

No. 2018-2140

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**IN THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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ARTHREX, INC.,

Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,

Appellees,

UNITED STATES,

Intervenor.

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Appeals from the United States Patent and Trademark Office  
Patent Trial and Appeal Board in No. IPR2017-00275.

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**RESPONSE TO PETITIONS FOR REHEARING EN BANC**

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## ARGUMENT

All parties agree that this case warrants the en banc court's attention. The panel decision creates incentives and opportunities for gamesmanship by excusing Arthrex's forfeiture of its Appointments Clause challenge; announces an important Appointments Clause ruling that is flawed in critical respects; compounds that ruling by ordering an unnecessarily burdensome remand remedy; and in so doing, threatens substantial disruption to the mission of the U.S. Patent and Trademark Office (USPTO) and the activities of private parties. In order to fully address the important constitutional, remedial, and procedural questions raised by the panel's decision, this Court should grant rehearing en banc on the three questions identified by the government in this case; order initial hearing en banc of the preserved Appointments Clause challenge in *Polaris Innovations Ltd. v. Kingston Technology Co.*, No. 18-1831 (Fed. Cir.); and direct the parties to file supplemental briefs regarding those questions.

**A.** The parties' petitions confirm that en banc review is warranted to address the panel's constitutional holding that administrative patent judges (APJs) are not subject to sufficient direction and supervision to qualify as inferior officers for purposes of the Appointments Clause. As explained in the government's petition, the panel's erroneous conclusion is based on its misapplication of the Supreme Court's decision in *Edmond v. United States*, 520 U.S. 651, 662-63 (1997), and misunderstanding of the default federal-employee removal standard, among other errors. *See* Gov't Pet. 7-10.

Appellees agree that en banc review is warranted to correct the panel's constitutional holding, including the panel's errors with respect to *Edmond* and the relevant removal standard. *See* Appellees' Pet. 9-17. And although Arthrex's petition is directed at the panel's remedial holding, *see infra* pp. 5-6, Arthrex's remedial arguments directly implicate the merits of the constitutional question. Indeed, Arthrex recognizes that the panel's opinion "raises important questions concerning tenure protections for APJs and how principal officers are defined under the Constitution" that should be addressed by the full Court. Arthrex Pet. 4. That a different panel of this Court has ordered supplemental briefing on issues addressed by the *Arthrex* panel, including "what level of supervision and review distinguish a principal from an inferior officer," Order at 2, *Polaris Innovations Limited v. Kingston Tech. Co.*, Nos. 2018-1768 & 2018-1831 (Fed. Cir. Nov. 8, 2019) ("*Polaris* Order"), confirms that the full Court should review the panel's constitutional holding.

**B.** The panel's forfeiture ruling similarly warrants the full Court's attention. *See* Gov't Pet. 11-14. The panel's erroneous decision to excuse Arthrex's forfeiture—particularly when combined with its related remedial error, *infra* pp. 4-6—has the potential to impose a substantial burden on the USPTO and the nation's patent system, while providing little public benefit. *See* Gov't Pet. 12; Accessible Medicines Amicus Br. 4-5, 9-11 (describing "substantial uncertainty" caused by panel's forfeiture and remedial rulings). *Arthrex's* forfeiture ruling was predicated on the perceived need to provide "[t]imely resolution" of the constitutional question (Op. 5). That rationale

does not support excusing forfeiture in other cases (and indeed, was insufficient to justify excusing the forfeiture in *Arthrex* itself, *see* Gov't Pet. 12). Nonetheless, this Court has issued dozens of orders notifying the United States that a party has raised or intends to raise an Appointments Clause challenge for the first time on appeal, seemingly on the assumption that *Arthrex*'s forfeiture ruling has a broader reach.<sup>1</sup> So

