No.

In the Supreme Court of the United States

ARBOR GLOBAL STRATEGIES, LLC, PETITIONER

v.

SAMSUNG ELECTRONICS CO., LTD., TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.,

KATHERINE K. VIDAL, DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE

ARBOR GLOBAL STRATEGIES, LLC, PETITIONER

v.

XILINX, INC., TAIWAN SEMICONDUCTOR MANUFACTURING CO., LTD.,

KATHERINE K. VIDAL, DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The same panel of the Patent Trial and Appeal Board that makes the decision to institute inter partes review of a patent's validity goes on to conduct the inter partes review and decide the case on the merits. The Administrative Procedure Act's separation-of-functions provision prohibits agency officials engaged in "investigative or prosecuting functions for an agency" from participating in an agency decision in the same case. 5 U.S.C. § 554(d). The question presented is:

Whether Section 554(d) prohibits the same Patent Trial and Appeal Board panel from instituting and deciding inter partes review, because institution is a prosecuting function within the meaning of the Administrative Procedure Act.

PARTIES TO THE PROCEEDING

Petitioner is Arbor Global Strategies, LLC, the Appellant in the Court of Appeals.

Respondents are Samsung Electronics Co., Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., and Xilinx, Inc., the Appellees in the Court of Appeals; and Katherine K. Vidal, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, Intervenor in the Court of Appeals.

CORPORATE DISCLOSURE STATEMENT

Arbor Global Strategies, LLC, is a wholly owned subsidiary of Arbor Company LLLP.

RELATED PROCEEDINGS

United States Court of Appeals (Fed. Cir.):

Arbor Global Strategies, LLC, v. *Samsung Electronics Co., Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., Xilinx, Inc., Katherine K. Vidal, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office*. Nos. 2022-1465, 2022-1466, 2022-1467 (Jul. 16, 2024).

Patent Trial and Appeal Board:

Samsung Electronics Co., Ltd., Taiwan Semiconductor Manufacturing Company, Ltd. v. *Arbor Global Strategies, LLC*, No. IPR2020-01567 (Mar. 2, 2022).

Xilinx, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. v. *Arbor Global*

Strategies, LLC, No. IPR2020-01568 (Mar. 2, 2022).

Xilinx, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. v. *Arbor Global Strategies, LLC*, No. IPR2020-01570 (Mar. 2, 2022).

Xilinx, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. v. *Arbor Global Strategies, LLC*, No. IPR2020-01571 (Mar. 2, 2022).

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OPINIONS BELOW

The order of the court of appeals affirming the agency decision (Pet. App. 1a) is unreported but available at 2024 WL 3423016. The decisions of the Patent Trial and Appeal Board (Pet. App. 85a-508a) are unreported.

JURISDICTION

The court of appeals entered judgment on July 16, 2024. On September 30, 2024, the Chief Justice

extended the time within which to file a petition for a writ of certiorari to and including November 13, 2024.

STATUTORY PROVISIONS INVOLVED

5 U.S.C. § 554(d) provides:

> An employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not * * * participate or advise in the decision, recommended decision, or agency review * * * .

STATEMENT

A panel of the Patent Trial and Appeal Board decided to institute inter partes review proceedings to reexamine the validity of four of petitioner's patents after finding that a "strong showing of unpatentability" had been made by the challengers. The same panel then ruled that all of the challenged claims were, in fact, unpatentable. If that sounds unfair, it's because it is. After all, "[f]air trials are too important a part of our free society to let prosecuting judges be trial judges of the charges they prefer." *In re Murchison*, 349 U.S. 133, 137 (1955).

That venerable principle applies with equal force to administrative agencies. The Administrative Procedure Act (APA) forbids agency officials "engaged in the performance of investigative or prosecuting functions for an agency in a case" from "participat[ing] or advis[ing] in the decision, recommended decision, or agency review" of the same case. 5 U.S.C. § 554(d). That separation-of-functions provision strikes a balance between the administrative state's amalgamation of prosecutorial and adjudicative roles and the centuries-long aversion to "embodying in one

person or agency the duties of prosecutor and judge." *Wong Yang Sung* v. *McGrath*, 339 U.S. 33, 41 (1950). And, petitioner thought, Section 554(d) must surely apply when the very people judging the validity of a patent were responsible for instituting the invalidation proceedings in the first place.

The court of appeals sees things differently. By its lights, "[b]oth the decision to institute [inter partes review] and the final decision are adjudicatory decisions," so Section 554(d) does not apply. *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, 812 F.3d 1023, 1030 (Fed. Cir. 2016). Even though institution is "committed to [the PTO Director's] unreviewable discretion," *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 584 U.S. 325, 343 n.5 (2018)—and even though institution is a decision to *commence* a subsequent agency hearing—the court of appeals thought it comparable to a preliminary injunction issued by an Article III court. *Ethicon,* 812 F.3d at 1030. Never mind that preliminary injunctions are constrained by well-established boundaries (institution isn't); that preliminary injunctions can be appealed (institution can't); and that preliminary injunctions require a plaintiff with standing (institution doesn't). And never mind, too, that the Director can refuse to docket an inter partes review if the Patent Office is too busy—or for any reason at all.

To make matters worse, the court of appeals stumbled onto its rule as if by accident. *Ethicon*, the case that decided that institution is "adjudicatory" by misplaced analogy to preliminary injunctions, did not concern the APA and addressed the statute only in a two-sentence footnote. *Ethicon*, 812 F.3d at 1030 n.3.

The next case on point, *Mobility Workx, Inc.* v. *Unified Patents, LLC*, 15 F.4th 1146 (Fed. Cir. 2021), wasted no more ink in holding *Ethicon* controlling on the APA question. And the decision below saw no need for even that much; it is an unpublished summary order, reflecting the court of appeals' view that the question was resolved by *Ethicon*.

