2018-2082, -2083, -2084

In The

United States Court of Appeals

For The Federal Circuit

BEDGEAR, LLC,

Appellant,

v.

FREDMAN BROS. FURNITURE COMPANY, INC.,

Appellee.

APPEALS FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD IN NOS. IPR2017-00350, IPR2017-00351, AND IPR2017-00352.

APPELLEE'S COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC

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January 8, 2020

Certificate of Interest

Counsel for Fredman Bros. Furniture Company, Inc. certifies the following:

1. The full name of every party represented in this case by me is: **Fredman Bros. Furniture Company, Inc**.

2. The name of the real party in interest represented by me is: **Fredman Bros. Furniture Company, Inc**.

3. All parent corporations and any publicly held companies that own 10% or more of the stock of the party I represent are as follows: **None**.

4. The names of all law firms and the partners or 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: **None**.

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: ***Bedgear, LLC v. Fredman Bros. Furniture Co., Inc. d/b/a Glideaway Sleep Products*, No. 2:15-cv-06759-KAM-AKT (E.D.N.Y.)**.

Dated: January 8, 2020 */s/ Jason R. Mudd*

Counsel for Appellee Fredman Bros. Furniture Company, Inc.

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Statement of Counsel Under Federal Circuit Rule 35(b)(2)

Based on my professional judgment, I believe the panel decision is contrary to the following decision(s) of the Supreme Court of the United States or the precedent(s) of this court:

Harper v. Virginia Dep't of Taxation, 509 U.S. 86 (1993); *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878-79 (1991); *Trading Techs. Int.'l, Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019); *United States v. Great Am. Ins. Co. of New York*, 738 F.3d 1320, 1328 (Fed. Cir. 2013); *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008); *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1320 (Fed. Cir. 2006).

Dated: January 8, 2020 */s/ Jason R. Mudd*

Attorney of Record for Appellee Fredman Bros. Furniture Company, Inc.

Introduction

On November 7, 2019, the Court ordered a remand of this case back to the Patent Trial and Appeal Board ("PTAB") in light of the panel decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. October 31, 2019), which held that the appointment of Administrative Patent Judges ("APJs") to the PTAB violates the Appointments Clause of the U.S. Constitution ("Appointments Clause"). *See* Dkt. Nos. 68, 69. This order was entered following an oral argument held on September 30, 2019 during which Appellant Bedgear, LLC ("Bedgear") did not even mention the Appointments Clause issue, an issue which Bedgear, in its opening appeal brief, had merely purported, in a perfunctory fashion, to reserve the right to later raise and did not actually argue. The order's implicit holding that Bedgear's perfunctory effort sufficiently raised the issue in its opening brief is contrary to this Court's controlling precedent in *Trading Technologies International, Inc. v. IBG LLC.*, 921 F.3d 1378, 1385 (Fed. Cir. 2019). Appellee Fredman Bros. Furniture Company, Inc. ("Fredman") respectfully seeks rehearing and/or rehearing en banc based on this ground and others, as set forth below.

Argument

I. The Court Should Grant Panel Rehearing And/Or Rehearing En Banc Because Bedgear Did Not Properly Raise An Appointments Clause Challenge In Its Opening Brief In A Manner Required By This Court's Precedent

The Court's opinion implicitly concludes, without explanation or analysis, that Bedgear sufficiently argued in its opening appeal brief that the PTAB's three final written decisions at issue in this appeal violate the Constitution's Appointments Clause. Dkt. No. 68 at 2 (citing Br. at 66). The Court then vacates the three decisions and remands pursuant to *Arthrex*. *Id*. While *Arthrex* held that the appellant there did not have to raise the Appointments Clause challenge before the PTAB (as Bedgear similarly failed to do here and as multiple pending en banc petitions in *Arthrex* argue should be required for a party to avoid forfeiture), this Court has nonetheless held that Appointments Clause challenges to PTAB decisions are waived where a party had not properly raised it by the time of its opening appeal brief. *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. Nov. 1, 2019) (precedential) (holding Appointments Clause challenge waived where not raised in opening brief); *see also Arthrex*, 941 F.3d at 1339-40 ("Appointments Clause challenges are 'nonjurisdictional structural constitutional objections' that can be waived when not presented"). Appointments Clause challenges, similar to all issues presented on appeal, must be "properly and timely raised before the first body capable of providing [the challenger] with the relief sought," or such challenges will