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<sup>1</sup> *See, e.g.,* *Vilox Techs., LLC v. Unified Patents, Inc.*, No. 19-2057 (Fed. Cir.); *Concert Pharm., Inc. v. Incyte Corp.*, No. 19-2011 (Fed. Cir.); *Steuben Foods, Inc. v. Nestle USA, Inc.*, No. 20-1082 (Fed. Cir.); *VirnetX, Inc. v. Cisco Sys., Inc.*, No. 19-1671 (Fed. Cir.); *Fall Line Patents, LLC v. Unified Patents, Inc.*, No. 19-1956 (Fed. Cir.); *Hytera Comms. Co. Ltd. V. Motorola Sols., Inc.*, No. 19-2124 (Fed. Cir.); *Caterpillar, Inc. v. Wirtgen Am., Inc.*, 19-2294 (Fed. Cir.); *Caterpillar, Inc. v. Wirtgen Am., Inc.*, No. 19-2206 (Fed. Cir.); *Comcast Cable Comms. v. Promptu Sys. Corp.*, Nos. 19-2287, -2288 (Fed. Cir.); *Comcast Cable Comms. v. Promptu Sys. Corp.*, No. 19-1947 (Fed. Cir.); *Pfizer, Inc. v. Merck Sharp & Dohme Corp.*, No. 19-1871 (Fed. Cir.); *Agrofresh, Inc. v. UPL Ltd.*, No. 19-2243 (Fed. Cir.); *Luoma v. GT Water Prods., Inc.*, No. 19-2315 (Fed. Cir.); *Stuart v. Rust-Oleum Corp.*, No. 19-1994 (Fed. Cir.); *Ciena Corp. v. Oyster Optics, LLC*, No. 19-2117 (Fed. Cir.); *Pfizer, Inc. v. Chugai Pharm. Co. Ltd.*, No. 19-1513 (Fed. Cir.); *Mirror Imaging, LLC v. Fidelity Info. Servs.*, No. 19-2026 (Fed. Cir.); *Immunex Corp. v. Sanofi-Aventis U.S. LLC*, No. 19-1749 (Fed. Cir.); *Shoes by Firebug LLC v. Stride Rite Children's Group*, No. 19-1622 (Fed. Cir.); *Vaporstream, Inc. v. Snap, Inc.*, No. 19-2231 (Fed. Cir.); *Document Sec. Sys. v. Seoul Semiconductor Co., Ltd.*, No. 19-2281 (Fed. Cir.); *Document Sec. Sys. v. Seoul Semiconductor Co., Ltd.*, No. 19-2430 (Fed. Cir.); *Soler-Somohano v. Coca-Cola Co.*, No. 19-2414 (Fed. Cir.); *Protiva Biotherapeutics, Inc. v. Moderna Therapeutics, Inc.*, No. 20-1183 (Fed. Cir.); *Moderna Therapeutics, Inc. v. Protiva Biotherapeutics, Inc.*, No. 20-1184 (Fed. Cir.); *Vivint, Inc. v. Alarm.com Inc.*, No. 19-2438 (Fed. Cir.); *SecurityProfiling, LLC v. Trend Micro, Inc.*, No. 19-1881 (Fed. Cir.); *Sound View Innovations, LLC v. Unified Patents Inc.*, No. 20-1154 (Fed. Cir.); *Sound View Innovations, LLC v. Hulu, LLC*, No. 20-1155 (Fed. Cir.); *Sierra Wireless, Inc. v. Koninklijke KPN N.V.*, No. 19-2082 (Fed. Cir.); *Oren Techs., LLC v. Proppant Express Invs.*, No. 20-1146 (Fed. Cir.); *In re: Siemens Mobility, Inc.*, No. 19-1732 (Fed. Cir.); *Palo Alto Networks, Inc. v. Finjan, Inc.*, No. 19-2151 (Fed. Cir.); *Provepharm Inc. v. WisTa Labs. Ltd.*, No. 19-2372 (Fed. Cir.); *Boston Sci. v. Nevro Corp.*, No. 19-1582 (Fed. Cir.); *Promptu Sys. Corp. v. Comcast Cable Comms.*, No. 19-2368 (Fed. Cir.); *High5 Games, LLC v. Aristocrat Techs., Inc.*, No. 20-1024 (Fed. Cir.); *Iron Oak Techs., LLC v. Unified Patents Inc.*, No. 19-2388 (Fed. Cir.); *Uniloc 2017 LLC v. Google LLC*, No. 19-2137 (Fed. Cir.); *Moen, Inc. v. Kohler Co.*, No. 19-2364

understood, *Arthrex* could require USPTO to rehear “potentially hundreds of new proceedings” in cases where the issue was never preserved before the agency and the opposing party had no reason to anticipate a remand on constitutional grounds.

*Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, 783 F. App’x 1029, 1030 (Fed. Cir. 2019) (Dyk, J., concurring). This Court should accordingly address the forfeiture issue en banc, and should grant initial en banc in *Polaris* so that the Court can address the underlying constitutional issue in the context of a preserved challenge—the type of challenge that, unlike *Arthrex*’s, should be encouraged. *See* Gov’t Pet. 14.

C. The uncertainty and burden placed on the USPTO and other litigants by the panel’s forfeiture holding is compounded by the panel’s remedial holding, which also warrants the full Court’s attention. *See* Gov’t Pet. 14-15. In the context of *Arthrex*’s forfeited challenge, the panel “sever[ed] the application of Title 5’s removal restrictions to APJs,” and vacated and remanded for a new hearing before a “new panel of APJs.” Op. 24-25, 29-30 (citing *Lucia v. SEC.*, 138 S. Ct. 2044, 2055 (2018)). But as the government explained in its petition, the Court has provided such relief only where the petitioner raised a “timely challenge” before the agency, *Lucia*, 138 S. Ct. at 2055, and, at a minimum, *Arthrex*’s forfeiture should have narrowed the scope of any remand to which *Arthrex* is entitled, Gov’t Pet. 14-15.

