

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VOLKSWAGEN GROUP OF AMERICA, INC.

Petitioner

v.

CARUCEL INVESTMENTS, L.P.

Patent Owner

Case No. IPR2019-01102

U.S. Patent No. 7,848,701

**PATENT OWNER'S REQUEST FOR
LEAVE TO FILE A MOTION TO RECONSIDER DIRECTOR REVIEW
AND NOTICE OF INADEQUATE REVIEW**

TABLE OF CONTENTS

TABLE OF CONTENTS	ii
TABLE OF AUTHORITIES	iii
I. INTRODUCTION	1
II. BACKGROUND	1
III. ARGUMENT.....	2
A. There Is No Director or Even a “Person Performing The Duties” of Director	2
B. The Order Is Not Signed and Provides No Indication of the Persons Involved in the Decision Regarding Deny Director Review	4
C. The Order Contains No Explanation for the Denial in Contravention of Both the APA and Due Process	5
D. The APA Requires an Unbiased Decision; The USPTO Website “Arthrex FAQs” Are Inadequate.....	6
E. Because This Issue Is Presented to the USPTO, No Waiver of Any APA Issue Applies.....	11
IV. CONCLUSION	12

TABLE OF AUTHORITIES

Cases

<i>Aqua Prod., Inc. v. Matal</i> , 872 F.3d 1290 (Fed. Cir. 2017)	6
<i>Bullock v. United States Bureau of Land Mgmt.</i> , 489 F. Supp. 3d 1112, (D. Mont. 2020)	3
<i>Casa de Maryland, Inc. v. Chad F. Wolf</i> , 486 F.Supp.3d 928 (D. Md. 2020)	3
<i>L.M.-M. v. Kenneth T. Cuccinelli II</i> , 442 F.Supp.3d 1 (D.D.C. 2020)	3
<i>New LifeCare Hosps. of N. Carolina LLC v. Azar</i> , 466 F. Supp. 3d 124, 136 (D.D.C. 2020)	11, 12
<i>Pers. Web Techs., LLC v. Apple, Inc.</i> , 848 F.3d 987 (Fed. Cir. 2017)	6
<i>Synopsys, Inc. v. Mentor Graphics Corp.</i> , 814 F.3d 1309 (Fed. Cir. 2016)	6
<i>Unemp't Comp. Comm'n of Alaska v. Aragon</i> , 329 U.S. 143, 155, (1946)	11
<i>United States v. Arthrex, Inc.</i> , ___ U.S. ___, 141 S. Ct. 1970, 210 L. Ed. 2d 268 (2021)	1, 4, 5, 7
<i>Woodford v. Ngo</i> , 548 U.S. 81 (2006)	11

Statutes

5 U.S.C. § 551	10
5 U.S.C. § 552(a)(1)	8
5 U.S.C. § 553	8, 10
5 U.S.C. § 555(e).	5
5 U.S.C. § 556(b)(3)	6
5 U.S.C. § 557(c)(3)(A)	6
5 U.S.C. § 706	5
5 U.S.C. § 3345	2, 3
5 U.S.C. § 3345(a)(1)	3
5 U.S.C. § 3346	3
5 U.S.C. § 3346(a)(1)	3
5 U.S.C. § 3348(d)	3
35 U.S.C. § 316(a)	10
Administrative Procedure Act (“APA”), Pub.L. 79–404, 60 Stat. 237	5

Other Authorities

“Arthrex Q&As.” https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited December 19, 2021)	7, 8
https://web.archive.org/web/*/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited December 18, 2021)	9

https://web.archive.org/web/20210715170845/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited December 18, 2021).....	9
https://web.archive.org/web/20211109113718/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited December 18, 2021)	9
https://www.uspto.gov/about-us/past-uspto-leaders (last visited December 19, 2021)	3
"Some Kind of Hearing", 123 U. Pa. L. Rev. 1267, 1279 (1975)	7

I. INTRODUCTION

On December 6, 2021, the USPTO issued an Order denying the Request of Patent Owner (Paper 33, the “Order”), Carucel Investments L.P. (“Carucel”), for Director review of the Board’s Final Written Decision (Paper 28, “FWD”) in this matter. However, the Order was deficient in multiple ways. Therefore, with this Notice of Deficient Review, Patent Owner respectfully requests leave to file a Motion to Reconsider Director Review for the reasons stated herein.

