C. §§ 77f(b), 78m(e), 78n(g), 78ee(i) (requiring the Securities and Exchange Commission to collect fees to offset certain appropriations); 42 U.S.C. § 7178(f) (requiring the Federal Energy Regulatory Commission to collect fees to offset appropriations); Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2242, 2449 (2015) (all Federal Communications Commission appropriations offset by regulatory fees).

[3] Under Section 18 of the AIA, the transitional program for post-grant review of CBM patents sunset on September 16, 2020. AIA § 18(a), 125 Stat. at 329-31. There are no CBM proceedings currently pending at the USPTO, although some are pending on appeal to this Court.

[4] By regulation, the Director has delegated the authority to "institute" proceedings to the Board. *See* 37 C.F.R. §§ 42.108 (inter partes), 42.208 (post-grant), 42.300(a) (making covered business method patent review subject to the post-grant review regulations, including Section 42.208); *id.* § 42.4(a).

nonappealable." *See* 35 U.S.C. §§ 314(d), 324(e). If the agency decides to institute proceedings, the Board's final written decision as to patentability is subject to judicial review in this Court. *See id*. §§ 318(a), 319, 328(a), 329.

CBM review is one of many USPTO services for which the Director sets fees under the current regime. Fees for post-grant review, inter partes review, and CBM review are set by the Director in light of the "aggregate costs" of these proceedings. 35 U.S.C. § 311(a) ("The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review."); *id.* § 321(a) (same). At the time of New Vision's institution proceeding, the fee for CBM trials was set to less than their cost to the USPTO, so these trials were conducted at a loss. 85 Fed. Reg. at 46,946.

b. The PTAB is made up of four statutory members and several hundred administrative patent judges (APJs). USPTO, *Performance and Accountability Report* 19 (2021), https://perma.cc/3BZ6-W8MG. APJs "shall be persons of competent legal knowledge and scientific ability." 35 U.S.C. § 6(a). APJs have both technical and legal training, including extensive patent legal experience prior to their appointment on the Board. USPTO, *New to PTAB*, https://perma.cc/D5B7-PYDF. Many also have served as USPTO examiners or judicial law clerks. *Id.*

APJ compensation in the form of base salary is subject to a statutory cap. 35 U.S.C. § 3(b)(6) (stating "[t]he Director may fix the rate of basic pay for the administrative patent judges . . . at not greater than the rate of basic pay payable for level III of the Executive Schedule"). Because of the level of expertise typical for an APJ, most APJs receive the maximum salary allowed by law. Appx3881-3887. Although an APJ also may receive a bonus, *i.e.*, a performance award, even if they already are at the base salary cap, the aggregate total of base salary and any bonus is further subject to a regulatory cap. 5 C.F.R. § 530.203(a) (limiting total compensation to level I of the Executive Schedule); U.S. Office of Pers. Mgmt., *Pay & Leave Salaries & Wages* (Jan. 2022), https://perma.cc/5UUL-RR74 (presenting a salary table for levels III and I of the Executive Schedule); Appx3622-3667. Thus, APJ compensation is capped by statute and regulation, and that cap does not change based on the outcome in any case before the Board.

APJs are subject to annual performance reviews. Their evaluations are based on their performance in four areas (known as critical elements): the quality of their decisions, the quantity of their decisional output in a variety of proceedings (*i.e.*, "Production," discussed below), their support of the mission of the Board, and their interactions with stakeholders (both internal and external). Appx3626-3646. APJs with "fully successful" or higher performance reviews are eligible for an end-of-year performance award bonus of up to $10,000, which represents less than 6%

of most APJs' pay. Appx3881-3887. An outstanding performance rating is reserved for "rare" instances of "high-quality performance" that "substantially exceed fully successful standards." Appx3644; Appx4061. A commendable performance rating reflects "unusually good" performance. Appx3644; Appx4061.

APJ compensation, whether it be base salary, bonus, or a combination, does not depend on outcomes of AIA institution decisions. 35 U.S.C. § 3(b)(6); 5 C.F.R. § 530.203; *see also, e.g.*, Appx3626-3667; Appx4036-4063; Appx3622-3625. An APJ is paid the same amount regardless of the number of AIA trials instituted by the Board or by the particular APJ.

Of the APJ's total performance review score, 35% is based on "Production," which corresponds to the APJ's work authoring decisions in AIA proceedings and other matters decided by the Board, such as ex parte appeals, derivation proceedings, and interference proceedings. Appx3642; Appx4042-4043. Production scores do not translate directly from the sheer number of decisions an APJ authors; rather, each decision is assigned a number of "decisional units" based on the type of decision and the complexity of the particular case. Appx3630-3632; Appx3814; Appx3843-3845; Appx4042-4046; Appx4080-4084. APJs receive decisional units for both decisions on institution and final written decisions in AIA proceedings, as well as for work on non-AIA proceedings, such as decisions in ex parte appeals. *See, e.g.*, Appx3823; Appx4042. The number of decisional units does not depend on the outcome of a case. *See, e.g.*, Appx3844; Appx4042-4046; Appx4080-4084. Because “Production” is only one of four critical elements on which APJ performance ratings are based, an APJ’s Production score does not by itself determine his or her overall performance rating. Appx4065-4066; Appx3643; Appx4060.

B. Factual And Procedural History

1. New Vision owns U.S. Patent Number 7,451,987, which is “directed generally to a method of playing a bonus wager in a card game.” Appx123. The bonus hand, made up of one card from each player, may be compared to a table of ranked hands to determine whether it is a winner. Appx125. In December 2017, appellee SG Gaming filed a petition to institute CBM review of the patent pursuant to Section 18 of the AIA. Appx2002-2042.

In June 2018, exercising authority delegated from the Director, the Board granted SG Gaming’s petition and instituted CBM review. Appx206-239. The Board concluded that the patent was a “covered business method patent” within the meaning of the statute and relevant regulations and that SG Gaming had demonstrated that it was more likely than not that these claims were unpatentable under 35 U.S.C. § 101. Appx207.

The Board rejected New Vision’s argument that it should not institute proceedings because a contract between New Vision and SG Gaming included a forum selection clause in favor of Nevada courts. Appx213-214. The Board examined the relevant statutory provisions, including 35 U.S.C. §§ 322, 324, and 326, and concluded that it did "not discern, nor has Patent Owner pointed to, any portions of chapter 32 or § 18 of the AIA, or authority otherwise, that explicitly provide for a contractual estoppel defense" or "that would require [the Board] to deny institution of a covered business method patent review based on contractual estoppel." Appx214-216.

