United States Court of Appeals for the Federal Circuit

IN RE: PALO ALTO NETWORKS, INC.,
Petitioner

2022-145

On Petition for Writ of Mandamus to the United States Patent and Trademark Office in Nos. IPR2021-01151 and PGR2021-00108.

ON PETITION

DOUGLAS HALLWARD-DRIEMEIER, Ropes & Gray LLP, Washington, DC, argued for petitioner Palo Alto Networks, Inc. Also represented by SCOTT ANTHONY MCKEOWN, MATTHEW RIZZOLO; JAMES RICHARD BATCHELDER, ANDREW T. RADSCH, MARK D. ROWLAND, East Palo Alto, CA.

PAUL J. ANDRE, Kramer Levin Naftalis & Frankel LLP, Redwood Shores, CA, argued for respondent Centripetal Networks, Inc. Also represented by JAMES R. HANNAH, LISA KOBIALKA, HANNAH YUNKYUNG LEE; SCOTT M. KELLY, BLAIR A. SILVER, BRADLEY CHARLES WRIGHT, Banner & Witcoff, Ltd., Washington, DC.

JOSHUA MARC SALZMAN, Civil Division, Appellate Staff, United States Department of Justice, Washington, DC, argued for respondent United States Patent and Trademark Office. Also represented by BRIAN M.

BOYNTON, SCOTT R. MCINTOSH; KAKOLI CAPRIHAN, MICHAEL S. FORMAN, THOMAS W. KRAUSE, FARHEENA YASMEEN RASHEED, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA.

Before DYK, REYNA, and CHEN, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* DYK.

Opinion concurring in the result filed by *Circuit Judge* REYNA.

DYK, *Circuit Judge*.

O R D E R

Palo Alto Networks, Inc. ("PAN") petitions for a writ of mandamus to compel the United States Patent and Trademark Office ("USPTO") to accept and consider its Requests for Director Rehearing of decisions denying institution of *inter partes* review ("IPR") and post grant review ("PGR") for patents owned by Centripetal Networks, Inc. ("Centripetal"). PAN argues that the Director's current policy of refusing to accept such requests is contrary to the Appointments Clause of the U.S. Constitution, Art. II, § 2, cl. 2, as interpreted by the Supreme Court in *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021). The USPTO and Centripetal oppose, and oral argument was held on June 21, 2022.

We deny the petition, concluding that there has been no violation of the Appointments Clause.

BACKGROUND

I

"In 2011, Congress enacted the Leahy-Smith America Invents Act ('AIA'), Pub. L. No. 112-29, 125 Stat. 284 (2011), to 'improve patent quality and limit unnecessary

and counterproductive litigation costs.' H.R. Rep. 112-98, pt. I, at 40 (2011)." *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1335 (Fed. Cir. 2019). Among its provisions, the AIA created IPR and PGR proceedings to provide opportunities for the USPTO to "take a second look at patents previously issued by the [agency]." *Arthrex*, 141 S. Ct. at 1977.

The Patent Trial and Appeal Board ("PTAB" or "Board") is charged with rendering final written decisions in such proceedings. 35 U.S.C. §§ 318(a), 328(a).[1] Typically, and in *Arthrex* itself, the members of the Board making these decisions are all administrative patent judges ("APJs"), who are appointed by the Secretary of Commerce and are only removable for cause. § 6(a); *Arthrex*, 141 S. Ct. at 1985.[2] Each proceeding is "heard by at least 3 members of the [PTAB], who shall be designated by the Director," § 6(c), and "the [PTAB] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," §§ 318(a), 328(a). As enacted, § 6(c) provided that "[o]nly the [PTAB] may grant rehearings." At the conclusion of the proceedings and any related appeals, "the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable." §§ 318(b), 328(b).

In *Arthrex*, a patentee, whose patent claims had been found unpatentable by the PTAB, argued that APJs were principal officers not properly appointed by the President,

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[1] All citations to statutory provisions refer to Title 35 unless otherwise indicated.

