UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

In re: Xencor, Inc.	Appeal No. 2023-2048

APPELLEE'S REPLY IN SUPPORT OF MOTION FOR REMAND

Appellee, Director of the United States Patent and Trademark Office, respectfully submits this reply in support of Appellee's Motion for Remand. Xencor's Opposition identifies no legal precedent that would bar this Court from exercising its discretion to remand and no persuasive reason that this Court should decline to do so.

Xencor raises three general arguments in opposition to remand. None provide persuasive reason for denial.

I. The Director has demonstrated that remand is appropriate.

Xencor argues that the Director has not met the legal standard for remand for essentially two reasons: (1) the Director has not made a sufficient showing as to Federal Circuit Rule 27(f) ("Rule 27(f)")[1]; and (2) the Director's request for

[1] Rule 27(f) states that "[a]fter the appellant . . . has filed its principal brief, the argument supporting dismissal, transfer, or remand should be made in the response brief of the appellee . . . ."

remand is not in accordance with this Court's decisions in *In re Hester*, 838 F.2d 1193 (Fed. Cir. 1988), and *SKF USA Inc. v. United States*, 254 F.3d 1022 (Fed. Cir. 2001). But Rule 27(f) is not absolute, and Xencor misapprehends both *Hester* and *SKF*.

A. Rule 27(f) sets forth a default procedure, but does not prevent remand in appropriate circumstances.

While Rule 27(f) ordinarily requires that a motion for remand be made prior to filing of the principal brief, that requirement is not absolute. Indeed, this Court has many times waived Rule 27(f) and considered a motion for dismissal or remand. For example, this Court has repeatedly granted waiver of Rule 27(f) and allowed motions to dismiss for lack of jurisdiction, even though jurisdictional issues are often apparent before filing of the appellant's principal brief. *See, e.g.*, *Murray v. Gibson*, 563 F. App'x 785 (Fed. Cir. 2014); *Canady v. Nicholson*, 228 F. App'x 974 (Fed. Cir. 2007); *Compliant Corp. v. Hutchins*, 222 F. App'x 991, 992 (Fed. Cir. 2007); *Mattel, Inc. v. Lehman*, 49 F. App'x 889 (Fed. Cir. 2002); *Tucker v. West*, 230 F.3d 1381 (Fed. Cir. 2000); *Quinones-Ruiz v. West*, 215 F.3d 1342 (Fed. Cir. 1999). This Court has also granted motions to waive Rule 27(f) and remand in order to allow the lower tribunal "to address the issues in the first instance" and for an agency to "reconsider its determination," even without any specific concession of error or change in the law. *See Alesse v. Nicholson*, 216 F. App'x 976 (Fed. Cir. 2007); *Rigos v. Off. of Pers. Mgmt.*, 17 F. App'x 974 (Fed.

Cir. 2001). To the extent that a motion to waive Rule 27(f) does not inhere in the Director's Motion for Remand, the Director respectfully requests that this Court treat the Motion for Remand as a combined motion for waiver of Rule 27(f) and remand.

Here, the Director has requested remand "to the USPTO to permit further consideration and issuance of a revised decision by the Appeals Review Panel" in the Motion. The Appeals Review Panel was newly established this year and the Director believes that this case presents issues that are particularly appropriate for consideration by that panel. In particular, the Director would like the Appeals Review Panel to clarify the USPTO's position on the proper analysis of Jepson-format and means-plus-function claims in the field of biotechnology, and particularly in the antibody art. Such a request falls well within this Court's discretion to both waive Rule 27(f) and grant remand for reconsideration before the USPTO.

B. The *Hester* decision is not controlling and *SKF* supports the Director's request for remand.

Xencor is incorrect in its argument that *Hester* lays out this Court's standard for granting remand. First, *Hester* identifies some specific circumstances that "may warrant a remand," such as an agreed motion, a change in the law, or a concession of error by the appellee agency, but even *Hester* leaves open that "other circumstances may be present that would indicate that remand is appropriate." 838

F.2d at 1194. Second, nothing in *Hester* suggests that the Court was intending to set forth a general standard for remand that extended beyond the particular facts of the case. *Id.* This conclusion is reinforced by the fact that no subsequent decision of this Court, precedential or nonprecedential, cites *Hester* as persuasive authority. And, as discussed above, multiple decisions of this Court have waived Rule 27(f) and remanded in circumstances other than those listed in *Hester*.

Xencor also cites to *SKF* as providing a "'taxonomy' of agency litigation positions," which notably includes a fourth option to "'request a remand, without confessing error, to reconsider its previous position.'" Opp. at 6 (quoting *SKF*, 254 F.3d at 1028). As such, *SKF* supports the Director's request for remand. This fourth category in the *SKF* court's "taxonomy" states that "even if there are no intervening events, the agency may request a remand (without confessing error) in order to reconsider its previous position," including, "for example, . . . to consider further the governing statute." 254 F.3d at 1028–29. In such a case, the *SKF* court explained that "the reviewing court has discretion over whether to remand" and that "if the agency's concern is substantial and legitimate, a remand is usually appropriate." *Id.* at 1029.