As facts on the ground bear out, *Ethicon* and its progeny (including the decision below) station the fox at the henhouse. The inter partes review process is already rife with procedural irregularities, including pressure by Patent Office management on Board members to reach desired outcomes and the stacking of Board panels with sympathetic judges. The Patent Office's practice of assigning inter partes review to the same Board panel that instituted those proceedings in the first place only compounds those problems. Indeed, the Board invalidates patent claims in 83 percent of the cases that it institutes and decides on the merits. See Part II(B), i*nfra*.

If there is tension between the goals of adjudicator independence and political accountability, Congress chose precisely how it wished to resolve that tension in Section 554(d). By shunting Section 554(d) to the side, however, the court of appeals has substituted its judgment for that of Congress and placed innumerable patents—backed by substantial investment and reliance interests—at risk. The resulting uncertainty (and thumb on the scale against patentability) breeds caution and stifles innovation. The Patent Office has merged prosecutorial and judicial power in the same hands; this Court should grant review and put a stop to it.

A. Legal Background

1. "Having been a part of the accusatory process a judge cannot be, in the very nature of things, wholly disinterested" in the outcome. *Williams* v. *Pennsylvania*, 579 U.S. 1, 9 (2016) (internal quotation marks omitted) (quoting *In re Murchison*, 349 U.S. at 137). The risk of prejudgment bias—"an improper, if inadvertent, motive to validate and preserve the result obtained through the adversary process"—looms over the adjudication. *Williams*, 579 U.S. at 11; see *id.* at 9 ("There is, furthermore, a risk that the judge would be so psychologically wedded to his or her previous position as a prosecutor that the judge would consciously or unconsciously avoid the appearance of having erred or changed position.") (cleaned up). And, even when the threatened partiality does not materialize, commingling prosecution and adjudication "weakens public confidence in that fairness." *Wong Yang Sung*, 339 U.S. at 42.

Those well-established principles are tested by the modern administrative state, which often houses investigation, enforcement, and adjudication in the same agency. Unsurprisingly, "[p]rior to the Administrative Procedure Act, there was considerable concern that persons hearing administrative cases at the trial level could not exercise independent judgment because they were required to perform prosecutorial and investigative functions as well as their judicial work." *Butz* v. *Economou*, 438 U.S. 478, 513-514 (1978).

Congress had a solution. "[T]o ameliorate the evils from the commingling of functions" within agencies, *Wong Yang Sung*, 339 U.S. at 46, the APA provides

that "[a]n employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not * * * participate or advise in the decision, recommended decision, or agency review," 5 U.S.C. § 554(d). That restriction would not apply to agency heads; after all, it is "the very nature of administrative agencies," that the "same authority is responsible for both the investigation-prosecution and the hearing and decision of cases." U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 58 (1947);[1] see Kristin E. Hickman & Richard J. Pierce, Jr., Administrative Law Treatise § 7.8 (7th Ed. 2024-1 Supp. 2018). As to subordinate agency officials, though, Congress sought to "curtail and change the practice of embodying in one person or agency the duties of prosecutor and judge." *Wong Yang Sung*, 339 U.S. at 41.

2. The Leahy-Smith America Invents Act (AIA), 35 U.S.C. § 100 *et seq.*, established the inter partes review process, which allows a third party to ask the Patent Office "to reexamine the claims in an already-

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[1] This Court grants the Attorney General's Manual "some deference" given the Department of Justice's extensive involvement in the APA's drafting. *Darby* v. *Cisneros*, 509 U.S. 137, 148 n.10 (1993); see *Loper Bright Enters.* v. *Raimondo*, 144 S. Ct. 2244, 2262 (2024) (citing Attorney General's Manual). In interpreting the APA, this Court has also looked to the *Final Report of the Attorney General's Committee on Administrative Procedure* (1941), reprinted in S. Doc. No. 8, 77th Cong., 1st Sess. (1941). See *Wong Yang Sung*, 339 U.S. at 37 nn.2-3, 44; *Butz*, 438 U.S. at 514; see also *Loper Bright*, 144 S. Ct. at 2304 (Kagan, J., dissenting) (referring to the Final Report as an "influential study of administrative practice").

issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art." *Cuozzo Speed Techs., LLC* v. *Lee*, 579 U.S. 261, 265 (2016).[2]

The statute establishes a "two-step procedure for *inter partes* review." *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014). First, "[t]he Director shall determine whether to institute an inter partes review." 35 U.S.C. § 314(b). The Director "may" institute review only if she determines "that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a). "The decision whether to institute inter partes review is committed to the Director's discretion." *Oil States*, 584 U.S. at 331. Thus, for example, "the Director is free * * * to determine that for reasons of administrative efficiency, an [inter partes review] will not be instituted, as agencies generally are free, for similar reasons, to choose not to initiate enforcement proceedings." *Mylan Lab'ys Ltd.* v. *Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1382 (Fed. Cir. 2021) (citing *Heckler* v. *Chaney*, 470 U.S. 821, 830-832 (1985)). That discretionary decision whether to institute inter partes review is "final and non-appealable." *Oil States*, 584 U.S. at 331.

Second, if inter partes review is instituted by the Director, a three-judge panel of the "Patent Trial and Appeal Board—an adjudicatory body within the [Patent Office] created to conduct inter partes

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[2] The America Invents Act also created the post-grant review procedure, which can also result in cancellation of an issued patent. See 35 U.S.C. § 321.

review—examines the patent's validity," this time based on a more complete evidentiary record. *Oil States*, 584 U.S. at 331; see 35 U.S.C. §§ 6(c), 316. During trial the petitioner and patent owner are entitled to discovery, including expert depositions; to file affidavits and declarations; and to receive an oral hearing before the Board. 35 U.S.C. § 316(a); *Oil States*, 584 U.S. at 331-332. The Board determines whether the petitioner has met its burden of proving unpatentability by a preponderance of the evidence and issues a "final written decision" upholding or canceling each of the challenged claims. 35 U.S.C. §§ 316(e), 318(a); see *Cuozzo*, 579 U.S. at 268. Unlike the institution decision, the Board's final written decision is appealable to the Federal Circuit. 35 U.S.C. § 141(c).