II. BACKGROUND

On June 21, 2021, the U.S. Supreme Court ruled that “[t]he Constitution therefore forbids the enforcement of statutory restrictions on the Director that insulate the decisions of APJs from his direction and supervision.” in *United States v. Arthrex, Inc.*, ___ U.S. ___, 141 S. Ct. 1970, 1988, 210 L. Ed. 2d 268 (2021). Specifically, the Supreme Court demanded that “the Director have the discretion to review decisions rendered by APJs.” *Id.* However, the Order in this matter and provides no explanation regarding the process of review, no basis for its issuance, and no indication of who was involved in making the decision leading to the Order. Based on this lack of information, the Order may simply be the automatic “rubber stamp” which *Arthrex* disallowed. Without more information, the same attorneys who represent the Director as intervenor party, or the same APJ Panel on the

underlying decision, may have made all or part of the decision to deny the Request for Director Review.

The USPTO should have proceeded in manner that supported due process, but that did not occur. The failures discussed herein include those related to the Administrative Procedure Act and due process. This is improper under *Arthrex* and other longstanding law. Patent Owner seeks reconsideration of its Request.

III. ARGUMENT

A. There Is No Director or Even a “Person Performing The Duties” of Director

Mr. Hirshfeld is not Director of the USPTO, nor is he a Principal Officer appointed by the President. The President did not appoint him to that position with the advice and consent of the Senate. Nor did the President direct him to serve as acting Director. *See* 5 U.S.C. § 3345. In fact, no Director of the USPTO or any other Principal Officer has overseen (or has been available to oversee) the PTAB review process, including the instant Request for Director Review.

In addition to being neither the Director nor a Principal Officer, Mr. Hirshfeld is not even the “person performing the duties” of the Director. The Federal Vacancy Reform Act provides:

“[i]f an officer of an Executive agency (including the Executive Office of the President, and other than the Government Accountability Office) whose appointment to office is required to be made by the President, by and with the advice and consent of the Senate, dies, resigns, or is otherwise unable to

perform the functions and duties of the office, the first assistant to the office of such officer shall perform the functions and duties of the office temporarily in an acting capacity subject to the time limitations of section 3346.”

5 U.S.C. § 3345(a)(1). Section 3346 provides that “the person performing the duties may serve in the office for no longer than 210 days beginning on the date the vacancy occurs, or subject to subsection.” 5 U.S.C. § 3346(a)(1).

Andrei Iancu resigned as Director of the USPTO on January 20, 2021.¹ The 210 days mentioned in Section 3346 expired on August 18, 2021. Therefore, even if Mr. Hirshfeld were somehow considered to be a Principal Officer, he is no longer properly performing the duties of Director under 5 U.S.C. §§3345-46. Because the USPTO has no other Principal Officer to oversee the review process mandated under *Arthrex*, it could not properly issue the Order denying Director review. 5 U.S.C. § 3348(d). *See also Bullock v. United States Bureau of Land Mgmt.*, 489 F. Supp. 3d 1112, 1130-1131 (D. Mont. 2020) (Invalidating all actions taken by official who improperly served beyond the 210 day status under the FVRA); *Casa de Maryland, Inc. v. Chad F. Wolf*, 486 F.Supp.3d 928 (D. Md. 2020) (enjoining enforcement of rules changed by an unlawfully serving acting official); *L.M.-M. v. Kenneth T. Cuccinelli II*, 442 F.Supp.3d 1 (D.D.C. 2020) (invalidating certain directives issued by an unlawfully serving acting official). This matter must wait either until a

¹ See <https://www.uspto.gov/about-us/past-uspto-leaders> (last visited December 19, 2021).

Director is properly appointed or until the statutory problems are otherwise addressed.

Without a Director or other Principal Officer in place to oversee the APJs and other inferior officers as required under *Arthrex*, the Order is improper. Indeed, it currently remains impossible for proper review under *Arthrex*. The Supreme Court specifically stated as much in its chief holding that, “the exercise of executive power by inferior officers must at some level *be subject to the direction and supervision of an officer nominated by the President and confirmed by the Senate*. *Arthrex, Inc.*, 141 S. Ct. at 1988 (emphasis added). The Order plainly does not satisfy this requisite.

