

Nos. 19-1582, 19-1635

**In the United States Court of Appeals
for the Federal Circuit**

BOSTON SCIENTIFIC NEUROMODULATION CORPORATION,
Appellant,

v.

NEVRO CORP.,
Cross-Appellant.

On Appeal from the United States
Patent and Trademark Office,
Patent Trial and Appeal Board
in Nos. IPR2017-01812, IPR2017-01920

**COMBINED PETITION OF APPELLANT FOR
RECONSIDERATION OR RECONSIDERATION EN BANC**

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December 6, 2019

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
19-1582, 19-1635**

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, undersigned counsel for Appellant Cross-Appellee Boston Scientific Neuromodulation Corporation, certifies the following:

1. The full name of every party or amicus represented by me is: **Boston Scientific Neuromodulation Corporation**

2. The names of the real parties in interest, if different from the parties named above, are: **Boston Scientific Neuromodulation Corporation**

3. The names of all parent corporations and any publicly held companies that own 10% or more of the stock of the party represented by me are: **Boston Scientific Corporation.**

4. The names of all law firms and the partners and associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are: **ARNOLD & PORTER KAYE SCHOLER LLP: Wallace Wu, Jeffrey Martin**

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal: ***Boston Scientific Corp. et al. v. Nevro Corp.*, Case No. 1:16-cv-01163-CFC (D. Del)**

Dated: December 6, 2019

/s/ David A. Caine

David A. Caine

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STATEMENT OF COUNSEL UNDER FED. CIR. RULE 35(b)(2)

Based on my professional judgment, I believe the decision is contrary to the following decisions of the Supreme Court of the United States and precedent of this Court: *Harper v. Virginia Dep't of Taxation*, 509 U.S. 86 (1993); *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833 (1986); *Glidden Co. v. Zdanok*, 370 U.S. 530 (1962); *Hormel v. Helvering*, 312 U.S. 552 (1941); *Lamar v. United States*, 241 U.S. 103 (1916); *United States v. Schooner Peggy*, 5 U.S. 103 (1801); *BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics, Inc.*, 898 F.3d 1205 (Fed. Cir. 2018); *In re Micron Tech., Inc.*, 875 F.3d 1091 (Fed. Cir. 2017); and *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008).

Based on my professional judgment, I believe this appeal requires the answer to two precedent-setting questions of exceptional importance:

1. Whether *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) is a change in intervening law that, when raised, must be applied to cases pending on appeal at the time of the decision.

2. Whether this Court must enforce the Appointments Clause once a defect is raised, even where the parties fail to raise the issue in their opening briefs.

Dated: December 6, 2019

/s/ David A. Caine
David A. Caine

STATEMENT OF RELATED CASES

No other appeal from the same *inter partes* review (IPR) has been taken to this or any other appellate court. Boston Scientific sued Nevro for infringing the claims in the '280 Patent at issue in this appeal (along with claims in several other patents) in the District of Delaware. *Boston Scientific Corp. et al. v. Nevro Corp.*, Case No. 1:16-cv-01163-CFC (D. Del). That case will be directly affected by the outcome of this appeal.

INTRODUCTION

Two days after the parties completed their briefing for this appeal, this Court decided *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1335 (Fed. Cir. 2019), holding that the appointment of the PTAB’s Administrative Patent Judges (“APJs”) by the Secretary of Commerce, as currently set forth in Title 35, violates the Appointments Clause, U.S. Const. art. II, § 2, cl. 2. That means that the APJs who decided the *inter partes review* (“IPR”) at issue in this appeal were not appointed in accordance with the Appointments Clause. The gravity of that structural error is significant. The IPR was decided by APJs without legal authority to bind the United States or private parties, and wholly lacking the power to invalidate any aspect of any patent.

One day after *Arthrex*, this Court issued two precedential *per curiam* orders denying motions to vacate and remand IPRs in light of *Arthrex* because Customedia had failed to raise an Appointments Clause challenge in its opening brief. *See Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173 (Fed. Cir. 2019) (Mem.); *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1174 (Fed. Cir. 2019) (Mem.). Three weeks later the Court denied Boston Scientific’s motion

to file a supplemental brief addressing *Athrex* on the same basis, stating: “The court concludes that the Appointments Clause challenge in these cases was forfeited.” ECF No. 56, at 2 (citing *Customedia*, 941 F.3d 1173).