The statute thus "separates the Director's decision to 'institute' the review, on one hand, from the Board's 'conduct' of the review 'instituted' by the Director, and the Board's subsequent 'written decision,' on the other." *St. Jude Med.*, 749 F.3d at 1375 (internal citations omitted). That bifurcated structure—institution by the Director, adjudication by the Board—harmonizes the inter partes review process with the APA's separation-of-functions provision.[3] Indeed, "[t]his division of authority protects patentees by ensuring that the threshold decision to institute neither pre-ordains nor prejudices the later decision

[3] The APA's procedural requirements apply to inter partes review. See *Dell Inc.* v. *Acceleron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016) ("For a formal adjudication like the inter partes review considered here, the APA imposes particular requirements on the PTO.").

on the merits." *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, 826 F.3d 1366,1368 (Fed. Cir. 2016) (Newman, J., dissenting from denial of rehearing en banc). "Independence of the two decision-makers is crucial to achieving the statutory purpose." *Ibid.*

The Patent Office's implementation of inter partes review's two-step framework, however, runs afoul of that purpose. That is because the Director has delegated the authority to institute inter partes review to the Board—which then goes on to conduct and decide the inter partes review on the merits. 37 C.F.R. § 42.4(a) ("The Board institutes the trial on behalf of the Director."). And, under current practice, the Director delegates the institution decision and trial to the same three-judge panel of the Board. See *Ethicon*, 812 F.3d at 1031-1033. Thus, the same panel that decided to institute inter partes review is responsible for testing the correctness of that determination when it decides the case on the merits.

3. Inter partes review and the separation-of-functions principle collided in *Ethicon*. The patentee in that case brought a due process challenge to the commingling of institution and decision in the Board. See 812 F.3d at 1029. After analogizing institution to the issuance of a preliminary injunction, however, the court of appeals concluded that that "[b]oth the decision to institute and the final decision are adjudicatory decisions." *Id.* at 1030. Thus, the court saw "no due process concerns in combining" institution with inter partes review. *Ethicon*, 812 F.3d at 1031 (applying the due process framework set forth in *Withrow* v. *Larkin*, 421 U.S. 35 (1975)). The court of appeals also stated in a footnote that, even though the

APA imposes separation of prosecutorial and adjudicative functions, "the APA imposes no separation obligation as to those involved in preliminary and final decisions." *Id.* at 1030 n.3.

Judge Newman dissented. *Ethicon*, 812 F.3d at 1035-1040. As she saw it, "[p]ermitting the same decision-maker to review its own prior decision may not always provide the constitutionally required impartial decision maker"—and, for that reason, the America Invents Act itself requires that separate actors make the institution and merits decisions. *Id.* at 1038. As for the analogy to preliminary injunctions, those orders—unlike institution—"are immediately subject to appeal." *Id.* at 1039. Judge Newman again dissented from the denial of rehearing en banc, emphasizing, among other things, the Director's broad discretion to make institution decisions for non-merits reasons. See *Ethicon*, 826 F.3d at 1367 (Newman, J., dissenting from denial of rehearing en banc); see *id.* at 1368 (noting that the AIA's "division of authority protects patentees by ensuring that the threshold decision to institute neither pre-ordains nor prejudices the later decision on the merits").

The Federal Circuit doubled down on *Ethicon*'s drive-by APA ruling in *Mobility Workx, LLC* v. *Unified Patents, LLC*, 15 F.4th 1146 (2021). As in *Ethicon*, the APA played only a bit part. The appellant's lead arguments were due process challenges to the agency's fee-generating structure and its incentives for the administrative patent judges who sit on the Board. See *id.* at 1153-1156. The court rejected those arguments and, in a brief passage, also rejected the argument that "the Director's delegation of his

authority to institute AIA proceedings violates due process and the Administrative Procedure Act." *Id.* at 1157. The sum total of the court's reasoning was that it had "previously rejected a nearly identical challenge" in *Ethicon, ibid.*—even though *Ethicon*'s fleeting reference to the APA was pure dicta.

Judge Newman again dissented in relevant part, arguing that combining institution and decision "contravenes the America Invents Act and the Administrative Procedure Act." *Mobility Workx*, 15 F.4th at 1160 (Newman, J., concurring in part and dissenting in part). She explained that "§ 554(d) was included in the APA to 'ameliorate the evils from the commingling of functions' where '[t]he discretionary work of the administrator is merged with that of the judge.'" *Id.* at 1163 (quoting *Wong Yang Sung*, 339 U.S. at 42, 46). And she condemned the court of appeals' "perfunctory ratification of the current practice," particularly in light of the known "tendency for people to justify past conduct, especially when that conduct casts doubt on their competence or integrity and is public knowledge." *Id.* at 1163-1164. Judge Newman also stated that *Ethicon* was ripe for reevaluation after this Court's decision in *United States* v. *Arthrex, Inc.*, 594 U.S. 1 (2021), which required that final Board decisions be reviewable by a principal officer. *Mobility Workx*, 15 F.4th at 1161.

B. The Present Controversy

1. Petitioner holds four patents directed to stacked hybrid reconfigurable computer processors. Respondents filed a total of seven petitions for inter partes review in which they challenged the validity of 107 claims in those patents. The petitions were each

assigned to the same three-judge panel of the Board. The Board instituted review on all of the petitions, going above and beyond the statutory requirement of a "reasonable likelihood" of invalidation, 35 U.S.C. § 314(a), to opine (in two cases) that the petitions in fact made out "a strong showing of unpatentability," Pet. App. 12a, 53a. The same panel that instituted review then conducted the inter partes review proceedings and issued final written decisions invalidating all 107 of the challenged claims. Pet. App. 85a-508a.