The parties proceeded to the trial phase. New Vision also filed a motion to amend its patent claims for both patents pursuant to 37 C.F.R. § 42.221(a). Appx2724-2736. The Board ultimately concluded in its final written decision that the challenged claims were unpatentable under 35 U.S.C. § 101, and denied the motion to amend. Appx121-186.

In its filings before the Board, New Vision argued that its patents were valid, but did not raise any constitutional challenges to the Board. Appx2737-2761; Appx3399-3408. Nor did it raise a constitutional challenge at the oral hearing before the Board. *See* Appx3479-3529 (oral hearing transcript).

New Vision requested Board rehearing in July 2019, arguing, *inter alia*, that the Board should not have instituted proceedings in light of the forum selection clause. Appx3530-3547. In making this argument, New Vision discussed two cases in which *courts* have found that a party's choice to petition the USPTO to institute an AIA proceeding was contrary to its contractual obligations regarding forum selection, and New Vision then asserted that "the USPTO should have required that [SG Gaming] seek permission from the Nevada District Court to proceed in the PTAB . . . or denied institution outright." Appx3536-3538. New Vision did not make any arguments or cite any cases regarding the Board's authority or obligation to enforce contractual obligations.

The Board denied rehearing in a reasoned decision on November 20, 2019. Appx188-204. The Board found that the request for reconsideration of the institution decision was untimely. Appx190. The Board also rejected New Vision's contentions on the merits, explaining that "[n]one of these statutory provisions [governing CBM review] expressly grant us the authority to enforce contractual obligations between the parties such as by ordering Petitioner to comply with the forum selection clause" and New Vision had identified no "controlling authority that requires the Board to deny institution of a CBM review based on contractual estoppel." Appx193-194 (emphasis omitted). The Board reasoned that the forum selection clause may be enforceable, but the patent owner "must obtain that relief from the district court." Appx196.

2. New Vision filed a timely notice of appeal with the Federal Circuit on January 19, 2020.[5] Appx1956. In its notice of appeal, New Vision for the first time asserted an Appointments Clause challenge. Appx1957-1958. New Vision also asserted for the first time that "delegation of the institution decision to the same panel that makes the final written decision violates the Due Process Clause" but did not assert any due process challenge regarding the Board's funding structure. Appx1957.

In its opening brief in this Court, New Vision added another new constitutional argument, asserting in addition to its Appointments Clause challenge that the Board's funding mechanism creates a structural due process violation. This Court certified the constitutional questions to the Attorney General pursuant to Federal Rule of Civil Procedure 44(a) and 28 U.S.C. § 2403(a). New Vision moved for this Court to take judicial notice of over 1,200 pages of material in support of that claim, none of which was part of the record below. ECF 36. SG Gaming opposed the motion. ECF 43. This Court deferred consideration of the

[5] New Vision also filed a notice of appeal challenging the Board's decision on a related patent, Patent Number 7,325,806. That patent has since expired for failure to pay maintenance fees. ECF 126. New Vision moved to withdraw that appeal, which was originally consolidated with this appeal, and the Court granted the motion. Order at 2, *New Vision Gaming & Dev., Inc. v. SG Gaming, Inc.*, No. 2020-1399 (Fed. Cir. Aug. 4, 2022).

motion for judicial notice to the merits panel. Order, *New Vision Gaming & Dev., Inc. v. SG Gaming, Inc.*, No. 2020-1399 (Fed. Cir. Sept. 2, 2020).

After argument, this Court vacated the Board's decision "and remand[ed] for further proceedings consistent with" this Court's opinion in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Opinion at 3, *New Vision Gaming & Dev., Inc.*, No. 2020-1399 (May 13, 2021). This Court held that it "need not reach any other issue presented in this case." *Id.* Judge Newman concurred in part and dissented in part. Although Judge Newman agreed that a remand would ordinarily be warranted in light of *Arthrex*, she would have reached the forum selection clause issue first to determine whether there should be any further proceedings before the Board. The Court denied the motion for judicial notice as moot. Order, *New Vision Gaming & Dev., Inc. v. SG Gaming, Inc.*, No. 2020-1399 (Fed. Cir. May 13, 2021).

3. The government petitioned for certiorari on May 21, 2021 regarding *Arthrex*. On June 21, 2021, the Supreme Court issued its opinion in *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021). The Supreme Court subsequently granted the government's petition for certiorari, vacated this Court's opinion, and remanded to this Court. Judgment at 2, *Hirshfeld v. Implicit, LLC*, 142 S. Ct. 394 (2021) (No. 20-1631). This Court remanded the case to the Board "for the limited purpose of allowing appellant the opportunity to request Director rehearing of the final written decisions" and retained jurisdiction over the appeal. Order at 2, *New Vision Gaming & Dev., Inc.*, No. 2020-1399 (Dec. 3, 2021).

New Vision requested Director review. Appx9207. In that request, it urged that the Board had erred in instituting proceedings in light of its forum selection clause and that the PTAB's funding and compensation structure violated due process. Appx9211. On the due process challenge, New Vision referenced its prior briefing in this Court as well as some additional materials. Appx9220-9224. The Director denied the request without opinion, and ordered that the Board's "Final Written Decision in this case is the final decision of the agency." Appx9229.

SUMMARY OF ARGUMENT

New Vision launches two attacks on the Board's decision cancelling its patent claims regarding a method of playing a card game; both are foreclosed by precedent.

First, New Vision raises a structural due process challenge, asserting that the USPTO's funding and compensation arrangements introduced unconstitutional bias into the Board's decision to institute CBM review. As an initial matter, New Vision forfeited this fact-heavy and data-driven argument by failing to timely raise it—or many of the extra-record materials it has added to its Appendix without leave of this Court—before the Board. But even if this Court addresses the merits of this belated challenge, it fails under *Mobility Workx, LLC v. Unified Patents, LLC*, 15 F.4th 1146 (Fed. Cir. 2021), in which this Court rejected both the institutional-bias and personal-financial-interest arguments New Vision makes here. As this Court explained, Congress—not the PTAB officials New Vision focuses on, or even the USPTO Director—controls the USPTO's ability to use the fees it collects, and so any claim that APJs have an unconstitutional temptation to institute CBM reviews to secure additional funding for the agency fails. This Court further examined APJs' compensation and concluded that neither their salaries nor their potential to earn bonuses turned on whether they instituted reviews, defeating the claim that APJs have a personal pecuniary interest in the outcome of their institution decisions. New Vision concedes that in *Mobility Workx*, this Court rejected the same arguments New Vision raised in its first appeal to this Court. This Court should reject New Vision's attempt to relitigate or distinguish away that case. Quite simply, *Mobility Workx* controls, and no "new developments and insight" now mentioned by New Vision for the first time (Br. 29) suggest otherwise.