The decision to deny supplemental briefing on grounds of “forfeiture” raises two questions of exceptional importance and contradicts controlling Supreme Court and Federal Circuit precedent. As Judge Newman explained in *Sanofi-Aventis Deutschland GmbH v. Mylan Pharmaceuticals Inc.*, the decision in *Customedia* is in direct conflict with controlling Supreme Court and Circuit precedent holding that changes in governing law apply to pending appeals when the change occurs while the case is on appeal. No. 2019-1368, 2019 WL 6130471, at *12 (Fed. Cir. Nov. 19, 2019) (Newman, J., dissenting). It also contravenes numerous precedents holding that courts should enforce the Appointments Clause even if such challenges are not timely raised.

The decision is exceptionally important: it has been used to deny numerous otherwise-meritorious *Arthrex* claims, and has deterred parties from raising meritorious *Arthrex* claims in countless others. Indeed, *Customedia* has also petitioned this Court for rehearing *en banc*

because these questions are exceptionally important.¹ See Petition For Rehearing En Banc of Order Denying Motion for Leave to File Supplemental Brief, *Customedia Technologies, LLC v. DISH Network Corporation*, No. 19-1001 (Fed. Cir. Nov. 21, 2019), ECF No. 54. This Court should grant reconsideration *en banc* and permit Boston Scientific to raise its meritorious *Arthrex* claim.

¹ If the Court decides to grant reconsideration *en banc* to decide the *Arthrex*-forfeiture issue, the Court should grant reconsideration *en banc* in this case. The *Customedia* panel has already affirmed the PTAB's decision on the merits, introducing potential complications for *en banc* rehearing. In contrast, in this case, the *en banc* Court's determination that Boston Scientific may raise its meritorious *Arthrex* claim would unambiguously require the panel to vacate and remand the IPR. This Court has jurisdiction to grant reconsideration *en banc* here. See Federal Circuit Rule 27(l) (setting forth procedures for petitioning for reconsideration *en banc*); see also FRAP 35(a) (permitting rehearing *en banc* of any "proceeding" before the Court); see also, e.g., *California v. Azar*, 927 F.3d 1045 (9th Cir. 2019) (granting rehearing *en banc* of an interim order); 10th Cir. R. 35.7 (modifying FRAP 35 to provide by local rule that procedural and interim orders are not considered *en banc* in the 10th Circuit).

ARGUMENT

I. The Decision Contravenes Holdings by the Supreme Court and this Court that Intervening Changes in Law Apply to All Cases Pending Appeal at the Time of the Decision, Not Exclusively Those Where the Argument Was Raised In an Opening Brief

Both this Court and the Supreme Court have repeatedly stated that when the law changes while a case is on appeal, the changed law applies to “all cases still open on direct review” at the time. *Harper v. Virginia Dep’t of Taxation*, 509 U.S. 86, 97 (1993); see *Hormel v. Helvering*, 312 U.S. 552, 558-59 (1941); *United States v. Schooner Peggy*, 5 U.S. 103, 110 (1801); see also *Sanofi-Aventis*, 2019 WL 6130471, at *12 (Newman, J., dissenting) (explaining that *Arthrex* must be applied to pending appeals under controlling Supreme Court and Federal Circuit precedent). That rule applies irrespective of whether parties raise the issue in their briefs before the new rule is announced. *Sanofi-Aventis*, 2019 WL 6130471, at *12 (Newman, J., dissenting).

As a corollary, this Court has repeatedly admonished that “a party does not waive an argument that arises from a significant change in law during the pendency of an appeal.” *BioDelivery Scis. Int’l, Inc. v. Aquestive Therapeutics, Inc.*, 898 F.3d 1205, 1209 (Fed. Cir. 2018)

(quoting parenthetically *Polaris Indus. Inc. v. Arctic Cat, Inc.*, 724 F. App'x 948, 949 (Fed. Cir. 2018) (nonprecedential)); *In re Micron Tech., Inc.*, 875 F.3d 1091, 1097-98 (Fed. Cir. 2017) (similar); *Transonic Sys., Inc. v. Non-Invasive Med. Techs. Corp.*, 75 F. App'x 765, 778-79 (Fed. Cir. 2003) (similar). The Court has suggested that “strong precedent” against a position is sufficient to forgive a party from engaging in the “futile gesture[]” of challenging it. See *In re Micron Tech., Inc.*, 875 F.3d at 1098 (quoting *Curtis Publ'g Co. v. Butts*, 388 U.S. 130, 143-44 (1967) (“strong precedent”)); *Chassen v. Fidelity Nat'l Fin., Inc.*, 836 F.3d 291, 293 (3d Cir. 2016) (no requirement that parties make “futile gestures merely to avoid a claim of waiver”). The Supreme Court has said that the test is whether it would have been “unreasonable for a lawyer trying a case of this kind” to decline to raise the claim in light of existing law. *Curtis*, 388 U.S. at 144, cited favorably in *In re Micron Tech., Inc.*, 875 F.3d at 1098.