2. Petitioner appealed. Among other things, petitioner argued that delegation of institution and decision to the same Board panel violated the APA and raised due process concerns. Pet. C.A. Br. 52-69. Petitioner further argued that the court of appeals' decision in *Ethicon*, which approved of that practice, has been overtaken by this Court's intervening decisions. *Id.* at 62-64.

For its part, the Patent Office argued that the APA issue was "control[led]" by *Ethicon*. PTO C.A. Br. 8-16. That same theme suffused oral argument. Thus, for example, Judge Linn stated at the outset of argument that the APA question "has already been resolved." Oral Arg. at 00:38. And counsel for the Patent Office stated, as her sole affirmative argument, that the APA issue was "controlled by *Ethicon* and *Mobility Workx*." *Id.* at 28:04.

The court of appeals affirmed in a summary order. Pet. App. 1a.

REASONS FOR GRANTING THE PETITION

The court of appeals held that the decision to institute inter partes review is an adjudicatory act, not a prosecutorial one. It therefore concluded that Section 554(d)—which prohibits agency employees from performing prosecuting and adjudicatory functions in the same case—presents no bar to the Patent Office's practice of allowing a single Board panel to institute *and* then conduct the inter partes review.

That interpretation is incorrect. The discretionary "decision to initiate or move forward" with an agency hearing is the very definition of a prosecuting function. *Butz* v. *Economou*, 438 U.S. 478, 515 (1978). And that describes institution to a tee.

The question presented is recurring and important. If left unreviewed, the rule embraced by the court of appeals will continue to allow Board members to sit in judgment of their own decision to institute review—a practice that has resulted in the Board's invalidation of patent claims in the vast majority of inter partes review proceedings. This Court's review is necessary to reinstate the division of authority that Congress established, eliminate the risk of prejudgment bias by the Board, and restore confidence in the fairness of the patent system.

I. Delegation Of Institution And Adjudication To The Same Board Panel Violates The APA

The APA's text is clear: An agency official "engaged in the performance of investigative or prosecuting functions" in a given case "may not * * * participate or advise in the decision." 5 U.S.C. § 554(d). And few functions are more quintessentially prosecutorial

than the discretionary decision to initiate an agency adjudication. Institution of inter partes review is precisely such a decision. But the decision below nullifies Section 554(d)'s separation-of-functions mandate—all based on *Ethicon*'s faulty premise that the Board's institution decision is just like a district court's decsion to grant a preliminary injunction, and is thus adjudicatory rather than prosecutorial. That is wrong, and this Court's review is warranted to separate prosecution from adjudication in the Patent Office.

A. The Decision To Institute Inter Partes Review Is A Prosecutorial Function Within The Meaning Of The APA

1. An agency's discretionary decision to initiate a formal hearing is a prosecutorial act. Prosecution is "[t]he commencement and carrying out of any action." *Prosecution*, *Black's Law Dictionary* (12th ed. 2024). Thus, as the Final Report of the Attorney General's Committee on Administrative Procedure makes clear, an agency engages in "prosecution" when it "mak[es] preliminary decisions to issue a complaint or to proceed to formal hearing in cases which later the agency heads will decide." *Final Report of the Attorney General's Committee on Administrative Procedure* 56 (1941), reprinted in S. Doc. No. 8, 77th Cong., 1st Sess. (1941). That is why Congress separated "[t]he person who heard and weighed the evidence" at an agency hearing from "the initiation or prosecution of the case." *Id.* at 55.

It is not hard to see why initiating an agency hearing has long been understood to be prosecutorial. "Before a complaint is issued—if an agency has power

to initiate proceedings on its own motion or on charges filed by a private person"—a "determination must be made that the action is proper," both as a matter of law and of agency priorities. *Final Report of the Attorney General's Committee on Administrative Procedure* 56 (1941), reprinted in S. Doc. No. 8, 77th Cong., 1st Sess. (1941). And "[t]his Court has recognized on several occasions over many years that an agency's decision not to prosecute or enforce * * * is a decision generally committed to an agency's absolute discretion." *Heckler* v. *Chaney*, 470 U.S. 821, 831 (1985). An agency's discretionary decision to "initiate administrative proceedings against an individual or corporation" is thus "very much like the prosecutor's decision to initiate or move forward with a criminal prosecution." *Butz*, 438 U.S. at 515; see *Heckler*, 470 U.S. at 832 (comparing agency's "refusal to institute proceedings" to "the decision of a prosecutor in the Executive Branch not to indict").

2. Institution is a prosecuting function within the meaning of the APA. "[T]he decision to institute review is made by the Director and committed to his unreviewable discretion." *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 584 U.S. 325, 343 n.5 (2018); see *Cuozzo Speed Techs., LLC* v. *Lee*, 579 U.S. 261, 273 (2016). For that reason, this Court has analogized institution to a grand jury indictment—the canonical prosecutorial act. *Cuozzo*, 579 U.S. at 273. Just as a court may not gainsay a grand jury's probable-cause determination, *ibid.*, or a prosecutor's decision not to bring an indictment, *Heckler*, 470 U.S. at 832; *Linda R.S.* v. *Richard D.*, 410 U.S. 614, 619 (1973), institution is committed to the Director's

discretion by law. And, just like those decisions, institution constitutes the decision to "initiate or move forward" with an adjudicatory proceeding, *Butz*, 438 U.S. at 515—in this case, a formal agency hearing that adjudicates "public rights." *Oil States*, 584 U.S. at 336-337.