Next, New Vision contends that the Board erred in instituting this CBM review. New Vision asserts that a forum-selection clause in a contract with SG Gaming should have precluded SG Gaming from seeking such review and insists that the Board was obliged to use its discretion to deny CBM institution to give effect to its asserted contractual right. But the agency's decision "whether to institute" a CBM review is "final and nonappealable" under 35 U.S.C. § 324(e). As the Supreme Court has held regarding the "No Appeal" provision in 35 U.S.C. § 314(d), which applies to institution of inter partes review, such language bars judicial review of the agency's exercise of discretion whether to institute review—even when the agency applies statutes conditioning that institution discretion. *See Thryv, Inc v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020). This reasoning applies equally to the materially identical "No Appeal" provision in Section 324(e) regarding institution of CBM review. *SIPCO, LLC v. Emerson Elec. Co.*, 980 F.3d 865, 870 (Fed. Cir. 2020). Here, New Vision does not contend that any statutory provisions required the Board to deny review based on its asserted forum-selection clause. Instead, New Vision directly attacks the Board's exercise of its institution discretion under 35 U.S.C. § 324(a). A party wishing to assert a forum-selection clause may seek relief from the appropriate court, so the judicial-review bar in Section 324(e) does not make such clauses unenforceable. *See Nippon Shinyaku Co. v. Sarepta Therapeutics, Inc.*, 25 F.4th 998 (Fed. Cir. 2022). But a party may not insist that the Board misapplied its discretion by declining to resolve a contractual question which the USPTO has no statutory mandate to consider.

ARGUMENT

I. Standard Of Review.

This Court reviews constitutional challenges to acts of Congress and statutory interpretation questions de novo. *See Demko v. United States*, 216 F.3d 1049, 1052 (Fed. Cir. 2000).

II. New Vision Forfeited Its Structural Due Process Challenge By Failing To Raise It Before The PTAB.

This Court should decline to consider New Vision's structural due process challenge because New Vision did not raise it at the appropriate stage in the administrative process. "[A]s a general rule . . . courts should not topple over administrative decisions unless the administrative body not only has erred, *but has erred against objection made at the time appropriate under its practice*." *Woodford v. Ngo*, 548 U.S. 81, 90 (2006) (quoting *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 37 (1952)) (alterations in original). Thus, the "general rule" is that "a federal appellate court does not consider an issue not passed upon below," although courts maintain "discretion to decide when to deviate from that general rule." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1326 (Fed. Cir. 2019) (quoting *Singleton v. Wulff*, 428 U.S. 106, 120 (1976)); *In re NuVasive, Inc.*, 842 F.3d 1376, 1380 (Fed. Cir. 2016) (This Court's "review of the [PTAB]'s decision is confined to the four corners of that record."

(alteration in original) (quoting *In re Watts*, 354 F.3d 1362, 1367 (Fed. Cir. 2004))).

Before the PTAB, New Vision filed multiple substantive briefs and participated in an oral hearing, but did not raise a constitutional challenge until after it had lost on its merits argument. *See* Appx2737-2761; Appx3479-3529; Appx3399-3408. New Vision mentioned some (although not all) of the materials it now seeks to introduce in its filing before the Director on remand, but this came too late. The remand was "for the limited purpose of allowing appellant the opportunity to request Director rehearing of the final written decisions," Order at 2, *New Vision Gaming & Dev., Inc.*, No. 2020-1399 (Dec. 3, 2021), and, on remand, New Vision's request for Director's review was not an opportunity to introduce previously forfeited issues, *see* USTPO, *Interim Process for Director Review*, https://perma.cc/BRE5-SPRP (providing that "[t]he Director will not consider new evidence or arguments not part of the official record"). Having failed to raise its structural due process challenge before the Board at the appropriate time, New Vision is not entitled to raise it on appeal.

Nor does *Mobility Workx, LLC v. Unified Patents, LLC*, 15 F.4th 1146 (Fed. Cir. 2021), support a different result. This Court there indicated that some "constitutional challenges to the statute under which the agency operates need not be raised before the agency," at least where the agency has had an opportunity to determine that "the only issue is the constitutionality of a statutory requirement." *Id.* at 1151 (quoting *Weinberger v. Salfi*, 422 U.S. 749, 765 (1975)). But such a rule does not excuse New Vision's previous silence on this topic. New Vision's structural due process challenge is not to the statute, but to the USPTO's internal structure and processes. *See* Appx9223-9224. And it involves numerous allegations regarding the USPTO's funding structure, the functioning of the PTAB, and the roles and relationships between its members. *See* Br. 35-45. USPTO funding and the role and influence of USPTO fees on PTAB decisions are precisely the type of "threshold questions that may accompany a constitutional claim" to which the agency should have a full opportunity to "apply its expertise." *See Elgin v. Department of the Treasury*, 567 U.S. 1, 22-23 (2012). The PTAB is, of course, extremely familiar with its own performance appraisal and internal review systems and is best positioned to address in the first instance New Vision's assertion that the fees it charges and the performance rating system it employs influence its members' judicial decisionmaking. Thus, while this Court has the "discretion" to consider New Vision's belated arguments, *Mobility Workx*, 15 F.4th at 1151, it should decline to exercise it to address New Vision's "fact-specific question[s] that agency expertise is best suited to consider in the first instance," *cf. Malladi Drugs & Pharm., Ltd. v. Tandy*, 552 F.3d 885, 891 (D.C. Cir. 2009); *see also Mobility Workx*, 15 F.4th at 1151-52 (deciding to address analogous "due process issues" where granting a challenger's motion for judicial notice and "resolv[ing] the issues to which they pertain" against the challenger would not "prejudice[]" the government).

Indeed, the fact-specific nature of New Vision's challenge is highlighted by New Vision's attempted addition to the Appendix of thousands of pages that were not before the Board. In *Mobility Workx*, this Court granted an appellant's motion for judicial notice of similar extra-record documents, but only because "even considered in isolation," those documents did "not establish a due process violation," and the government was not "prejudiced by [the Court's] decision to take judicial notice of these documents and to resolve the [constitutional] issues to which they pertain without a remand." 15 F.4th at 1151-52. Here, New Vision has not even moved for judicial notice, instead choosing to simply add extra-record materials to the Appendix without this Court's leave.[6] Thus, particularly if the Court believes that the new documents raise any constitutional questions not disposed of by *Mobility Workx*, *but see infra* Sec. III.B.3, the Court should decline

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[6] New Vision previously recognized the need for this Court's permission before adding materials to the Appendix in this case, having filed a motion for judicial notice of some (though not all) of these additional materials prior to remand. ECF 36. This Court denied that motion as moot, and New Vision has not renewed it. Order at 2, *New Vision Gaming & Dev., Inc.*, No. 2020-1399 (May 13, 2021).

both to consider New Vision's improper attempt to expand the record on review and to reach those questions here.