The decision here directly conflicts with those controlling precedents. *Arthrex* was a dramatic intervening change in controlling law that arose after the close of briefing in this case. Before *Arthrex*, precedent appeared to dictate (1) that APJs' appointments did not violate

the Appointments Clause; (2) that failure to raise an Appointments Clause challenge before the PTAB meant the challenge was forfeited on appeal; and (3) that a successful Appointments Clause claim would result in no effectual remedy. *Arthrex* broke with existing law on each of these issues. Boston Scientific could not possibly have anticipated that *Arthrex* would change the law with respect to *all three* of these issues (victory on all three of which would be necessary for Boston Scientific to obtain effective relief on an Appointments Clause challenge in this appeal). Thus, Boston Scientific should be able to take advantage of the new rule *Arthrex* announced.

Arthrex's holding that PTAB APJs were unconstitutionally appointed constitutes a “significant change” from existing law. First and foremost, “[w]hat is crucial here is the presence of a duly-enacted, and therefore presumptively legitimate, statute on which citizens are normally entitled to rely.” *Cohn v. G.D. Searle & Co.*, 784 F.2d 460, 464 (3d Cir. 1986). Such reliance is not “unreasonable where the statute’s constitutionality has never been judicially questioned.” *Id.* In fact, it is especially *reasonable* where the Supreme Court has only recently *endorsed* the constitutionality of IPR proceedings in a comprehensive

opinion that made no mention of the apparent constitutional infirmity. *See Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (upholding constitutionality of IPRs against claim that the procedure violates Article III). “[T]he presumption of constitutionality to which every duly enacted state and federal law is entitled,” *Town of Lockport v. Citizens for Cmty. Action at Local Level, Inc.*, 430 U.S. 259, 272 (1977), is one of the “first principles of constitutional adjudication.” *Lemon v. Kurtzman*, 411 U.S. 192, 208 (1973) (plurality opinion) (quoting *San Antonio Indep. Sch. Dist. v. Rodriguez*, 411 U.S. 1, 60 (1973) (Stewart, J., concurring)). Both houses of Congress and the President agreed that APJs were constitutionally-appointed inferior officers who could hear and decide IPRs and—before *Arthrex*—Boston Scientific was entitled to rely on that judgment.

Several precedents supported that reliance. The Supreme Court’s decisions in *Edmond v. United States*, 520 U.S. 651, 661-66 (1997), *Free Enterprise Fund v. Public Co. Accounting Oversight Board*, 561 U.S. 477, 504-05, 509-10 (2010), and this Court’s decision in *Masias v. Secretary of Health & Human Services*, 634 F.3d 1283, 1293-95 & n.12 (Fed. Cir. 2011), weighed in favor of the constitutionality of Congress’s scheme.

This Court held in *Masias* that officials are inferior officers where they are “directed and supervised” by Presidentially-nominated and Senate-confirmed officers—as the PTAB’s APJs are. *See id.* at 1294. *Arthrex*’s holding that the PTAB’s APJs were not constitutionally appointed represents a “significant change” in the law on this issue.

Arthrex also constitutes a “significant change” from this Court’s decision in *In re DBC*. That case strongly suggested that parties forfeited Appointments Clause challenges by failing to raise them before the PTAB. *In re DBC*, 545 F.3d at 1378-80. *Arthrex* distinguished *In re DBC* because raising an Appointments Clause challenge before the PTAB would have been futile. *See Arthrex*, 941 F.3d at 1326-27, 1338-39. But it was not unreasonable for Boston Scientific to interpret *In re DBC* to require all Appointments Clause claims to be brought before the PTAB even if the PTAB could provide limited or no relief. *See In re DBC*, 545 F.3d at 1378-80 (noting that requiring parties to raise Appointments Clause claims before an agency, even if futile, would prevent “sandbagging”).

At least one Supreme Court precedent supported that interpretation of *In re DBC*. As the Supreme Court held in *Elgin v.*

Department of Treasury, 567 U.S. 1, 16, 22-23 (2012), even where an agency “lacks authority” to address or “refused to pass upon the constitutionality of legislation,” constitutional challenges should still be raised first before the agency because they may involve “many threshold questions . . . to which the [agency] can apply its expertise.” That is particularly true, the Court held, in cases like this one, where “the challenged statute” is “one that the [agency] regularly construes,” in which case “its statutory interpretation could alleviate constitutional concerns” or otherwise shed light on a constitutional question eventually brought to this Court. *Id.* at 23.