That unreviewable discretion makes sense in light of the classically prosecutorial considerations underlying the decision to institute. As this Court has recognized, "an agency's enforcement decisions are informed by a host of factors, some bearing no relation to the agency's views regarding whether a violation has occurred." *Christopher* v. *SmithKline Beecham Corp.*, 567 U.S. 142, 157 (2012); see also *United States* v. *Texas*, 599 U.S. 670, 680 (2023). And here, the Director "bears the political responsibility of determining which cases should proceed" and can make those determinations based on agency priorities—not just the merits. *Saint Regis Mohawk Tribe* v. *Mylan Pharms. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018); see *ibid.* ("While [the Director] has the authority not to institute review on the merits of the petition, [s]he could deny review for other reasons such as administrative efficiency or based on a party's status as a sovereign."). Indeed, apart from the merits, the Director may "reject a petition that is cumulative, harassing, anti-competitive, or non-meritorious" or simply "decline to institute if the resources of the Office are overburdened." *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, 826 F.3d 1366, 1367 (Fed. Cir. 2016) (Newman, J., dissenting from denial of rehearing en banc). Those are precisely the sort of prosecutorial

considerations that "courts generally lack meaningful standards [to] assess[]." *Texas*, 599 U.S. at 679.

3. Institution of inter partes review mirrors other agency decisions to initiate agency adjudications—decisions that this Court has characterized as prosecutorial rather than adjudicatory. The National Labor Relations Board's General Counsel, for example, has "unreviewable discretion" to issue complaints (based on charges brought by private parties) that initiate agency proceedings. *NLRB* v. *United Food & Com. Workers Union, Loc. 23, AFL-CIO*, 484 U.S. 112, 116, 125, 126 (1987). That tracks the agency's division of authority between the General Counsel and the Board "along a prosecutorial and adjudicatory line": "decisions whether to file a complaint are prosecutorial," while "the resolution of contested unfair labor practice cases is adjudicatory." *Id.* at 124-125. This Court has thus held that the General Counsel's decision to dismiss a complaint is also prosecutorial, explaining that, while "the filing of a complaint is the necessary first step to trigger the Board's adjudicatory authority," "until a hearing is held * * * no *adjudication* has yet taken place." *Id.* at 125.

The Occupational Safety and Health Administration operates similarly. The Secretary of Labor wields prosecutorial authority under the Occupational Safety and Health Act, including the authority to issue citations to employers and file complaints with the Occupational Safety and Health Review Commission. See *Cuyahoga Valley Ry. Co.* v. *United Transp. Union*, 474 U.S. 3, 6-7 (1985) (per curiam). The Commission, in turn, exercises

adjudicative power. *Id.* at 7. Accordingly, this Court has held that the Secretary's decision to withdraw a citation is a prosecutorial act that is unreviewable by the Commission. *Id.* at 7. Otherwise, the Commission would "make both prosecutorial decisions and [] serve as the adjudicator of the dispute, a commingling of roles that Congress did not intend." *Ibid.*[4]

Like the decision to issue an NLRB or OSHA complaint, the institution decision is one "in which an agency chooses whether to institute a proceeding on information supplied by a private party." *Saint Regis Mohawk Tribe*, 896 F.3d at 1327. Indeed, just as the NLRB General Counsel and Secretary of Labor have the "prosecutorial" authority to withdraw complaints that have already been issued, the Board has the unreviewable authority to withdraw or vacate an earlier institution decision. See *GTNX, Inc.* v. *INTTRA, Inc.*, 789 F.3d 1309, 1312 (Fed. Cir. 2015). Until the Board actually conducts the inter partes review, "no *adjudication* has yet taken place." *United Food*, 484 U.S. at 125.

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[4] The Nuclear Regulatory Commission has also found it "important to maintain so far as possible the separation between 'prosecutorial' and quasi-judicial functions within the Commission, which [its] regulations establish by vesting in the Director the discretion to institute show cause proceedings" after a citizen petition to revoke a nuclear power plant's license. *Massachusetts Pub. Int. Rsch. Grp., Inc.* v. *U.S. Nuclear Regul. Comm'n*, 852 F.2d 9, 17 (1st Cir. 1988) (emphasis omitted) (quoting *In re Consolidated Edison Co. of N.Y., Inc.*, 2 N.R.C. 173, 175 (1975)); see *Safe Energy Coal. of Mich.* v. *U.S. Nuclear Regul. Comm'n*, 866 F.2d 1473, 1479 (D.C. Cir. 1989) (noting that the Commission "liken[ed] the Director to a prosecutor and itself to a reviewing court" with respect to Director's decision to institute show-cause hearing).

The NLRB's and OSHA's separation of functions are a product of their organic statutes. See *Martin* v. *Occupational Safety & Health Rev. Comm'n*, 499 U.S. 144, 151 (1991) (describing "split enforcement" structure). But that does not make this Court's delineation of prosecutorial and adjudicative functions any less relevant to the APA's separation-of-functions rule, which likewise divides authority "along a prosecutorial and adjudicatory line." *United Food*, 484 U.S. at 125. Indeed, the America Invents Act also separates institution (which Congress assigned to the Director) from trial (which Congress assigned to the Board)—consistent with the APA's separation of such prosecutorial and adjudicative functions. See 35 U.S.C. §§ 314(a), 316(c).

Cases interpreting Section 554(d) have also concluded that the decision to initiate agency proceedings is not adjudicative. In *RSR Corp.* v. *FTC*, for example, the D.C. Circuit rejected a Section 554 challenge to allegedly improper consultations between agency prosecutorial staff and adjudicators in connection with a private party's motion to reopen antitrust proceedings. 656 F.2d 718, 723 (1981). The court explained that the decision to reopen was not itself an adjudicatory decision, but rather a "a prelude to a resumption of the adjudicative process." *Ibid.* Thus, the court held, the decision to reopen could, consistent with Section 554, be made with the assistance of the prosecutorial staff. In *Amos Treat & Co.* v. *SEC*, the same court held that an SEC commissioner who had (in an earlier capacity) recommended the initiation of agency proceedings could not then, as a commissioner, adjudicate those

same proceedings. 306 F.2d 260, 262, 266 (1962). And while the Third Circuit avoided the issue of "whether merely authorizing the filing of charges disqualifies an agency official from participating in adjudication," it nevertheless held that the APA prohibits a customs officer who had previously overseen an investigation and recommended the initiation of license-revocation proceedings from presiding over the adjudication of those proceedings. *Twigger* v. *Schultz*, 484 F.2d 856, 857-861 (1973).