B. The Order Is Not Signed and Provides No Indication of the Persons Involved in the Decision Regarding Deny Director Review

No one signed the Order. Not Mr. Hirshfeld, not anyone else. The Order contains no guidance as to who reviewed the Request for Director Review. Although the Order states that “[t]he request was referred to Mr. Hirshfeld,” there is no statement or indication that Mr. Hirshfeld – or anyone else – actually participated in any meaningful review. *Arthrex*, while not requiring that the Director² review every decision of the PTAB, mandates that “[o]nly an officer properly appointed to a

² As pointed out, *supra*, Mr. Hirshfeld is neither Director, nor a “person performing the duties of Director,” nor even a Principal Officer.

principal office may issue a final decision binding the Executive Branch in the proceeding before us.” *Id.* at 1985.

Here, the Order³ contains no signature or indication of the person(s) behind it. It simply reads that “the request for Director review in each case is denied.” Importantly, the purpose behind the Supreme Court’s *Arthrex* decision, namely that “Section 6(c) cannot constitutionally be enforced to the extent that its requirements prevent the Director from reviewing final decisions rendered by APJs,” is defeated. *Arthrex*, 141 S. Ct. at 1987. At a minimum, the Order’s broad rejection—with no stated basis or author—does nothing other than “rubber stamp” the FWD of the APJs. This kind of conclusory, anonymous, and apparently automatic approval flouts *Arthrex* mandate to have reasonable supervision over the PTAB and its APJs.

C. The Order Contains No Explanation for the Denial in Contravention of Both the APA and Due Process

Federal law mandates that “the notice shall be accompanied by a brief statement of the grounds for denial.” 5 U.S.C. § 555(e). The Administrative Procedure Act (“APA”), Pub.L. 79–404, 60 Stat. 237 is the statute that governs how federal agencies may propose and establish regulations and grants U.S. federal courts oversight over all agency actions. 5 U.S.C. § 706.

³ A single order was entered for all four IPRs (IPR2019-01101, IPR2019-01102, IPR2019-01103, and IPR2019-01105).

The APA requires a rationale for decisions, and specifically requires the USPTO to render “findings and conclusions, and the reasons or basis therefor, on all the material issues of fact, law, or discretion presented on the record.” 5 U.S.C. § 557(c)(3)(A); *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1322 (Fed. Cir. 2016), *overruled on other grounds*, *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017). The USPTO cannot simply ignore difficult evidentiary questions, especially when those questions go directly to the heart of the dispositive issue of the case. *Pers. Web Techs., LLC v. Apple, Inc.*, 848 F.3d 987, 992 (Fed. Cir. 2017) (“[T]he agency is obligated to ‘provide an administrative record showing the evidence on which the findings are based, accompanied by the agency’s reasoning in reaching its conclusions.’”) (emphasis added).

Because the Order provides no basis or explanation, Patent Owner’s relief should be granted.

D. The APA Requires an Unbiased Decision; The USPTO Website “Arthrex FAQs” Are Inadequate

5 U.S.C. § 556(b)(3) of the APA requires that the USPTO provide an impartial decision:

This subchapter does not supersede the conduct of specified classes of proceedings, in whole or in part, by or before boards or other employees specially provided for by or designated under statute. *The functions of presiding employees and of employees participating in decisions in accordance with section 557 of this title shall be conducted in an impartial manner.* A presiding or participating employee may at any time disqualify

himself. *On the filing in good faith of a timely and sufficient affidavit of personal bias or other disqualification of a presiding or participating employee, the agency shall determine the matter as a part of the record and decision in the case.*”

(Emphasis added). Because the Order does not provide any notice or explanation of who is behind the ruling or its basis, there is no means to determine whether this decision – or even the process itself – was completed in an “impartial manner” as required by the APA.⁴

The USPTO has established no effective rules or procedures for addressing PTAB reviews. On its website, the USPTO lists “Arthrex Q&As.”⁵ This Q&A was never voted on, discussed, or commented on, and flouts the Supreme Court’s mandate in *Arthrex* that the “Director [review] final decisions rendered by APJs.” *Arthrex*, 141 S. Ct. at 1972. The Q&A states, in part, as follows:

Requests for Director review will be evaluated by an advisory committee established by the Director. That committee will advise the Director on whether decisions merit review. The advisory committee will include members from various business units within the Office, such as the Office of the Under Secretary, the PTAB, the Office of the Commissioner for Patents, the Office of the General Counsel, and the Office of Policy and International Affairs. The Director will determine whether review will be granted or denied. *Id.*