III. This Court's Opinion In *Mobility Workx* Forecloses New Vision's Constitutional Challenge.

If this Court were to reach New Vision's constitutional challenge, it should reject it as controlled by *Mobility Workx*.

A. Under *Mobility Workx*, New Vision's structural due process challenge is meritless.

In *Mobility Workx*, this Court examined a trio of Supreme Court cases addressing structural bias claims: *Tumey v. Ohio*, 273 U.S. 510 (1927); *Dugan v. Ohio*, 277 U.S. 61 (1928); and *Ward v. Village of Monroeville*, 409 U.S. 57 (1972). These cases examined "mayor's courts" in which mayors received compensation for performing judicial functions. *See Mobility Workx*, 15 F.4th at 1152-53. Taken together, these cases demonstrate that a temptation for the decisionmaker to reach a certain outcome can raise constitutional concerns even in the absence of indications of actual bias, but there is a high bar for demonstrating that such temptation is present. Where a mayor "did not receive fees from the conviction of defendants but instead received a fixed salary" paid from a general fund into which fines were deposited, he "did not have an impermissible personal financial interest in convictions." *See id.* at 1153 (discussing *Dugan*, 277 U.S. at 63-65).

Unlike instances where a decisionmaker has a *personal*, pecuniary interest in a matter, the "mere fact that an administrative or adjudicative body derives a financial benefit from fines or penalties that it imposes is not in general a violation of due process." *Van Harken v. City of Chicago*, 103 F.3d 1346, 1353 (7th Cir. 1997); *accord Doolin Sec. Sav. Bank v. Federal Deposit Ins. Corp.*, 53 F.3d 1395, 1406 (4th Cir. 1995); *United States v. Benitez-Villafuerte*, 186 F.3d 651, 660 (5th Cir. 1999). The "official motive" must be "strong." *See Alpha Epsilon Phi Tau Chapter Hous. Ass'n v. City of Berkeley*, 114 F.3d 840, 845 (9th Cir. 1997) (quoting *Commonwealth of N. Mariana Islands v. Kaipat*, 94 F.3d 574, 582 (9th Cir. 1996)). Thus, where "fees paid by convicted parties also funded the village itself, and the mayor as 'the chief executive of the village . . . [wa]s charged with the business of looking after the finances of the village,'" the structure of the court violated due process principles. *Mobility Workx*, 15 F.4th at 1152-53 (alterations in original) (quoting *Tumey*, 273 U.S. at 533) (discussing *Ward*, 409 U.S. at 60). But if the decisionmaker was part of a five-member executive board instead of having sole personal responsibility, the structure was constitutional. *Ward*, 409 U.S. at 58, 60-61.

Applying this framework in *Mobility Workx*, this Court correctly rejected a structural due process challenge to the PTAB. The Court first disposed of a claim that PTAB leadership had an unconstitutional institutional interest in instituting reviews, explaining that any interest that PTAB officials have in securing institution fees for the agency is too remote to give rise to constitutional concerns. *See* 15 F.4th at 1154-55. The PTAB does not have "responsibility for USPTO's budgetary request to the Office of Management and Budget," the President (not the USPTO) "submits the budget" requests to Congress, and "Congress ultimately sets the USPTO budget," regardless of the amount of fees the agency collects. *Id.* at 1154 (quotation marks omitted); *accord Delaware Riverkeeper Network v. Federal Energy Regulatory Comm'n*, 895 F.3d 102, 112 (D.C. Cir. 2018).

The Court explained that this conclusion accords with *Patlex Corp. v. Mossinghoff*, 771 F.2d 480 (Fed. Cir. 1985), in which this Court "rejected a similar challenge to the fee structure for reexamination proceedings, which at the time granted applicants 'a refund of $1,200' if 'the Commissioner decide[d] not to institute a reexamination proceeding.'" *Mobility Workx*, 15 F.4th at 1155 (alteration in original) (quoting *Patlex*, 771 F.2d at 487). This Court "found no due process violation, distinguishing *Tumey* and *Ward* because 'in those cases the fines were discretionary and were levied at the initiative of those benefiting from the income; in the case of the [US]PTO the fees are set by Congress, and are paid by those members of the public who seek the benefits of the service.'" *Id.* (alteration in original) (quoting *Patlex*, 771 F.2d at 487).

After disposing of the due process challenge based on asserted "agency interest," this Court in *Mobility Workx* next rejected the argument that "individual APJs" had an unconstitutional personal "interest in instituting AIA proceedings because their own compensation in the form of performance bonuses is favorably affected." 15 F.4th at 1155. To raise due process concerns, the adjudicator's interest must be "direct, personal, substantial, [and] pecuniary," not "highly speculative and contingent." *Aetna Life Ins. Co. v. Lavoie*, 475 U.S. 813, 826 (1986) (alteration in original) (quoting *Ward*, 409 U.S. at 60); *see Tumey*, 273 U.S. at 523 (finding due process violation where official paid for convicting, but not for acquitting, a defendant).

Here, APJs have no financial stake in the outcome of their institution decisions. APJs receive salaries, with no link to the fees collected for AIA trials that they institute. *See Mobility Workx*, 15 F.4th at 1156. Likewise, as this Court explained, APJ bonuses are not dependent on reaching a particular outcome, nor do they turn on whether or not AIA proceedings are instituted in any or all cases. *See id.* (explaining that, as here, it was uncontested that "APJs have access to non-AIA work" that is "sufficient" for APJs to qualify for bonuses based on the quantity of work performed).[7] Nor do performance reviews turn on outcomes of any decision.

[7] Indeed, the Board received over 4,900 ex parte appeals in fiscal year 2022, and there were over 4,600 such appeals pending before the Board at the end of that

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See, e.g., Appx3622-3625; Appx3626-3667; Appx4036-4063. This arrangement "stands in sharp contrast to *Tumey* and *Ward*, which involved fees that were only collected upon conviction of the defendants." *Mobility Workx*, 15 F.4th at 1156.

Accordingly, for the reasons set out in *Mobility Workx*, New Vision's structural due process challenge is meritless.

