

# More constitutional troubles for the Patent Trial and Appeal Board

*Review of Mobility Workx, LLC v. Unified  
Patents, LLC (Fed. Cir. Oct. 13, 2021)*

*October 27, 2021*

Presented by: Hailey R. Bureau, Ph.D.



# Who are the parties?

- Mobility Workx is a very small company having approximately 1-10 employees

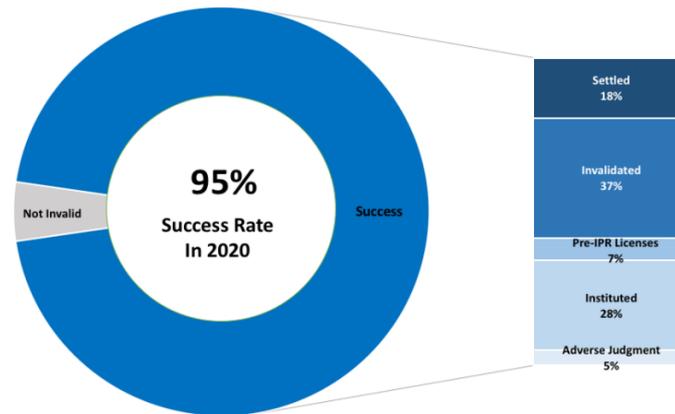


- Tech company in the wireless industry, specializing in handover, Radio frequency simulation, mobility, advanced/pro-active resource allocation, and applications for 4G LTE & 5G Networks
- Their patent portfolio “contains 3 issued US Patents in mobility, 4G & 5G handover and wireless emulation.”
  - “bring to life location, advanced and predictive handover, filtering, tunnel allocation, and many more key elements in 4GLTE and 5G wireless networks.”

# Who are the parties?

## UNIFIED IS THE MOST SUCCESSFUL THIRD-PARTY SOLUTION

Unified has developed a reputation for challenging anyone and the only third-party to have challenged the largest and most notorious NPEs, including [General Patent Corporation](#), [Intellectual Ventures](#), [IP Edge](#), [Uniloc](#), [Marathon](#), [Acacia](#), and others. In contrast, other third-parties have developed a close and symbiotic working relationship with the NPEs they purportedly seek to deter, resulting in more frivolous litigation.



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# Disposition of the case

- 2017: Mobility brought suit for infringement of their '417 patent against T-Mobile and Verizon Wireless in the Eastern District of Texas
  - one of these proceedings has settled, and the other was stayed
- June 1, 2018: Unified Patents filed an IPR petition asserting that claims 1–7 of the '417 patent would have been obvious
- December 2, 2019: Board issued its final written decision, determining that claims 1, 2, 4, 5, and 7 were unpatentable as obvious, but that claims 3 and 6 were not shown to be unpatentable

# CAFC Appeal

- Precedential case
- Appeal of No. IPR2018- 01150
- Before Judges Newman, Schall, and Dyk
- Opinion written by Circuit Judge Dyk
- Opinion concurring in part and dissenting in part written by Circuit Judge Newman

# What is the Technology?



Image: <https://mobilityworkx.com/licensing/>



(57)

## ABSTRACT

A system for communication between a mobile node and a communications network is provided for use with a communications network having one or more communications network nodes that define a foreign agents and that communicate with the mobile node in a predefined region. The system includes a ghost-foreign agent that advertises a foreign agent so that the mobile node is aware of the foreign agent when the mobile node is located outside the predefined region. The system further includes a ghost-mobile node that signals the foreign agent in response to the foreign agent advertising and based upon a predicted future state of the mobile node.

**8 Claims, 6 Drawing Sheets**

# Issues on Appeal

- (1) For the first time on appeal, Mobility raises constitutional challenges to the PTAB's structure under the AIA

# Unified's counter argument

- Unified argues that Mobility forfeited the constitutional challenges because Mobility did not raise these theories before the Board

Or in the alternative,

- CAFC should not address these arguments because they are dependent on the resolution of factual issues that should be presented to the PTAB in the first instance

# CAFC's finding

- Mobility's constitutional challenges are appropriate because addressing these arguments does not require resolution of any disputed factual issues.
- Even though Mobility did not request a remand to develop a more comprehensive record, the documents relied on by Mobility are various agency documents that can be judicially noticed because they are public documents.

# Issues on Appeal, cont'd

- (2) Mobility argues that PTAB judges have an impermissible financial interest in instituting AIA proceedings under the standard articulated in *Tumey v. Ohio*, 273 U.S. 510 (1927).
- Two parts to this argument:
  - Board members have an interest in instituting AIA proceedings to generate fees to fund the agency and ensure future job stability; AND
  - Individual administrative patent judges (“APJs”) have a personal financial interest in instituting AIA proceedings in order to earn better performance reviews and bonuses.