Boston Scientific did not raise an Appointments Clause challenge before the PTAB and therefore, in light of *In re DBC*, had no reason to raise an Appointments Clause claim for the first time on appeal. *Arthrex* held that Appointments Clause challenges do not need to be raised before the PTAB. *See* 941 F.3d at 1326-27, 1338-39. That was a “significant change” in the law.

Arthrex also constitutes a “significant change” from the typical remedial approach for Appointments Clause claims. *See Bedgear, LLC v. Fredman Bros. Furniture Co.*, 783 F. App’x 1029, 1030-31 (Fed. Cir.

2019) (Mem.) (Dyk, J., concurring in the judgment). Before *Arthrex*, Courts remedied Appointments Clause violations by declaring the offending statutory provisions unlawful without affording the parties any additional relief. *See id.* at 1030-34. It was thus not unreasonable for Boston Scientific to believe that even a successful Appointments Clause challenge would not result in an effective remedy in its appeal of this IPR. *See id.* at 1034 (stating *Arthrex*'s remedy was "inconsistent with binding Supreme Court precedent"). On this question too, *Arthrex* represents a sharp change in the law. *See id.* at 1030-34.

II. The Decision Contravenes Repeated Holdings by the Supreme Court, this Court, and Other Courts that Appointments Clause Challenges Should Be Heard Even if They Are Not Timely Raised

The Supreme Court, this Court, and other courts, have repeatedly held that the Appointments Clause must be enforced, even where the parties fail to raise it initially, because of its exceptional importance. *See Freytag v. Comm'r of Internal Revenue*, 501 U.S. 868, 878–80 (1991); *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 850-51 (1986); *Glidden Co. v. Zdanok*, 370 U.S. 530, 536 (1962); *Lamar v. United States*, 241 U.S. 103, 117-18 (1916); *In re DBC*, 545 F.3d 1373, 1377 n.2, 1379-80 (Fed. Cir. 2008).

Structural protections such as those embodied in the Appointments Clause stand on a different footing from personal constitutional rights. *See Freytag*, 501 U.S. at 880 (“The structural interests protected by the Appointments Clause are not those of any one branch of Government but of the entire Republic” and “[n]either Congress nor the Executive can agree to waive this structural protection.”). As the Supreme Court has stated, “[t]o the extent that [a] structural principle is implicated in a given case, the parties cannot by consent cure the constitutional difficulty.” *Commodity Futures Trading Comm’n*, 478 U.S. at 850-51. “[N]otions of consent and waiver cannot be dispositive because the [Constitution’s] limitations serve institutional interests that the parties cannot be expected to protect.” *Id.* at 851. That is especially so because the Appointments Clause protects the Executive Branch’s institutional interests from encroachment as much or more than it protects private rights. *See Buckley v. Valeo*, 424 U.S. 1, 135, 138-39 (1976). If parties could simply waive Appointments Clause defects by consent—and have claims adjudicated by officials insulated from the President’s constitutionally mandated oversight role—the requirements imposed by the Appointments Clause would effectively be rendered null and void.

Indeed, the Supreme Court has never squarely held that Appointments Clause challenges may be waived at all. *See Freytag*, 501 U.S. at 893-94 (Scalia, J., concurring in part and concurring in the judgment) (explaining that the majority had “neither accept[ed] nor reject[ed] that proposal”).²

Thus, the Supreme Court, this Court, and other courts have repeatedly permitted parties to raise untimely Appointments Clause challenges. In *Lamar*, 241 U.S. at 117-18, the Supreme Court resolved a challenge on the merits notwithstanding that the claim was not “raised in the District Court or in the Court of Appeals or even in [the Supreme Court] until the filing of a supplemental brief upon a second request for review.” *Glidden Co.*, 370 U.S. at 536. In *In re DBC*, this Court granted DBC the opportunity to raise an Appointments Clause argument for the first time “in a supplemental brief filed after briefing in [the] case was completed.” 545 F.3d at 1377 n.2. Similarly, in *Malouf v. SEC*, after the Petitioner Malouf filed his opening brief, he “requested leave to file a

² In *In re DBC* this Court stated that the Supreme Court had never held that Appointments Clause challenges are incapable of waiver. 545 F.3d at 1380. But, as explained in the text, it also has never held that they can be waived.