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(Fed. Cir.); *United Fire Protection Corp. v. Engineered Corrosion Solutions, LLC*, No. 20-1272 (Fed. Cir.).

Appellees agree that the panel’s remedial holding should be addressed en banc. Appellees Pet. 18-19. Arthrex also recommends en banc review of the panel’s remedy. *See* Arthrex Pet. 4. Although Arthrex’s reasons differ from those of appellees and the government, Arthrex too recognizes the importance of the remedial issue and correctly concludes that it would be “most efficiently addressed” by the full Court. *Id.*

Arthrex is incorrect, however, that the panel erred in declining to invalidate the statute entirely. Arthrex Pet. 14. “[W]hen confronting a constitutional flaw in a statute,” courts should “try to limit the solution to the problem,” including by “sever[ing] its problematic portions while leaving the remainder intact.” *Ayotte v. Planned Parenthood of N. New England*, 546 U.S. 320, 328-29 (2006). Here, the creation of the PTAB and the many functions Congress assigned to it were part of a significant patent-law reform “designed to establish a more efficient and streamlined patent system.” H.R. Rep. No. 112-98, at 40, *reprinted in* 2011 U.S.C.C.A.N. 67, 69 (2011). The question is not, as Arthrex would have it, whether Congress wished APJs to have removal protections, but instead whether Congress would “have preferred what is left of its statute” after eliminating those removal protections “to no statute at all.” *Ayotte*, 546 U.S. at 330; *accord Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010) (severing and invalidating removal protection to remedy constitutional defect); *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d



1332, 1340-41 (D.C. Cir. 2012) (same). The answer to that question is undoubtedly affirmative.

But even though *Arthrex* is clearly incorrect that the proper remedy for any Appointments Clause problem here is to raze the statute in its entirety, *Arthrex*'s rehearing petition demonstrates that the dimensions of any constitutional remedy present important considerations that warrant the full Court's attention. The recent supplemental briefing order issued by the *Polaris* panel, *supra* p. 2, demonstrates the same thing. That order identifies multiple remedial questions relating to *Arthrex*, including whether severing APJ removal restrictions is a sufficient remedy, whether that remedy obviates the need to vacate and remand IPR decisions for new hearings, and whether and how the remedy for an Appointments Clause violation differs "when it stems from an unconstitutional removal restriction, rather than an unconstitutional appointment itself." *Polaris* Order at 2-3. Those questions underscore the complexity and significance of the remedial issue.

**D.** The parties are unanimous that this case warrants en banc review. The bar is in agreement regarding the significance of the case. *See 'Under a Cloud of Doubt': Patent Practices Pivot Following the Federal Circuit's Arthrex Decision*, Nat'l Law J. (Dec. 20, 2019).<sup>2</sup> The parties' petitions—and this Court's own post-*Arthrex* orders in other

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<sup>2</sup> [https://www.law.com/nationallawjournal/2019/12/20/nlj-jan-2020\\_second-feature\\_patent-judges/](https://www.law.com/nationallawjournal/2019/12/20/nlj-jan-2020_second-feature_patent-judges/)

cases—demonstrate that important questions exist regarding the circumstances in which this Court should reach an Appointments Clause challenge, whether the Appointments Clause has been violated, and what course it should take should it find a constitutional violation. Review by the full Court on all of these questions is imperative.

### **CONCLUSION**

This Court should grant en banc review in this case, order initial hearing en banc in No. 18-1831, and order supplemental briefing for the parties to fully address the questions presented by the petitions. This Court should refrain from vacating the panel's opinion during the pendency of en banc proceedings, for the reasons given in the government's en banc petition. *See* Gov't Pet. 15 n.2.

Respectfully submitted,

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**CERTIFICATE OF COMPLIANCE WITH  
FEDERAL RULES OF APPELLATE PROCEDURE 32 AND 35**

I hereby certify that this petition complies with the requirements of Fed. R. App. P. 32(a)(5) and (6) because it has been prepared in 14-point Garamond, a proportionally spaced font. I further certify that this petition complies with the limitations of Fed. R. App. P. 35(b)(2)(A) because it contains 1,796 words, excluding the parts exempted under Federal Circuit Rule 35(c)(2).

*/s/ Courtney L. Dixon*  
\_\_\_\_\_  
COURTNEY L. DIXON

### **CERTIFICATE OF SERVICE**

I hereby certify that on January 17, 2020, I electronically filed this petition with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. I further certify that I will cause 18 paper copies to be filed with the Court within two days unless another time is specified by the Court.

The participants in the case are represented by registered CM/ECF users and service will be accomplished by the appellate CM/ECF system.

*/s/ Courtney L. Dixon*  
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