# Brief Review of *Tumey v. Ohio*

- Prohibition case
- Precedential case on judicial impartiality
- After the Eighteenth Amendment was adopted in 1919, the Ohio government implemented measures to enforce Prohibition within the state's borders.
- One law compensated mayors, justices of the peace, various judges, and other law enforcement officials with additional money beyond their normal pay whenever they arrested, convicted, and fined violators of the Eighteenth Amendment.

# Brief Review of *Tumey v. Ohio*

- In North College Hill, Ohio, Tumey was arrested for illegally possessing alcohol, a violation of the Eighteenth Amendment.
- He was brought before the Mayor of the town, who tried and convicted him.
- The Mayor made \$12 (extra) for every conviction.
- Tumey argued that the law compensating officials with additional money for liquor cases violated the Fourteenth Amendment by depriving him of "due process of law."
- He also claimed that judges were more likely to convict accused people because convictions increased the judges' and other law enforcement officials' salaries.

# Brief Review of *Tumey v. Ohio*

- Supreme Court agreed with Tumey and ruled in his favor over the State
- “[e]very procedure which would offer a possible temptation to the average man as a judge to forget the burden of proof required to convict the defendant, or which might lead him not to hold the balance nice, clear, and true between the state and the accused denies the latter due process of law.”

# Mobility's *Tumey* argument, part I

1. Board members have an interest in instituting AIA proceedings to generate fees to fund the agency and ensure future job stability.
  - “the fee-generating structure of AIA review creates a temptation” for the Board to institute AIA proceedings in order to collect post institution fees (fees for the merits stage of the AIA proceedings) and fund the agency.
  - Mobility contends that the PTO generates substantial revenue from these fees, calculating that “24% of the PTAB’s collections [are] dependent on instituting AIA proceedings.”
  - the Chief APJ, Deputy Chief APJ, and Vice Chief APJs participate in AIA review proceedings and “provide policy direction and ensure the quality and consistency of AIA decisions,” while also “oversee[ing] fiscal planning and expenditures” of the Board
  - “impermissible mixing of judicial and administrative/executive roles” constitutes a violation of due process under *Tumey*.

# CAFC holding on part I

- Unlike the mayor in *Tumey*, the Chief APJ, Deputy Chief APJ, and Vice Chief APJs do not have responsibility for the agency's finances
  - While these leadership APJs assist the Director by preparing budget requests and executing the operating budget, “the Director, not the APJs, has responsibility for USPTO’s budgetary request to the Office of Management and Budget, in consultation with the USPTO Public Advisory Committees
- The President, not the USPTO, submits the budget, and Congress ultimately sets the USPTO budget. Congress similarly controls whether the USPTO has access to the surplus funds
- Basically, although the USPTO recovers its annual operating costs through fees, it is ultimately funded through congressional appropriation

# Mobility's *Tumey* argument, part II

- Individual administrative patent judges (“APJs”) have a personal financial interest in instituting AIA proceedings in order to earn better performance reviews and bonuses.
  - APJ performance is evaluated by an annual performance review. These reviews look at four elements of performance: quality, production, support for the mission of the Board/leadership, and stakeholder interactions. APJs that are rated “fully successful” or higher are eligible for bonuses. **Intervenor’s Br. 9–10. (PTO was intervenor)**
  - To earn a performance bonus, an APJ must generally earn at least 84 decisional units per year, which Mobility asserts creates an incentive to institute IPR proceedings.
  - APJs can “receive a bonus of \$4,000 to \$10,000.”

# Mobility's *Tumey* argument, part II

- In Mobility's case, at least one of the three panel APJ's was a Vice Chief APJ at the time of Institution of the IPR and another was an Acting Vice-Chief APJ at the time of Institution. Vice Chief APJ had additional responsibilities such as supervising the other APJs, preparing budget requests for the Director and executing the operating budget
- Mobility Br. fn7: "According to Unified's website...they are the PTAB's sixth largest customer filing 38 petitions at \$40,000 a pop in 2020 for over \$1.5 million in fees."
- Mobility Br: "To the uninitiated in the niceties of the law, i.e., the every-day man and woman of this country, who would call what they see as it is, the companies that writes checks of \$40,000 thirty-eight times a year, year after year, to a business, are golden customers – customers that a business surely would not want to disappoint"

# Mobility's *Tumey* argument, part II

- Mobility Br: “In the PTAB, these well-funded companies appear to be good paying customers who the PTAB wants to keep happy with high IPR institution rates.”
- Mobility Br: “Multiple petitions (at \$30,000 to \$40,000) can also transform repeat petitioners into repeat customers. The wealthy customers would otherwise shop and conduct their litigation before the District Courts if not for the much greater statistical likelihood of prevailing before the PTO than before a district court judge appointed for life who need not worry about keeping a supervisor happy or obtaining a bonus “