supplemental brief addressing . . . the Appointments Clause.” 933 F.3d 1248, 1255 n.4 (10th Cir. 2019). “The SEC opposed the request, contending that Mr. Malouf should have raised the issue in his opening appeal brief.” *Id.* “A motions panel”—consisting of Judges Gorsuch and Matheson—“granted Mr. Malouf’s request, leaving the final decision to the merits panel.” *Id.* So too in *Intercollegiate Broadcast System, Inc. v. Copyright Royalty Board*, 574 F.3d 748, 755 (D.C. Cir. 2009), where “almost three months after filing its opening brief, Royalty Logic submitted a supplemental brief in which it argued for the first time that the manner in which the Copyright Royalty Judges are appointed violates the Appointments Clause.” The Court “allowed the filing ‘without prejudice to the merits panel deciding whether or not to consider the Appointments Clause issue’ and directed the Board and SoundExchange to file responsive supplemental briefs.” *Id.*

In light of that widespread practice, barring Boston Scientific from raising an Appointments Clause claim here would be especially perverse: it would make Boston Scientific ineligible to raise an Appointments Clause claim in precisely the circumstances in which such an Appointments Clause challenge is most likely to be meritorious. That

strikes head-on against the basic notions of fair play and substantial justice that are supposed to animate the waiver and forfeiture rules.

Finally, enforcing the Appointments Clause is especially important in the unique circumstances of the PTAB. Patents are public rights that affect numerous interests beyond the immediate parties to the case. *Oil States*, 138 S. Ct. at 1373-74 (“*Inter partes review* falls squarely within the public-rights doctrine.”). And the PTAB’s decisions have significant effects on the decisions of individual inventors and would-be infringers. If Appointments Clause challenges to PTAB APJs could be waived, the rights of numerous parties not before the PTAB could be significantly curtailed simply by the collusion of the parties to the PTAB proceeding.

CONCLUSION

The decision denying Boston Scientific’s motion cannot be reconciled with controlling Supreme Court precedent or this Court’s own precedents. The Court should grant reconsideration *en banc* and hold that parties whose appeals were pending when *Arthrex* was decided may raise their meritorious *Arthrex* claims.

Dated: December 6, 2019

Respectfully submitted,

/s/ David A. Caine

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CERTIFICATE OF COMPLIANCE

1. This petition complies with the type-volume limitations of Fed. R. App. P. 35(b)(2) and Fed. R. P. 40(b) because this Petition contains 3,092 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Federal Circuit Rules 35(c)(2) and 40(c)(1).

2. This Petition complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14 point New Century Schoolbook.

Dated: December 6, 2019

Respectfully submitted,

/s/ David A. Caine

David A. Caine

CERTIFICATE OF FILING AND SERVICE

I hereby certify that, on December 6, 2019, I electronically filed the foregoing *Combined Petition of Appellant for Reconsideration or Reconsideration En Banc* with the Clerk of Court using the CM/ECF System, which will send notice of such filing to all registered users.

I further certify that the required paper copies of the foregoing will be deposited with United Parcel Service for delivery to the Clerk, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, 717 Madison Place, N.W., Washington, D.C. 20439.

Dated: December 6, 2019

Respectfully submitted,

/s/ David A. Caine

David A. Caine

ADDENDUM

INDEX TO ADDENDUM

Order on Motion, dated November 22, 2019 (Docket No. 56)

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**BOSTON SCIENTIFIC NEUROMODULATION
CORPORATION,**
Appellant

v.

NEVRO CORP.,
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2019-1582, -1635

Appeals from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in Nos. IPR2017-
01812 and IPR2017-01920.

**BOSTON SCIENTIFIC NEUROMODULATION
CORPORATION,**
Appellant

v.

NEVRO CORP.,
Appellee

2019-1584

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2017-01899.

ON MOTION

Before LOURIE, *Circuit Judge*.

O R D E R

Boston Scientific Neuromodulation Corporation moves for leave to file supplemental briefing in the above-captioned appeals to submit argument regarding the Appointments Clause in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019). The government moves to stay proceedings or alternatively for an extension of time to intervene and respond to Boston Scientific's motion. Nevro Corp. moves for an extension of time to respond to Boston Scientific's motion.

The court concludes that the Appointments Clause challenge in these cases was forfeited. *See Customedia Techs., LLC v. Dish Network Corp.*, No. 2018-2239 et al., 2019 WL 5677703 (Fed. Cir. Nov. 1, 2019). Boston Scientific's motions are therefore denied. The government's motions for a stay or extension and Nevro's motions for an extension are likewise denied.

Accordingly,

IT IS ORDERED THAT:

The motions are denied.

BOSTON SCIENTIFIC v. NEVRO CORP.

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FOR THE COURT

November 22, 2019
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

s29