[2] Although a PTAB panel is typically comprised solely of APJs, the statute provides that the PTAB also includes "[t]he Director, the Deputy Director, the Commissioner for Patents, [and] the Commissioner for Trademarks." § 6(a).

with the advice and consent of the Senate. The Appointments Clause requires that the President "shall nominate, and by and with the Advice and Consent of the Senate, shall appoint . . . [principal] Officers of the United States." Art. II, § 2, cl. 2. Thus, "[the President] may be assisted in carrying out [executive] responsibility by officers nominated by him and confirmed by the Senate, as well as by other officers not appointed in that manner but whose work . . . must be directed and supervised by an officer who has been." *Arthrex*, 141 S. Ct. at 1976.

The Appointments Clause "is among the significant structural safeguards of the constitutional scheme. By vesting the President with the exclusive power to select the principal (noninferior) officers of the United States, [it] prevents congressional encroachment upon the Executive and Judicial Branches." *Edmond v. United States*, 520 U.S. 651, 659 (1997). And, in light of the "thousands of officers [who] wield executive power on behalf of the President," "[a]ssigning the nomination power to the President guarantees accountability for the appointees' actions"—there is "a clear and effective chain of command down from the President, on whom all the people vote." *Arthrex*, 141 S. Ct. at 1979 (citation and internal quotation marks omitted). In this way, the Clause "preserve[s] political accountability," *Edmond*, 520 U.S. at 663, by making clear who to "blame," *Arthrex*, 141 S. Ct. at 1979.

The Supreme Court in *Arthrex* held that section 6(c) of the statute effectively granted APJs sole authority to render final decisions in violation of the Appointments Clause. While the Director of the USPTO is vested with the "powers and duties" of the agency and is a Presidentially appointed, Senate-confirmed officer, § 3(a)(1), APJs are members of the PTAB appointed by the Secretary of Commerce, § 6(a); yet APJs exercise significant executive power by "issu[ing] . . . final written decision[s] with respect to the patentability of any patent claim challenged" in an IPR or PGR proceeding, §§ 318(a), 328(a). *See Arthrex*, 141 S.

Ct. at 1980–81. And although "[t]he Director fixes the rate of pay for APJs, controls the decision whether to institute [] review, and selects the APJs" to sit on a particular panel, among other supervisory acts, *id.* at 1980, he had "no means of countermanding the final decision" of the PTAB by operation of § 6(c), *id.* at 1982. Hence, the Director was "the boss, except when it comes to the one thing that makes the APJs officers exercising 'significant authority' in the first place—their power to issue decisions on patentability." *Id.* at 1980 (citation omitted). By "assign[ing] APJs 'significant authority' in adjudicating the public rights of private parties, while also insulating their decisions from review and their offices from removal," the statute ran afoul of the Appointments Clause. *Id.* at 1986 (citation omitted).

The Supreme Court held § 6(c) unenforceable "to the extent that its requirements prevent the Director from reviewing final decisions rendered by APJs." *Id.* at 1987. Having "forb[ade] the enforcement of statutory restrictions on the Director that insulate the decisions of APJs from [her] direction and supervision," *id.* at 1988, the Court remanded the case to the Director "to decide whether to rehear the petition" in the first instance, making "clear [that] the Director need not review every decision of the PTAB. What matters is that the Director have the discretion to review decisions rendered by APJs." *Id.* at 1987–88. In parallel with the remand, the USPTO established interim procedures for parties to request Director review of final written decisions from IPR and PGR proceedings.

II

The present case involves a challenge to the procedures relating to institution decisions rather than the provisions governing final written decisions (at issue in *Arthrex*).

"The Director shall determine whether to institute" an IPR or PGR proceeding based on a third party's petition. §§ 314, 324. The petitioner must show a likelihood of

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