B. New Vision's attempts to undermine or distinguish *Mobility Workx* are unavailing.

New Vision acknowledges that its "original argument" regarding structural due process was identical to that rejected by *Mobility Workx* and concedes that case "would [thus] ordinarily control the outcome here." Br. 29. Nonetheless, it offers "further explanation" as to why it considers that decision incorrect or distinguishable. Br. 30. New Vision's further suggestion that this Court overrule *Mobility Workx* en banc, *see id.*, indicates the degree to which its arguments are inconsistent with this Court's precedent.[8] As discussed below, none of New Vision's arguments calls that precedent into question or provides a basis for reaching a different result here.

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fiscal year. *See* USPTO, *Appeal and Interference Statistics*, 3, 5 (Sept. 30, 2022), https://perma.cc/AG7F-6YXN. And beyond decision drafting, APJs can also work on special projects—such as rulemakings—and seek to have their "production goal" adjusted in light of those projects. Appx4044.

[8] New Vision does not even claim, let alone demonstrate, that its attack on *Mobility Workx* meets Federal Rule of Appellate Procedure 35(a)'s "exceptional importance" standard for justifying en banc hearing or rehearing. *See* Br. 30.

1. New Vision devotes the bulk of its argument to relitigating this Court's conclusion in *Mobility Workx* that any institutional interest the Board has in collecting fees to aid the USPTO budget is too remote to create a due process problem. *See* Br. 29-59. But New Vision points to nothing that undermines the "fundamental[]" problem this Court identified with that argument: "*Congress* annually appropriates funds . . . based on annual USPTO fee collection estimates," and *"Congress* ultimately sets the USPTO budget." 15 F.4th at 1154-55 (second alteration in original) (emphases added) (quotation marks omitted) (noting that "[t]he agency's fees for institution and post-institution work on AIA proceedings do not automatically become available to the agency").

New Vision argues that *Mobility Workx* oversimplified the situation because the USPTO can "reprogram[]" fees with "notification" to Congress. Br. 40-41 (quoting Appx4849). As discussed in the briefing and decision in *Mobility Workx*, to the extent the USPTO has statutory authority to access "surplus funds collected in the Patent Trademark Fee Reserve Fund," Congress "controls" such funding and "may appropriate fees collected by the USPTO to other parts of the government." *Mobility Workx*, 15 F.4th at 1154 (discussing 35 U.S.C. § 42(e)(4), which requires the Commerce Secretary to submit to Congress "any proposed disposition of surplus fees by the Office"). The Court concluded that this "congressional control" was sufficient to "render[] any agency interest in fee generation too tenuous to constitute a due process violation under *Tumey*." *Id.* at 1155; *see also Kaipat*, 94 F.3d at 581-82 (considering that the legislature "could decide at any time" to make a different decision as to the disposition of the fees imposed). New Vision also errs (Br. 16) in asserting that the USPTO "accessed funds from the Reserve Fund without proceeding through the appropriations process." Congress must appropriate funds to the USPTO. 35 U.S.C. § 42(c)(1). The funds New Vision references were previously appropriated to be available until expended, and, even so, the USPTO spent them only "[a]fter successfully working through the reprogramming process with congressional appropriators." Appx5970; *see also* Appx6866; Appx9077.

New Vision also ignores the importance of congressional control over—and PTAB officials' limited role in—the USPTO budget in suggesting (Br. 34, 38-39) that the quantity of fees is by itself enough to raise a constitutional concern. New Vision relies on *Ward* for this point (Br. 34, 38-39), but in *Ward*, it was "the mayor's executive responsibilities for village finances" that made him "partisan to maintain the high level of contribution" from "the fines, forfeitures, costs, and fees" he imposed in his court to form "[a] major part of village income," apparently without the need for any annual appropriation by the legislature, *Ward*, 409 U.S. at 58-61. Indeed, the *Ward* court distinguished *Dugan* based on the "Mayor's relationship to the finances and financial policy of the city," not based on the percentage of revenue at stake. *Id.* at 60-61. New Vision's other citations regarding fee quantity similarly involve officials responsible for direct control of the relevant budget. *See, e.g.*, *Cain v. White*, 937 F.3d 446, 448-49, 454 (5th Cir. 2019) (finding a structural due process problem where fines and fees levied by judges went into a fund "over which 'the Judges exercise total control'" that can be "earmarked for specific purposes"), *cert. denied*, 140 S. Ct. 1120 (2020); *Rose v. Village of Peninsula*, 875 F. Supp. 442, 450 (N.D. Ohio 1995) (explaining that the statutes defining the "expanse of Mayor Ruoff's executive authority are the same statutes as those that defined the village mayor's authority in *Ward*," and considering whether the percentage of the town budget at issue was nevertheless too small to find a constitutional violation). And, in any event, even if PTAB officials *were* responsible for maintaining the USPTO budget, and Congress did *not* control that budget through annual appropriations, the aggregated post-institution fees collected, about $22 million in fiscal year 2021, Appx4335-4336, are dwarfed by the total fees, over $3 billion, collected by the USPTO that same year. *Compare Esso Standard Oil Co. v. Lopez-Freytes*, 522 F.3d 136, 147-48 (1st Cir. 2008) (finding a due process problem where a single fine that was twice the size of a board's annual operating budget would be deposited into fund over which that board "has complete discretion," where there were also indications of actual bias), *with* USPTO, *Performance and Accountability Report* 43 (2021), https://perma.cc/3BZ6-W8MG (revenue by fee type).

Moreover, at the time of New Vision's institution proceeding, the fee for CBM trials was set to less than the costs, so these trials were conducted at a loss for the agency. *See* 85 Fed. Reg. at 46,946. The did not generate additional revenue the USPTO might spend elsewhere. *Id.* This fact squarely contradicts New Vision's repeated and baseless assertion that USPTO's "status of a 'revenue-generating entity' contributes to the strong appearance of institution decisions being driven by an improper pecuniary interest." *See* Br. 30; *see also id.* at 1, 15, 25-27, 36, 39, 41, 54-59 (repeatedly referring to the USPTO or PTAB as a "revenue-generating entity"). New Vision does not even attempt to explain how PTAB leadership could have a financial incentive to institute proceedings conducted at a loss.

New Vision also asserts (Br. 36-38) that it is constitutionally suspect for one person to have both executive and judicial functions. But *Mobility Workx* correctly rejected this argument as "without merit." *Mobility Workx*, 15 F.4th at 1154 n.4. As the Supreme Court explained in *Tumey*, "[i]t is, of course, so common to vest the mayor of villages with inferior judicial functions that the mere union of the executive power and the judicial power in him can not be said to violate due process of law." 273 U.S. at 534; *see, e.g.*, *DePiero v. City of Macedonia*, 180 F.3d 770, 777 (6th Cir. 1999).