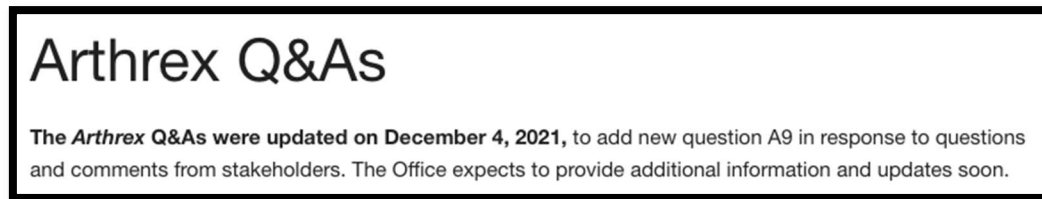
⁴ For the elements of a fair hearing generally, see “Some Kind of Hearing”, 123 U. Pa. L. Rev. 1267, 1279 (1975).

⁵ <https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas> (last visited December 19, 2021).

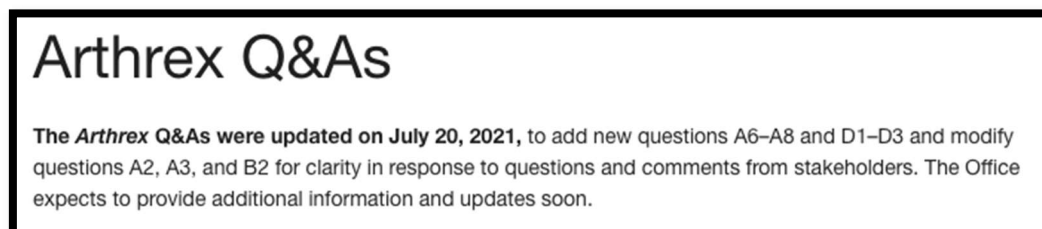
But neither the posed Q&A nor the Order provides any information as to who makes up the “review committee,” thus negating the ability of a reviewing court, Patent Owner, or anyone else to know whether a review committee exists, whether it met, or whether it did what it is supposed to do. This means there is no way to bring potential conflicts of interest to the Director’s attention, or otherwise to challenge the possibility of improper bias. For instance, for all Patent Owner knows, the same attorneys who represent the Director as intervenor party in this matter, or the same PLJ panel on the underlying decision, or even the same examiner who oversaw the original prosecution, may make up all of part of the review committee. The USPTO’s process contains no mechanism to prevent this, or even to inform Patent Owner of the possibility of such a conflict. Tellingly, the refusal to name the Director’s “review committee” could lead one to the worrying conclusion that no one is actually reviewing the panel decision at all.

The USPTO’s rules and procedures for the Director review process underlying the Order are invalid. The USPTO did not follow proper notice and approval procedures, including publishing the rules and procedures in the Federal Register. 5 U.S.C. §§ 552(a)(1), 553. Rather, the USPTO has set forth a moving target by simply putting out multiple sets of so-called “Q&As,” which, as shown

immediately below, specifically state that changes were recently made and that the USPTO “expects to provide additional information and updates soon.”⁶



The latest update was on December 4, 2021. However, as shown elsewhere, multiple earlier versions were provided with substantive changes:⁷



In making changes to these *ad hoc* policies and procedures, the USPTO provided no warning, guidance, or other explanation other than simply to update its Q&A. It is clear under the organic IPR statute, the Director may only the establish procedures through rules, as Congress stated that the “Director *shall* prescribe regulations...establishing procedures for the submission of supplemental

⁶ <https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas> (last visited December 18, 2021).

⁷ https://web.archive.org/web/*/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited December 18, 2021); <https://web.archive.org/web/20211109113718/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas> (last visited December 18, 2021); *see also* <https://web.archive.org/web/20210715170845/https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas> (last visited December 18, 2021).

information after the petition is filed” and “establishing and governing inter partes review under this chapter...” 35 U.S.C. § 316(a). Beyond the plain text in the organic statute, APA would make such policies and procedures to be formalized as rules.

