

## PTAB Still Constitutional, But A Weakness Emerges

*Mobility Workx, LLC v. Unified Pats., 2021 WL 4762265 (Fed. Cir. Oct. 13, 2021)*

By: Joe Saltiel & Nick Wheeler | October 22, 2021

On October 13, 2021, the Federal Circuit (“CAFC”) held that any financial interest administrative patent judges (“APJs”) have in instituting AIA proceedings did not violate a patentee’s due process rights. Mobility Workx (“Mobility”) brought an infringement suit against T-Mobile and Verizon Wireless, shortly afterwards Unified Patents LLC (“Unified”) filed an *inter partes* review (“IPR”) against the asserted patent. The Patent Trial and Appeal Board (“PTAB”) found several claims obvious and others not unpatentable. Mobility appealed and, among other arguments, challenged the constitutionality of the PTAB structure.

First, Mobility argued that executive APJs have an interest in instituting AIA proceedings to generate fees to fund the agency and ensure future job stability. Mobility contended that “24%” of PTAB’s collections come from institutions and that the executive APJs were “impermissibly mixing” their judicial and executive roles by managing the PTAB’s finances and also deciding AIA petitions on their merits. Mobility pointed out that a few executive APJs served on their panel. The CAFC noted that executive APJs are not responsible for the agency’s finances; they merely assist the Director with the budget. The CAFC stated it is Congress who controls the PTO’s budget and that the APJs’ role in the budget is too remote for a due process violation.

Second, Mobility argued that that individual APJs have a personal financial interest in instituting AIA proceedings in order to earn better performance reviews and bonuses. To earn a performance bonus and salary increases, APJs “must generally earn at least 84 decisional units per year.” The CAFC responded by noting that APJs have a fixed salary and undergo an annual performance review. The CAFC found the number of decisional units earned is based on the number of decisions authored, not on the outcomes. While APJs earn decisional units for a follow-on decision if the APJ institutes, Mobility did not make a showing that APJs institute to earn decisional units to qualify for a bonus as APJs can earn decisional units through non-AIA proceedings, such as *ex parte* appeals. Therefore, the CAFC found any incentive to institute is too remote for a due process violation.

The CAFC rejected Mobility’s other arguments such as their claims of due process violations for having the same panel of APJs for institution and for the final merits of the case and that AIA proceedings are an unlawful taking of property in light of previous cases. The CAFC remanded in light of the Supreme Court’s decision in *Arthrex* to allow Mobility to request Director review of the final written decision.

Judge Newman dissented. While Newman agreed with the remand, Newman points out several flaws with the PTAB. First, Newman stated it was Congress’s intent for the Director to decide institutions and for the PTAB to adjudicate the final merits, and that it is consistent with the Supreme Court’s decision in *Arthrex* to require the Director to have the opportunity to review PTAB decisions. The current regulations, however, impermissibly eliminate this opportunity. Next, Newman expressed concern over how the same panel of APJs who decide institution also decide the merits of the case because that has the appearance of bias. Newman noted how Congress, under the APA and the AIA, intended for the PTO to separate investigative and adjudicative functions. Newman said this problem could be fixed by reinstating the Director’s control over institution decisions. Newman also sympathized with Mobility’s charge of bias based on fees and compensation as Newman believed the majority did not consider the weight of Mobility’s charges and did not provide a feeling of “justice.”

While this case is another defeat for parties seeking to challenge the constitutionality of IPRs, Newman’s dissent might provide a roadmap on how to raise this issue again with the Supreme Court.