This Court has also rejected New Vision's arguments (Br. 45-46) that a constitutional problem is created by assigning the same judges to the panel at the institution stage and the trial stage. As this Court explained in *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023 (Fed. Cir. 2016), "[b]oth the decision to institute and the final decision are adjudicatory decisions and do not involve combining investigative and/or prosecutorial functions with an adjudicatory function." *Id.* at 1030. Such procedures are "directly analogous to a district court determining whether there is 'a likelihood of success on the merits' and then later deciding the merits of a case." *Id.* Far from being problematic, many courts encourage such arrangements for reasons of judicial efficiency. This Court's internal operating procedures, for example, provide that "[a] motions panel that decides to expedite an appeal may decide to reconstitute itself as the merits panel." Fed. Cir. IOP 3, ¶ 1.[9]

New Vision further suggests (Br. 46) that the Court should apply a more demanding structural due process standard in light of the bar on judicial review of institution decisions. But it does not even attempt to explain any connection

[9] Available at https://perma.cc/P958-5LG.

between a judicial review bar and the structural due process concerns addressed in *Dugan* and *Ward*.

2. New Vision's arguments with respect to its claim that individual APJs have an unconstitutional pecuniary interest in instituting CBM review are similarly wide of the mark. As an initial matter, New Vision's assertion (Br. 42) that "denying a petition . . . will likely affect [the APJs'] own financial and employment situation" is simply incorrect. New Vision's argument is that APJs will (1) wrongly institute proceedings in the hopes that (2) they will get a higher share of AIA work notwithstanding the agency's standard operating procedures, which require balancing assignments, in hopes that (3) they can do that work quickly enough to earn more decisional units (an agency measure of productivity) per hour than they would doing ex parte work, in hopes that (4) the positive effect of the increase in decisional units on their performance reviews will outweigh the negative effect from the erroneous decision, so that they will (5) earn slightly larger bonuses. First, New Vision cannot identify a factual basis or evidentiary support for the many links in this causal chain. And even if it could, this is far from the "direct" and "substantial" personal pecuniary benefit at issue in *Tumey*, where the decisionmaker received a portion of every fine he imposed. *Tumey*, 273 U.S. at 520, 523.

In any event, as this Court previously held, "[e]ven accepting Mobility's characterization of APJ compensation, . . . APJs do not have a significant financial interest in instituting AIA proceedings to earn a bonus." *Mobility Workx*, 15 F.4th at 1156; *see also id.* at 1156 n.6 (explaining that "any interest APJs have in instituting AIA proceedings to earn decisional units would be too remote to constitute a due process violation," and distinguishing cases where decisionmakers' incomes depended directly on the number of cases they could secure). As the Seventh Circuit observed, if an official's "very indirect, very tenuous" stake in the outcome—such as concerns that a decisionmaker's supervisor "may get angry and fire him"—were "enough to disqualify them on constitutional grounds, elected judges, who face significant pressure from the electorate to be 'tough' on crime, would be disqualified from presiding at criminal trials." *Van Harken*, 103 F.3d at 1353.

New Vision underscores the weaknesses in its argument (Br. 43) by seeking to rely on *Gibson v. Berryhill*, 411 U.S. 564 (1973), and *Rippo v. Baker*, 580 U.S. 285 (2017), both of which involve a far more direct and substantial personal interest than is present here. In *Gibson*, the Supreme Court found the requisite "substantial" pecuniary based on factual findings that a Board—which was composed entirely of self-employed optometrists—had "the aim of . . . revok[ing] the licenses of all optometrists in the State who were employed by business corporations," 411 U.S. at 578, in order to "fall heir" to the revokees' business, *id.* at 571. *Rippo v. Baker* is even farther afield, addressing a claim that "a judge could not impartially adjudicate a case in which one of the parties was criminally investigating [the judge]." 580 U.S. at 285. That situation raises strong personal interests wholly absent from the PTAB process.

3. Finally, New Vision contends (Br. 29-30) that the extra-record materials it has added to the Appendix without this Court's permission warrant departing from or overturning *Mobility Workx*. Even were this Court to consider these materials (which it should not do, see *supra* Sec. II), they do not undermine *Mobility Workx*.

New Vision points (Br. 1-2, 29, 47) to "Preliminary Observations" from the Government Accountability Office (GAO) indicating that APJs felt "pressure" from USPTO's prior internal decision review procedures, *i.e.*, pre-*Arthrex* procedures put in place to ensure Board decisions consistently applied Director-created policy and guidance. Appx9061; *see generally* Appx9047-9071.[10] As an

[10] These agency procedures were designed to ensure that PTAB decisions consistently applied Director-created USPTO policy and were detailed in the government's briefs in *Arthrex*. *See* Brief for the United States at 5-7, 26-33, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1434), 2020 WL 7024946; Reply and Response Brief for the United States at 6-17, *Arthrex*, 141 S. Ct. 1970 (No. 19-1434), 2021 WL 260644. The USPTO's prior "oversight practices" addressed by GAO included binding agency policy, such as Director-issued guidance and precedent. *See, e.g.*, Appx9055 (stating that "USPTO

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initial matter, the preliminary GAO observations do not provide any support for New Vision's erroneous suggestions that procedures "pressuring" APJs to comply with valid, binding agency policy, such as Director-issued guidance and precedent are constitutionally suspect. *See, e.g.*, Appx9055-9055 (describing history of USPTO Director "oversight through agency policy, memos, and other written guidance").

But even beyond that, and even assuming the preliminary GAO observations are retained in a final report, the "influence" discussed therein would not implicate structural due process concerns because the overseeing officials do not themselves have any impermissible incentives. In *Mobility Workx*, a Vice Chief APJ and an Acting Vice Chief APJ were on the PTAB panel, yet this Court held that their involvement in the decision did not create a due process problem because the

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directors have exercised oversight through agency policy, memos, and other written guidance, through which the USPTO director, via PTAB management, can provide direction on how to interpret certain areas of law, policy, or precedent that judge panels are required to follow"). The cited GAO observations discussing those procedures are merely preliminary, made without the benefit of a response from the agency as is routine in final GAO reports. The pre-issuance procedures it addresses have since been replaced with Director Review, as prescribed by the Supreme Court, which created a direct, post-issuance avenue for oversight of PTAB decisions. *See United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1987-88 (2021); 87 Fed. Reg. 43,249, 43,251-52 (Jul. 20, 2022) (describing current process in which "the Director is not involved, pre-issuance, in directing or otherwise influencing panel decisions" and "members of PTAB management do not provide feedback on decisions pre-issuance unless they are a panel member or a panel member requests such feedback").

agency leadership's "interest in fee generation [is] too tenuous to constitute a due process violation under *Tumey*." 15 F.4th at 1155. And multiple courts have rejected New Vision's suggestion that analogously attenuated official motives establish a constitutional defect. *See Van Harken*, 103 F.3d at 1352 (rejecting a structural due process challenge where the hearing officers who presided over parking tickets were "hired by, and can be fired at will by, the City's Director of Revenue, who may want to maximize the City's 'take' from parking tickets"); *Hammond v. Baldwin*, 866 F.2d 172, 178 (6th Cir. 1989) (rejecting claim that a state agency's adjudication of a permitting decision strongly supported by state leadership presented a structural due process problem); *Marcello v. Bonds*, 349 U.S. 302, 311 (1955) (rejecting as "without substance" a due process challenge to immigration proceedings on the basis that the adjudicator "was subject to the supervision and control of officials in the Immigration Service charged with investigative and prosecuting functions").