# CAFC holding on part II

- Number of decisional units earned by an APJ “is based upon the number of decisions authored” and “does not depend on the outcomes of those decisions.”
  - Distinguishes from *Tumey*, which involved fees that were only collected upon conviction of the defendants
- Even though an APJ will earn decisional units for a follow-on merits decision if he or she issues a decision instituting an AIA proceeding, there has been no showing that APJs institute AIA proceedings to earn sufficient decisional units to qualify for a bonus.
- Decisional units can be earned by participation in non-AIA proceedings, and there is a significant backlog of ex parte appeals.

# CAFC holding on part II

- CAFC: “Even if there were an incentive to institute AIA proceedings to earn decisional units, any interest APJs have in instituting AIA proceedings to earn decisional units would be too remote to constitute a due process violation”

# CAFC holding on part II

- “Mobility has therefore failed to establish that APJs have an unconstitutional financial interest in instituting AIA proceedings”
  - Interesting footnote cited by the Court for this statement: “Amicus curiae US Inventor, Inc. presents a statistical study purportedly showing that there are more meritorious institution decisions in September (at the end of the APJ performance review year) than in October (at the beginning of the performance review evaluation period). This hardly establishes that APJs are instituting AIA proceedings to earn decisional units.”

# Data from US Inventor, Inc. *Amicus Brief*

- “October Effect” = standards for institution are systematically and significantly more favorable to petitioners in October than in September
- After final outcomes are known, go back to test the quality of institution decisions
- They name this: “Questionable Institution Ratio”

“For example, imagine a given month that had 20 decisions granting institution, where 5 (over the next 12 months) resulted in an adjudicated final decision that vindicated the patentee, but 15 resulted in adjudicated invalidation or amendment of all claims. The Questionable Institution Ratio for such a month would be 0.333 (5 divided by 15).”

# Data from US Inventor, Inc. *Amicus* Brief

Year	September Institutions: Some patentee success (all claims patentable or mixed)	September Institutions: Petitioner success (all claims unpatentable or amended)	September Ratio	October Institutions: Some patentee success (all claims patentable or mixed)	October Institutions: Petitioner success (all claims unpatentable or amended)	October Ratio
2013	2	15	0.133	5	10	0.500
2014	10	47	0.213	13	48	0.271
2015	13	35	0.371	24	34	0.706
2016	16	41	0.390	12	24	0.500
2017	9	22	0.409	19	34	0.559
2018	8	29	0.276	12	24	0.500

# Additional Constitutional Challenges Raised by Mobility

1. Director's delegation of his authority to institute AIA proceedings violates due process and the Administrative Procedure Act because the Director has delegated the initial institution decision to "the exact same panel of Judges that ultimately hears the case."
  - **FAILS** –see *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1033 (Fed. Cir. 2016)

# Additional Constitutional Challenges Raised by Mobility

2. Subjecting a pre-AIA patent to AIA review proceedings “constitutes an unlawful taking of property.”
  - **FAILS** - *Celgene Corp. v. Peter*, 931 F.3d 1342, 1360 (Fed. Cir. 2019)
  
3. Under *Arthrex*, this Court should instruct the Acting Director “to issue a certificate under § 318(b) confirming the challenged claims, or, in the alternative, dismissing [Unified Patent’s] petition for failing to reach a final determination within the” 12-month statutory period for final determination in an inter partes review under 35 U.S.C. § 316(a)(11).
  - **REMANDED**

# Dissenting opinion

Judge Newman

# Dissenting Opinion, Judge Newman

What is the point of the “institution decision”?

- It was established in response to concerns that the proposed system of review would be subject to abuses such as harassment, delay, and opportunistic attacks on valuable patents
- “Institution” is intended to provide a safeguard against unwarranted agency procedures by requiring petitioners to meet an “elevated threshold” and establish “serious doubts about the patent’s validity” before subjecting the patent owner to the burden and delay of procedure

# Dissenting Opinion, Judge Newman

- Mobility argues that the PTO's institution procedures are duplicative, expensive, delaying, and subject to bias.
- Newman: “*These aspects require more attention than my colleagues have accorded them, and raise new constitutional concerns.*”

# Dissenting Opinion, Judge Newman

- This is an issue of bias
- Under the Administrative Procedure Act (APA), the investigative function and adjudicative functions of an agency should be separate:

5 U.S.C. § 554(d)(2) [¶ 2]. An employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review . . . except as witness or counsel in public proceedings