This Court has likewise applied the APA's separation-of-functions provision strictly. In *Wong Yang Sung* v. *McGrath*, the Court held that the Immigration Service violated the APA by allowing an immigration inspector to both investigate deportation cases and preside over deportation hearings—even though the inspector did not investigate the same case that he was adjudicating. 339 U.S. 33, 45-46 (1950) (applying materially identical predecessor to Section 554(d)). It was enough that, "while he is today hearing cases investigated by a colleague, tomorrow his investigation of a case may be heard before the inspector whose case he passes on today." *Id.* at 45. Here, of course, the same panel of administrative patent judges that conducts the inter partes review proceedings also made the decision to institute those very proceedings—a greater commingling of functions than that deemed impermissible in *Wong Yang Sung*.[5]

[5] Congress later amended the Immigration and Nationality Act to exclude deportation proceedings from the APA's hearing requirements. See *Ardestani* v. *INS*, 502 U.S. 129, 133 (1991).

4. Even the Patent Office agrees—at least sometimes—that institution is not an adjudication. In *In re Palo Alto Networks, Inc.*, 44 F.4th 1369 (Fed. Cir. 2022), a mandamus petitioner argued that the Director's refusal to rehear an institution decision violated the Appointments Clause. Opposing mandamus, the Patent Office explained that, "[u]nlike a final written decision" after conducting inter partes review, "an institution decision does not adjudicate the rights of the parties, but instead merely determines whether the agency will *initiate* such an adjudication." Resp. to Pet. for Writ of Mandamus at 14-15, *In re Palo Alto Networks*, No. 22-145 (Fed. Cir. May 27, 2022) (emphasis added).

That is precisely what the Attorney General's Committee on Administrative Procedure defined as prosecutorial: "making preliminary decisions to * * * proceed to formal hearing." *Final Report of the Attorney General's Committee on Administrative Procedure* 56 (1941), reprinted in S. Doc. No. 8, 77th Cong., 1st Sess. (1941); see *Butz*, 438 U.S. at 515 (initiation of agency proceedings is "very much like the prosecutor's decision to initiate or move forward with a criminal prosecution"). And, as the Patent Office also acknowledged, it can decline to institute "for discretionary reasons that are independent of the substance of the claims." Resp. to Pet. for Writ of Mandamus at 15, *Palo Alto Networks*, *supra* (No. 22-145). That, too, is a hallmark of prosecutorial discretion. See, *e.g.*, *Texas*, 599 U.S. at 680.

The Patent Office made those representations in support of its argument that Board members act as inferior officers when making institution decisions.

Resp. to Pet. for Writ of Mandamus at 13-14, *Palo Alto Networks*, *supra* (No. 22-145). But what's sauce for the goose is sauce for the gander. It cannot be the case that institution is not an adjudication for purposes of the Appointments Clause but then becomes an adjudication for purposes of the APA's separation-of-functions provision. This Court should grant review to determine which of the Patent Office's positions is the correct one.

B. The Federal Circuit's Holding Is Wrong

Ethicon thus conflicts with *Wong Yang Sung*, with this Court's characterization of institution in *Cuozzo* and *Oil States*, and with the Patent Office's own position in *Palo Alto Networks*. Yet, in concluding that institution is adjudicatory rather than prosecutorial, the court of appeals did not even consider the meaning of the term "prosecuting function" under the APA. Rather, the court relied entirely on its belief that "[t]he inter partes review procedure is 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." 812 F.3d at 1030.

That comparison falls wide of the mark. To begin with, the APA does not apply to federal courts, so it's beside the point whether institution is, as the court of appeals declared, "analogous" to a preliminary injunction. But the court's analogy fails on its own terms. Institution is distinguishable from a preliminary injunction in several key ways. Institution is committed to the agency's unreviewable discretion; a preliminary injunction is appealable and will be reversed if it is "the result of improvident exercise of judicial discretion." *Meccano, Ltd.,* v. *John*

Wanamaker, New York, 253 U.S. 136, 141 (1920).[6] Institution may be based on agency priorities, including administrative efficiency; courts are not free to grant or withhold injunctive relief for reasons outside the traditional four-factor test. See *Munaf* v. *Geren*, 553 U.S. 674, 690 (2008) ("A difficult question as to jurisdiction is, of course, no reason to grant a preliminary injunction."). Institution does not have any legal force or practical effect on the parties; injunctive relief does, whether on a preliminary or permanent basis. And institution is a discretionary decision to commence legal proceedings; a preliminary injunction is issued by a court only after the "commencement" of such proceedings. *Prosecution*, *Black's Law Dictionary* (12th ed. 2024).[7]

The court of appeals' error, and its exclusive focus on analogies to preliminary injunctions, flows from its failure to "grapple[ ] with the APA—the statute that

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[6] Even the Board's decision that a petition for inter partes review is timely is unreviewable. *Thryv, Inc.* v. *Click-To-Call Techs., LP*, 590 U.S. 45, 54 (2020).