In any event, New Vision has no basis for suggesting that any leadership supervision of APJs' work under those now-superseded review procedures had any effect, let alone an unconstitutional effect, on the institution decision in this case. APJ leadership is evaluated in part on the goal of managing the overall average pendency of the PTAB's inventory of ex parte appeals and issuing timely decisions in AIA proceedings, Appx4006; Appx4032, goals that would not be furthered by instituting unnecessary proceedings.[11] In fact, the APJs and PTAB leadership have every incentive to institute trials only based on their analysis of the parties' arguments in light of the facts, evidence, and law.

New Vision also points (Br. 23, 26-27) to research purporting to show that it takes fewer hours of work on average to earn a decisional unit through an AIA proceeding than through an ex parte proceeding, and a quote from one former APJ who agreed with this proposition during a panel discussion. This data has not been tested through the administrative process, and does not appear to have been independently reviewed —highlighting the impropriety of New Vision's belated introduction of it into this Court—and there is reason to doubt it.[12] But even were

[11] Indeed, Board precedent has implemented numerous procedures and policies that provide additional bases to deny institution under certain circumstances, even if the merits of a petition warrant institution, to address fairness, balance, predictability, and other stakeholder concerns. *See* Memorandum from Katherine K. Vidal to Members of PTAB, Interim Procedure for Discretionary Denials in AIA Postgrant Proceedings with Parallel District Court Litigation (June 21, 2022), https://perma.cc/88F6-24T2 (discussing prior policies regarding denial of institution).

[12] Another former APJ on the panel had the opposite view, stating that "instituting trial and wading through a year worth of trial, and then writing your hundred plus page final decision would [not] necessarily be the most efficient way to" maximize decisional units. IP Watchdog, PTAB Masters 2021, Day 3, at 2:14 (Apr. 21, 2021), https://www.ipwatchdog.com/video-archive/ptab-masters-2021-day-3-april-21-2021 (Peter Chen). And the cited research and amicus brief by Katznelson have a number of methodological errors. For example, they use the USPTO's Fee Unit Expense to estimate the average number of hours an APJ spends on an AIA proceeding, *see* Katznelson Amicus Br. 8, but fail to take into account outcomes like settlement and joinder that reduce the average amount of

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New Vision correct about hours spent per decisional-unit, that variation in the work APJs do would not have constitutional significance. Any purported "incentive to institute AIA proceedings," created by such variation "would be too remote to constitute a due process violation." *Mobility Workx*, 15 F.4th at 1156. Indeed, it is unclear why New Vision believes there would be any such incentive, since APJs do not need to institute review to work on AIA proceedings. The USPTO has policies in place to even out workloads among APJs, including balancing assignment of new AIA proceedings to each APJ. *See* Appx4351; Appx4362 (providing that if an APJ is "below his or her target participation level in AIA proceedings," that judge is given priority when assigning new AIA proceedings).

Moreover, this system reflects the reality that the Board has a large quantity of AIA work to be completed within tight statutory deadlines. To the extent that New Vision's argument turns on hypothesizing a future in which APJs might consider there to be too few AIA proceedings to earn their desired number of AIA-

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time spent per proceeding. *See* Appx4245-4269 (explaining how the Fee Unit Expense is calculated); *see also* Appx4270-4314; USPTO, *PTAB Trial Statistics FY21 End of Year Outcome Roundup IPR, PGR, CBM* 10-13, https://perma.cc/3WWP-XHQX (settlement rates of 22-32%). The number of decisional units credited for trial proceedings is determined on a case-by-case basis in light of the complexity of the proceeding, and the PTAB also regularly employs mechanisms, such as crediting additional decisional units, to account for instances when the time spent on a decision varies significantly from the default. Appx3892; Appx3935; Appx3961; Appx3985; Appx4044-4045; Appx4082-4083.

related decisional units, this Court should decline to engage in such speculation, particularly given the agency's demonstrated ability to change the performance review metrics to respond to current conditions. *Compare* Appx3630 (setting numerical decisional-unit thresholds for top ratings), *with* Appx3891 (no numerical threshold for top two ratings).

IV. New Vision May Not Challenge The Board's Institution Decision.

New Vision also seeks review of the Board's decision to institute proceedings in this case, arguing that the Director and the PTAB "failed to exercise their discretion" to deny review in light of the forum-selection clause. Br. 60. But Congress made institution decisions "final and nonappealable," 35 U.S.C. § 324(e)), foreclosing appellate review of New Vision's challenge. *See SIPCO, LLC v. Emerson Elec. Co.*, 980 F.3d 865, 869-70 (Fed. Cir. 2020).

The Supreme Court's treatment of Section 314(d)'s materially identical "No Appeal" provision in inter partes review makes clear that New Vision's attempt to evade Section 324(e) is baseless. The Court has held that Section 314(d) "preclud[es] review of the Patent Office's institution decisions" with sufficient clarity to overcome the "'strong presumption' in favor of judicial review," even in cases in which the agency's institution decision is alleged to have violated a statutory condition. *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016)).

Section 324(e) speaks with identical clarity, and bars judicial review of the agency's decisions to institute CBM review.

New Vision argues (Br. 66-67) that the statute bars review of only the Board's institution decisions—made on the Director's delegated authority, *see* 37 C.F.R. § 42.4(a)—but not the Director's determinations reviewing those decisions. But the plain language of the statute provides that "[t]he determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable." 35 U.S.C. § 324(e).

New Vision is on no firmer ground in asserting (Br. 67) that this Court can review the Director's decision not to reverse the institution decision, even though it cannot review the institution decision. An assertion that the Board "should have terminated the proceeding is merely 'a contention that the agency should have refused to institute'" it in the first place. *Uniloc 2017 LLC v. Facebook, Inc.*, 989 F.3d 1018, 1026 (Fed. Cir. 2021); *see also, e.g.*, *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, 33 F.4th 1348, 1354 (Fed. Cir. 2022) (holding that "the Board's termination decision on remand, which depends on its analysis of § 315(b)'s time bar and changed Patent and Trademark Office policy related thereto, is final and nonappealable").