# Dissenting Opinion, Judge Newman

- PTO brief states, “the Board decides whether to institute proceedings.”
- Newman: AIA assigned the institution decision to the Director, not the Board (separates institution from adjudication, to be performed by separate administrative authorities) –look at the statutory language
- 35 U.S.C. § 314 – Institution of inter partes review
  - (a) Threshold.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition

# Dissenting Opinion, Judge Newman

- § 314(b) Timing.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 and any response filed within 3 months after— (1) receiving a preliminary response . . . ; or (2) . . . the last date on which such response may be filed.
- § 314(d) No Appeal.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.
- All of these sections implicate the Director in making the institution decision –not the Board

# Dissenting Opinion, Judge Newman

- Post AIA enactment, the PTO assigned institution to the PTAB, retaining no control or supervision or review by the Director. *See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48612-01 (Aug. 14, 2012):*

“The authorities to determine whether to institute a trial and conduct a trial have been delegated to a Board member or employee acting with the authority of the Board”

Newman: This eliminated legislative design that separate entities conduct separate determinations.

“This court should consider whether the removal of institution from the Director is in accordance with law and the Constitution.”

# Dissenting Opinion, Judge Newman

- How does this relate to the decision in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016)?
- *Cuozzo* addressed whether or not the institution decision was appealable
- *Cuozzo* did not address the question of whether the Board (not the Director) was the correct decision-maker on institution.

# Dissenting Opinion, Judge Newman

- While structural bias is damaging, the appearance of bias is also damaging
- “The concern is not only the possibility of bias, including unconscious bias, but also the appearance of bias. The Administrative Procedure Act confronted the issue by requiring that different persons should perform the investigative and the adjudicative functions of a given issue.”

# Dissenting Opinion, Judge Newman

- ...there is no “feeling, so important to a popular government, that justice has been done.” *Marshall v. Jerrico, Inc.*, 446 U.S. 238, 242 (1980)
- There must be confidence in objective adjudication, especially if it is by an administrative agency

# Dissenting Opinion, Judge Newman

- Newman: There is a conflict between *Arthrex* (USSC, 2021) and *Ethicon Endo-Surgery, Inc. v. Covidien LP*, (Fed. Cir. 2016)
- *Arthrex* holding: because APJs are not appointed by the President or confirmed by the Senate, the Appointments Clause requires that their decisions on the validity of patents be reviewable by the Director of the Patent and Trademark Office.
- *Ethicon* holding: Neither the AIA statute nor the Constitution precludes the same panel of the Board that made the decision to institute inter partes review from making the final determination.
  - Fed Cir decision was based on efficiency: “The PTO has determined that, in the interest of efficiency, the decision to institute and the final decision should be made by the same Board panel, in line with the purposes of the AIA, which requires the Director consider the “efficient administration of the [PTO], and the ability of the [PTO] to timely complete proceedings” in promulgating regulations.”

# Dissenting Opinion, Judge Newman

- Newman: “With the *Arthrex* confirmation that the Director is a principal officer and the administrative patent judges are inferior officers, this court’s reasoning in *Ethicon* appears to have been overtaken.”
- Newman: “As the Court explained in *Freytag v. Comm’r*, 501 U.S. 868 (1991), ‘efficiency does not override the Constitution’ ”
- Fairness is just as important as efficiency

# “Restoring AIA”

- Senators Leahy and Coryn introduced a draft bill called the *Restoring the America Invents Act* on September 29, 2021
  - Includes numerous changes to the statutory language to address issues that have been raised in post-grant proceedings since 2012, including:
    - expand the grounds for IPRs and PGRs to include “admissions in the patent specification, drawings, or claims.”
    - End discretionary denial practice (i.e., overruling *Apple v. Fintiv* (Fed. Cir. March 20, 2020) (precedential))
    - Codify *Arthrex* by requiring Director to have the final review of decisions, and to provide a framework for the Director to review decisions (timing, etc.)
    - Changes to PTAB amendment practice (i.e., codifying *In re Aqua products*)
- Etc.*

# “Restoring AIA”

- This was prior to the *Mobility Workx* decision (decided on October 13, 2021)
- So, the bias issues raised in *Mobility Workx* are not addressed in the draft bill although there is a proposed change to § 314(a):

**(a) THRESHOLD.**—~~The Director may not authorize an inter partes review to be instituted unless~~ Subject only to the discretion of the Director under section 325(d)(4), a petition that meets the requirements of this chapter shall be instituted if the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

- In my opinion, the amended language makes an even stronger case that “only to the discretion of the Director” a petition can be instituted.

# “Restoring AIA”

- It may be that the *Mobility Workx* decision will be incorporated into the amendments in a revised draft of the bill
- Link to full text of proposal:  
<https://www.leahy.senate.gov/imo/media/doc/EHF21A23.pdf>

Thank you for your attention!