[7] Institution differs from court adjudication in still other ways, too. The Patent Office has "the ability to continue proceedings even after the original petitioner settles and drops out" and "may intervene in a later *judicial* proceeding to defend its decision—even if the private challengers drop out." *Cuozzo*, 579 U.S. at 272, 279. By contrast, "[t]he limited authority vested in federal courts to decide cases and controversies means that they may no more pronounce on past actions that do not have any 'continuing effect' in the world than they may shirk decision on those that do." *FBI* v. *Fikre*, 601 U.S. 771, 241 (2024). And "inter partes review is not initiated by private parties in the way that a common-law cause of action is"; rather, "the decision to institute review is made by the Director and committed to his unreviewable discretion." *Oil States*, 584 U.S. at 343 n.5.

lays out" the distinction between prosecutorial and adjudicative functions. *Loper Bright*, 144 S. Ct. at 2270. Indeed, the court of appeals did not address the APA at all beyond its cursory statement that "the APA imposes no separation obligation as to those involved in preliminary and final decisions." *Ethicon*, 812 F.3d at 1030 n.3. But the question under the APA is whether institution is a "prosecuting function[]," not whether it is preliminary. 5 U.S.C. § 554(d). Thus, while *Ethicon* may have "mention[ed] the APA," it stopped there; it never "reconcile[d] its framework with the APA" provision at issue. *Loper Bright*, 144 S. Ct. at 2264-2265. And because *Ethicon* failed to engage with the APA's text, it also ignored the statute's history, as set out in influential contemporaneous materials like the Attorney General's Manual and the Report of the Attorney General's Committee on Administrative Procedure. See *Loper Bright*, 144 S. Ct. at 2262 (citing Attorney General's Manual and stating that "[t]he text of the APA means what it says"—and that "a look at its history if anything only underscores that plain meaning").

The court of appeals had the opportunity to correct its error by addressing the APA's text and history in the decision below. Instead, just as it did in *Mobility Workx*, the court brushed aside petitioner's APA challenge as foreclosed by a precedent that hardly mentions the APA at all.

II. The Board's Commingling Of Prosecutorial And Adjudicative Functions Warrants This Court's Review

The court of appeals has made clear that it considers the question presented settled by *Ethicon*—and that it will continue to do so without this Court's intervention. That question is of critical importance. "Billions of dollars can turn on a Board decision." *United States* v. *Arthrex, Inc.*, 594 U.S. 1, 6 (2021). But because the Patent Office has merged the prosecutorial and judicial power in the same hands, those decisions are ineluctably tainted by the risk of prejudgment bias. That is no idle concern. The Patent Office's own data show that the Board invalidates some or all patent claims in 83 percent of the cases that proceed to a final written decision. The Patent Office's departure from the division of authority mandated by Congress has thus had "devastating consequences for the public confidence in post-grant proceedings and the patent system as a whole." *Ethicon*, 826 F.3d at 1369 (Newman, J., dissenting from denial of rehearing en banc).

A. The Denial Of Certiorari In *Ethicon* Is No Reason To Deny Review Here

The fact that this Court denied review in *Ethicon* is no reason to deny it in this case. For one thing, neither the court of appeals nor the petition for writ of certiorari in *Ethicon* focused on the APA question presented here. As noted, the court of appeals provided exactly one conclusory footnote of APA analysis. See 812 F.3d at 1030 n.3; cf. *Loper Bright*, 144 S. Ct. at 2270. And the petition for certiorari focused on the Director's authority to delegate the

institution decision to the Board under the America Invents Act. See Pet. at 12-25, *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, No. 16-366 (Sept. 20, 2016); see *id.* at i (presenting the question "[w]hether the Leahy-Smith America Invents Act permits the Patent Trial and Appeal Board instead of the Director to make inter partes review institution decisions").

Moreover, the ground has shifted beneath *Ethicon*, eroding its (already shaky) foundations. The case's core premise—that "[b]oth the decision to institute and the final decision are adjudicatory decisions," 812 F.3d at 1030—is incompatible with this Court's analogy of institution to a grand jury indictment. *Cuozzo*, 579 U.S. at 273. The notion that institution and decision are both stages of adjudication is also belied by this Court's recognition that, before an inter partes review is vested in the "adjudicatory body within the PTO created to conduct inter partes review," the Director must make the unreviewable, discretionary decision to institute. *Oil States*, 584 U.S. at 331. And *Ethicon*'s conclusion that "[t]here is nothing in the Constitution or the [AIA] statute that precludes the same Board panel from making the decision to institute and then rendering the final decision," 812 F.3d at 1033, has been "overtaken" by this Court's holding in *Arthrex* that final IPR decisions must be reviewable by a principal officer. *Mobility Workx*, 15 F.4th at 1161 (Newman, J., concurring in part and dissenting in part). What's more, the Government Accountability Office's post-*Ethicon* revelations of rampant bias in inter partes review proceedings (see Part II(B), *infra*) vindicates the APA drafters' concern that prosecutors-cum-adjudicators

"could not exercise independent judgment." *Butz*, 438 U.S. at 513-514.

The Patent Office's turnabouts further underscore *Ethicon*'s inconsistency with this Court's recent decisions. Opposing certiorari in *Ethicon*, the Patent Office characterized institution as "a preliminary determination in an adversarial administrative process," in which the Board "plays an impartial, 'adjudicatory' role." Gov't Br. in Opp. at 18, *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, No. 16-366 (Dec. 7, 2016). After *Cuozzo*, though, it stated that "an institution decision does not adjudicate the rights of the parties, but instead merely determines whether the agency will initiate such an adjudication." Resp. to Pet. for Writ of Mandamus at 14-15, *In re Palo Alto Networks*, No. 22-145 (Fed. Cir. May 27, 2022). That latter (correct) view cannot be squared with the Patent Office's position in this case that "the Board's institution decision is an adjudicatory decision" after all. PTO C.A. Br. 13. The Patent Office has made clear that it will take any position that defends the Board's decisions, without regard to how those positions conflict with each other—or with this Court's precedents.

B. The Question Presented Is Exceptionally Important

1. Congress created inter partes review, in part, to provide "quick and cost[-]effective alternatives to litigation." H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 48 (2011) (2011 House Report). By some measures, it succeeded. Inter partes review has become the "new frontier of patent litigation." *Ethicon*, 812 F.3d at 1037 (Newman, J., dissenting).