Nor is there any doubt that New Vision's complaint regarding a forum-selection clause in its contract with SG Gaming is an attack on the institution decision. In that decision, the PTAB considered the significance of the forum selection clause and determined that instituting proceedings in spite of that clause was consistent with 35 U.S.C. § 324(a) and the remainder of the statute. Appx94-96. Review of this decision is barred under "*Cuozzo*'s holding that § 314(d) bars review at least of matters 'closely tied to the application and interpretation of statutes related to' the institution decision." *Thryv*, 140 S. Ct. at 1373 (quoting *Cuozzo*, 579 U.S. at 275). New Vision's claim to the contrary (Br. 60) ignores that it is challenging the Board's exercise of its institution discretion under Section 324(a) itself. Where a litigant contends "essentially, that the agency should have refused to institute" a requested review, that "contention [is] unreviewable" under the language of Section 324(e), regardless of how a litigant may frame its attack on an institution decision. *Thryv,* 140 S. Ct. at 1377.[13]

[13] New Vision erroneously suggests that the Board misunderstood the scope of its discretion and considered itself bound to institute review in the absence of a statutory bar on institution based on a "contractual estoppel defense." *See, e.g.*, Br. 63-65. But the Board merely observed that there was no such defense explicit in the statute and that New Vision "identified no . . . authority—such as by statute, rule, or binding precedent—that would *require us to deny* institution of a covered business method patent review based on contractual estoppel." Appx95-96 (emphasis added). And the Board concluded that to the extent New Vision sought some *other* remedy based on its contract with SG Gaming—such as "ordering [SG Gaming] to seek permission from the Nevada district court to file a petition" or "awarding damages to either party for breach of contract disputes"—it lacked authority to provide such affirmative relief. Appx73-74. But even had the Board considered its discretion to decline institution under Section 324(e) limited, New Vision's challenge would simply constitute "an ordinary dispute about the

Continued on next page.

New Vision demonstrates its misunderstanding of the governing law by advocating an exception to this straightforward interpretation of Section 324(e)'s "final and nonappealable" provision for forum-selection clause issues, seeking to analogize its case to *Nippon Shinyaku Co. v. Sarepta Therapeutics, Inc*., 25 F.4th 998 (Fed. Cir. 2022), and asserting that forum selection clauses will become meaningless if the Court does not review institution decisions. Br. 65-68, 70. That is incorrect; New Vision simply failed to employ the appropriate procedures to enforce any contractual rights it may have had. The appellant in *Nippon Shinyaku* went to district court to enforce its contract, requesting that the district court enjoin appellee from seeking inter partes review. *Nippon Shinyaku*, 25 F.4th at 1002-03. This procedure makes sense because district courts have expertise in questions of contract interpretation and—as New Vision acknowledges (Br. 70)—the PTAB does not. A district court's decision regarding this type of injunction can then be appealed to this Court. *See Nippon Shinyaku*, 25 F.4th at 1004. New Vision's failure to utilize this route is no reason to disregard Section 324(e) and accept New Vision's insistence that the contractual issue—which it agrees "is not an issue resting on the PTO's patent-law expertise," Br. 70—should be reviewed by appeal from the PTAB's institution decision.

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application of an institution-related statute" that this Court could not review. *Thryv*, 140 S. Ct. at 1373 (quotation marks omitted).

New Vision may not circumvent Section 324(e)'s bar on appeal of the institution decision by invoking the APA. *See* Br. 67, 70, 73. In 5 U.S.C. § 701(a)(1), the APA "withdraws" its "general cause of action" "to the extent the relevant statute 'preclude[s] judicial review.'" *Block v. Community Nutrition Inst.*, 467 U.S. 340, 345 (1984) (alteration in original) (quoting 5 U.S.C. § 701(a)(1)); *see Thryv*, 140 S. Ct. at 1370 (holding that Section 314(d)'s identical language is a "bar on judicial review of the agency's decision to institute inter partes review" that "preclude[s]" appeals based on challenges to the agency's application of institution-related statutes). And even apart from Section 324(e)'s clear preclusion of review of institution decisions, permitting review under the APA's default cause of action would be entirely inconsistent with Congress's carefully streamlined judicial-review scheme in the AIA.[14]

New Vision further errs in asserting (Br. 70-71) that APA review of institution decisions must be available to stop the USPTO from making institution decisions "based on the gender of the patent inventor" or along other

[14] *Compare* 28 U.S.C. § 2401(a) (providing a six-year statute of limitations for APA actions), *and Pregis Corp. v. Kappos*, 700 F.3d 1348, 1359 (Fed. Cir. 2012) (noting "[e]very district court of the United States [would have] jurisdiction over an APA" action), *with* 35 U.S.C. §§ 141(c), 314(b), 316(a)(11), 324(c), 326(a)(11) (giving the USPTO three months to decide whether to institute an AIA review and generally only one year to issue a final determination, and limiting review of Board decisions to this Court), *and* 37 C.F.R. § 90.3(a)(1) (implementing 35 U.S.C. § 142 by giving appellants 63 days to file a notice of appeal from a Board decision).

constitutionally suspect lines. As this Court explained in *Mylan Laboratories Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1382 (Fed. Cir. 2021), the "final and nonappealable" review bar like that in Section 324(e) does not deprive this Court of "jurisdiction to review any petition for a writ of mandamus" challenging institution decisions where (and only where) the challenger raises a "colorable constitutional claim[]." *Id.* at 1381-82 (establishing that the court may exercise its mandamus jurisdiction even over decisions denying institution).

Finally, the Supreme Court has not suggested that judicial review of *institution* decisions is available under the APA where a litigant alleges that the USPTO has engaged in "shenanigans." *See* Br. 71-72. The Supreme Court explained that giving effect to the clear meaning of the "final and nonappealable" language regarding institution did "not categorically preclude review *of a final decision*." *Cuozzo*, 579 U.S. at 275 (emphasis added). But the Court did not indicate that the *institution decision itself* would be so reviewable, contrary to Section 314(d)'s terms.

CONCLUSION

For the foregoing reasons, the judgment of the PTAB should be affirmed.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limit of Federal Circuit Rule 32(b)(1) because it contains 11,125 words. This brief also complies with the typeface and type-style requirements of Federal Rule of Appellate Procedure 32(a)(5)-(6) because it was prepared using Word for Microsoft 365 in Times New Roman 14-point font, a proportionally spaced typeface.

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