As the Director explained in her Motion, Xencor's claims "present novel questions involving the application of [caselaw] for both Jepson-format and means-plus-function claims in the field of biotechnology, and in particular the

antibody art." Mot. at 3. The Director further demonstrated the significance of the USPTO's concern by explicitly stating that the requested remand was for the specific purpose of convening the Appeals Review Panel. Mot. at 1, 5. This is sufficient to show that "the agency's concern is substantial and legitimate."

II. Remand is necessary for the USPTO to reconsider its decision and clarify its reasoning.

Xencor's argument that the Office of the Solicitor may ably express the USPTO's views on the issues in defending the current decision of the Board misses the mark. The most significant reason for the Director's Motion for Remand is that it will allow the Director to convene the Appeals Review Panel. When the Director determines "to review a decision in an *ex parte* appeal . . . the appeal will be repaneled to the ARP," which consists of three members of the Board (by default, the Director, Commissioner for Patents, and Chief Judge of the PTAB). *See* https://www.uspto.gov/patents/ptab/appeals-review-panel (last visited, Dec. 6, 2023). The entire premise of "review" and "repaneling" is that the Board's decisions currently on appeal will be subject to review and reconsideration by the new Board panel selected by the Director. The Director has not predetermined the outcome of that review and thus is not presently in a position to state the decision of that panel, and the views of the USPTO, in its brief before the Court. The Director has only determined that convening the ARP is the best path forward to

ensure careful review of the issues, and clear articulation of the USPTO's views, in this significant area of the law.

Xencor also suggests that the Office of Solicitor may provide "novel legal analysis" in its brief not found in the PTAB's decisions without impeding this Court's review under *Sec. & Exch. Comm'n v. Chenery Corp.*, 318 U.S. 80, 87 (1943). Opp. at 11-12. But the Board's decisions embrace not only questions of law, but also underlying questions of fact. *See Rovalma, S.A. v. Bohler-Edelstahl GmbH & Co. KG*, 856 F.3d 1019, 1024 (Fed. Cir. 2017) ("Thus, the Board must, as to issues made material by the governing law, set forth a sufficiently detailed explanation of its determinations both to enable meaningful judicial review and to prevent judicial intrusion on agency authority."). Furthermore, Xencor has not demonstrated that an exception to *Chenery*'s general rule should apply. *Chenery*, 318 U.S. at 87 ("The grounds upon which an administrative order must be judged are those upon which the record discloses that its action was based."). Xencor's suggestion of a *Chenery* exception allowing the Office of the Solicitor to make legal arguments not found in the PTAB's decisions is also contrary to this Court's decisions. *See, e.g.*, *In re Google LLC*, 56 F.4th 1363, 1367 (Fed. Cir. 2023) ("Meritorious or not, the PTO's arguments cannot sustain the Board's decision below because they do not reflect the reasoning or findings the Board actually

invoked.") (citing *Michigan v. E.P.A.*, 576 U.S. 743, 758 (2015); *Power Integrations, Inc. v. Lee*, 797 F.3d 1318, 1326 (Fed. Cir. 2015)).

III. Xencor's speculative arguments about patent issuance and PTA and assertions of added costs do not demonstrate prejudice.

First, Xencor's argument that "if Xencor were to prevail, its claims would issue and remand would be unnecessary," Opp. at 8–9, is both procedurally incorrect and speculative. Even after a successful appeal to this Court, remand is appropriate because only the USPTO has authority to grant patents. 35 U.S.C. § 2(a)(1); *Gould v. Quigg*, 822 F.2d 1074, 1079 (Fed. Cir. 1987) ("As we have often pointed out, we pass only on rejections actually made and do not decree the issuance of patents.") (quoting *In re Fisher*, 448 F.2d 1406, 1407 (CCPA 1971)); *see also Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018); *Microsoft Corp. v. I4I Ltd. P'ship*, 564 U.S. 91, 95–96 (2011). Upon remand, the Examiner may, with approval, reopen prosecution when appropriate to raise other patentability issues. *See* MPEP § 1216.01(D).

Likewise, Xencor's supposition, Opp. at 12–13, that the requested remand may have some future effect on its ability to collect patent term adjustment time under 35 U.S.C. § 154(b) is speculative and premature—as it depends both on patent issuance and the ultimate outcome of the proceedings—and cannot outweigh the USPTO's present and legitimate interest in providing this Court with a complete decision for review. *See Innogenetics, N.V. v. Abbott Lab'ys*, 512 F.3d

1363, 1374 (Fed. Cir. 2008) ("Speculation is not sufficient to demonstrate prejudice.").

Finally, Xencor's arguments about additional costs incurred are not a sufficient reason to deny the Director's Motion for Remand. *See In re Gould*, 673 F.2d 1385, 1387 (CCPA 1982).

CONCLUSION

Accordingly, the Director respectfully requests that this Court remand this appeal to the USPTO for the purpose of convening the Appeals Review Panel.

Respectfully submitted,

December 6, 2023

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CERTIFICATE OF COMPLIANCE

I hereby certify that the foregoing motion complies with the type volume limitation. The total number of words in the foregoing motion is 1,709, as calculated by Microsoft Word 2019.

*/s/ Peter J. Sawert*_____

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