Indeed, challengers filed 1,209 petitions for inter partes review in fiscal year 2023 alone. U.S. Patent and Trademark Office, *PTAB Trial Statistics FY 23 End of Year Outcome Roundup* 3, https://perma.cc/T576-ZC6G (*PTAB Trial Statistics FY 23*).

As practiced by the Board, however, that shift comes at a steep price: "the taint of prejudgment." *Ethicon*, 826 F.3d at 1368 (Newman, J., dissenting). Out of the petitions that culminated in a final written decision in 2023, the Board found all of the challenged claims unpatentable 67.5 percent of the time—and some of the challenged claims unpatentable 15.4 percent of the time. *PTAB Trial Statistics FY 23* at 10. In other words, the Board invalidates patent claims in 83 percent of the cases that it institutes and goes on to decide.[8]

That lopsided result is scarcely surprising, given the Patent Office's mixture of institution and adjudication within the same Board panel. The panel that conducts inter partes review has, by definition, already made the (pre)determination at institution that there is a reasonable likelihood that the petition would prevail. 35 U.S.C. § 314(a).[9] The Patent Office's inter partes review procedure thus places administrative patent judges "in the position of

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[8] The numbers tell a similar story at the claim level. Of the 7,585 patent claims decided by the Board in a final written decision in FY 2023, the Board invalidated 5,894, or 77%, of the claims. *PTAB Trial Statistics FY 23* at 13.

[9] In this case the Board went even further, stating that the challengers made "a strong showing of unpatentability" on all "the challenged claims." Pet. App. 12a, 53a.

defending their prior decisions to institute the review." *Mobility Workx*, 15 F.4th at 1162 (Newman, J., concurring in part and dissenting in part). Small wonder, then, that the Board goes on to invalidate patent claims (and thus validate its decision to institute) in the vast majority of cases. That is the exact type of threat to the "independent judgment" of agency adjudicators that Congress sought to curtail through Section 554(d). *Butz*, 438 U.S. at 513-514.

2. This Court has cautioned courts to "be alert to the possibilities of bias that may lurk in the way particular [agency] procedures actually work in practice." *Withrow* v. *Larkin*, 421 U.S. 35, 54 (1975). And the "law has always endeavored to prevent even the probability of unfairness." *In re Murchison*, 349 U.S. 133, 136 (1955). That possibility has become reality for inter partes review, as evidenced by the Board's 83-percent invalidation rate for patents that proceed to a final written decision.

But there is still more reason to be alarmed by the Board's procedures "in practice." *Withrow*, 421 U.S. at 54. A recent Government Accountability Office (GAO) audit shows that the inter partes review process is shot through with procedural irregularities. U.S. Gov't Accountability Off., GAO-23-105336, *Patent Trial and Appeal Board: Increased Transparency Needed in Oversight of Judicial Decision-Making* (Dec. 2022), https://perma.cc/HUW2-SV3X. Thus, for example, the GAO reported that Patent Office management:

- exerts pressure on rank-and-file administrative patent judges to reach desired outcomes,

particularly with respect to the "decision to institute," *id.* at 26;

- enforces policies and legal guidance that some judges believe to be "inconsistent with relevant case law," *id.* at 24;
- demands changes to draft opinions and informs Board members that "the panel could be changed to replace the judge that did not make the desired changes," thus causing "judges [to] feel that they must follow management directives or their careers could be affected," *id.* at 28; and
- provides financial incentives to suppress the writing and publication of dissenting opinions, for which judges are no longer automatically awarded work credit, *id.* at 9 n.25.

Those procedural irregularities cast serious doubt on the fundamental fairness of the inter partes review process—and belie the government's contention that the Board "plays an impartial, 'adjudicatory' role" in that process. Gov't Br. in Opp. at 18, *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, No. 16-366 (Dec. 7, 2016). And those concerns are only exacerbated by the Patent Office's practice of assigning the conduct of inter partes review to the same Board panel that decided to institute that review in the first place.

The stakes are high. As this Court has recognized, "[b]illions of dollars can turn on a Board decision," *Arthrex*, 594 U.S. at 6, which can undo years of research and development costs. When companies invest in innovation, they do so with the expectation that the intellectual property arising from their

investments will be protected by the just administration of the U.S. patent laws. The Patent Office's consolidation of institution and adjudication of inter partes review before the same Board panel undermines those investment-backed expectations. See *Festo Corp.* v. *Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) ("[C]ourts must be cautious before adopting changes that disrupt the settled expectations of the inventing community."). It also thwarts Congress's purpose for enacting the America Invents Act, which was to enable the United States to "maintain its competitive edge in the global economy" by creating a "system that will support and reward all innovators with high quality patents" and thus "promote innovation." 2011 House Report 40.

Indeed, in the district court an alleged infringer must show invalidity of a patent by clear and convincing evidence. 35 U.S.C. § 282; see *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 97 (2011). That standard is relaxed for inter partes review, where a challenger need only show invalidity by a preponderance of the evidence. 35 U.S.C. § 316(e). By placing the power to both initiate and decide inter partes review in the same hands, however, the Patent Office has effectively upended the presumption of validity altogether, requiring the patent owner to convince the same Board panel that already found a likelihood of invalidity (and, in this case, a "strong showing" of unpatentability) that it was wrong. That weakens, rather than promotes, incentives for innovation.

Nor is there any legitimate countervailing government interest against enforcing the APA

separation-of-functions provision as written. Even if separation of institution from adjudication of inter partes review would "cause inconvenience and added expense" for the Patent Office, "Congress has determined that the price for greater fairness is not too high." *Wong Yang Sung*, 339 U.S. at 46. This Court should grant review to reinstate the division of authority mandated by the APA and "change the practice of embodying in one person or agency the duties of prosecutor and judge." *Id.* at 41.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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