Because the USPTO must prescribe Director review by rule, the *ad hoc* “Q&A” guidance is invalid. Agencies must promulgate all rules using the rulemaking process found in 5 U.S.C. § 553 which requires that a “[g]eneral notice of proposed rulemaking shall be published in the Federal Register, unless persons subject thereto are named and either personally served or otherwise have actual notice thereof in accordance with law.” 5 U.S.C. § 553(b). This notice must include detailed information, such as a statement of the time, place, and nature of public rule making proceedings, reference to the legal authority under which the rule is proposed, and either the terms or the substance of the proposed rule or a description of the subjects and issues involved. *Id.* Even if the exception under Section 553(b)(3)⁸ were to apply, the ability to dispense with parts of rulemaking for good cause only allows avoidance of the notice and public comment procedure. The agency must still promulgate the policy as a rule.

Section 551 defines “Rule” as:

⁸ “[W]hen the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefore in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest[.]”

“[T]he whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of an agency and includes the approval or prescription for the future of rates, wages, corporate or financial structures or reorganizations thereof, prices, facilities, appliances, services or allowances therefore or of valuations, costs, or accounting, or practices bearing on any of the foregoing.”

The Q&A posted on the USPTO website and regularly changed on an *ad hoc* basis does not even approach compliance with APA’s requirements for rulemaking.

The USPTO’s failure to provide adequate rules and process fail basic due process requires that Patent Owner’s requested relief be granted.

E. Because This Issue Is Presented to the USPTO, No Waiver of Any APA Issue Applies

To preserve a challenge under the APA, an agency must have a chance to “address[] the issues on the merits.” *Woodford v. Ngo*, 548 U.S. 81, 90 (2006)) (citation omitted). “A reviewing court usurps the agency’s function when it sets aside the administrative determination upon a ground not theretofore presented and deprives the [agency] of an opportunity to consider the matter, make its ruling, and state the reasons for its action.” *New LifeCare Hosps. of N. Carolina LLC v. Azar*, 466 F. Supp. 3d 124, 136 (D.D.C. 2020), citing *Unemp’t Comp. Comm’n of Alaska v. Aragon*, 329 U.S. 143, 155, (1946). That is not to say that the agency must address the issue. Rather, “it must have a chance to respond so that it ‘not only has erred, but

has erred against objection made at the time appropriate under its practice.” *New LifeCare*, 466 F. Supp. 3d at 136.

Patent Owner respectfully files this Notice of Deficient Review and Request for Leave to File a Motion to Reconsider Director Review for the reasons stated herein, thus preserving appeal on the stated issues.

IV. CONCLUSION

For the foregoing reasons, Patent Owner respectfully requests that the USPTO, Director, or other appointed principal officer, grant Patent Owner leave to file a motion to reconsider Director review and vacate the Final Written Decision or, at a minimum remand this matter to the Board to address the foregoing errors by the Board in its Final Written Decision by a proper, Principal Officer under *Arthrex* using procedures and formal rules promulgated in compliance with the APA and the due process clause of the Constitution.

Date: December 20, 2021

Respectfully submitted,

/s/ R. Scott Rhoades

R. Scott Rhoades

Reg. No. 44,300

**CERTIFICATE OF COMPLIANCE WITH PAGE
LIMITATION OF 37 C.F.R. § 42.24(d)**

Pursuant to 37 C.F.R. § 42.24(d), the undersigned hereby certifies that PATENT OWNER'S REQUEST FOR LEAVE TO FILE A MOTION TO RECONSIDER DIRECTOR REVIEW AND NOTICE OF INADEQUATE REVIEW complies with the page limits of 37 C.F.R. § 42.24(a)(1) as it contains no more than 15 pages, excluding the parts of this request that are exempted by 37 C.F.R. § 42.24(a)(1).

Date: December 20, 2021

Respectfully submitted,

/s/ R. Scott Rhoades

R. Scott Rhoades

Reg. No. 44,300

CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. §§ 42.6(e), the undersigned certifies that an electronic copy of the foregoing PATENT OWNER’S REQUEST FOR LEAVE TO FILE A MOTION TO RECONSIDER DIRECTOR REVIEW AND NOTICE OF INADEQUATE REVIEW was served on the Petitioners by electronic mail on December 20, 2021:

rrichardson-PTAB@sternekessler.com,
spappas-PTAB@sternekessler.com,
mspecht-PTAB@sternekessler.com,
dyonan-PTAB@sternekessler.com, and
PTAB@sternekessler.com.

Respectfully submitted,

/s/ R. Scott Rhoades

R. Scott Rhoades

Reg. No. 44,300