be deemed waived. *Arthrex*, 941 F.3d at 1339-40; *see also Customedia*, 941 F.3d at 1174. The Court in *Arthrex* did not have occasion to consider the question of what was required for an appellant to sufficiently raise the Appointments Clause challenge in its opening brief because the appellant there had presented numerous pages of substantive argument in its opening brief, and the issue was discussed during oral argument (unlike here). *See Arthrex Opening Brief*, No. 18-2140, Dkt. 16 at 59-66. Similarly, in *Customedia*, the appellant "did not raise any semblance of an Appointments Clause challenge in its opening briefs or raise this challenge in a motion filed prior to its opening briefs," obviating the need to consider the question of the minimum required to properly raise the issue in an opening brief. *Customedia*, 941 F.3d at 1174. But this Court's prior precedent, which is controlling here, holds that issues adverted to in a party's opening brief in a perfunctory manner, including, specifically, perfunctory constitutional challenges to PTAB decisions that are unaccompanied by some effort at developed argumentation or analysis, are deemed waived. *Trading Techs. Int.'l, Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019) ("In a total of four sentences in its opening brief, TT raises challenges based on a right to a jury under the Seventh Amendment, separation of powers under Article III, the Due Process Clause, and the Taking Clause. Such a conclusory assertion with no analysis is insufficient to preserve the issue for appeal."); *United States v. Great Am. Ins. Co. of New York*, 738 F.3d 1320, 1328 (Fed. Cir. 2013) ("It is well

established that arguments that are not appropriately developed in a party's briefing may be deemed waived."); *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1320 (Fed. Cir. 2006) (collecting cases).

Fredman respectfully submits that the Court's holding in this case, which implicitly held, without explanation, that Bedgear had sufficiently raised the Appointments Clause challenge in its opening brief, is contrary to this precedent. Here, in its opening brief, Bedgear merely purported to "reserve[] the right to raise this ground" in the event the issue was decided in other cases—and Bedgear did so with three conclusory sentences, unsupported by any analysis or argumentation—the entirety of which are repeated here for convenience:

> An independent ground on which this Court has been asked to set aside the Board's final written decisions in a number of other pending appeals is that the decisions exceeded the powers permitted to the Board under the Constitution's Appointments Clause, Art. I, §2, cl. 2. *See, e.g., Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, Appeal No. 2018-1768, DI 21 (Fed. Cir., July 10, 2018); *see also Lucia v. SEC*, 2018 U.S. LEXIS 3836, 585 U.S. __ (June 21, 2018). Although yet to be decided, this issue equally applies to the Board's three decisions at-issue in this appeal. Thus, Bedgear reserves the right to raise this ground in the event the issue is decided during the pendency of this appeal.

Br. (Dkt. 24) at 66. Thus, by its own words, Bedgear had not yet even raised this ground at the time of its opening brief. The Government, as Intervenor, had informed

the Court in a March 15, 2019, letter that Bedgear had not yet raised this ground and that this Court's precedent did not allow Bedgear to purport to preserve it without any analysis or effort at developed argumentation. Dkt. 47. In response, the Court removed the Government as a party from this appeal, without further comment. Dkt. 48. In any event, even if Bedgear's opening brief were generously construed as raising such a challenge at that time, this Court's controlling precedent holds that such perfunctory constitutional challenges to PTAB decisions that are unaccompanied by some effort at developed argumentation or analysis, are nonetheless deemed waived. *Trading Techs.*, 921 F.3d at 1385 (rejecting a conclusory 4-sentence constitutional challenge to a PTAB decision because "[s]uch a conclusory assertion with no analysis is insufficient to preserve the issue for appeal"); *Great Am. Ins. Co.*, 738 F.3d at 1328; *SmithKline Beecham*, 439 F.3d at 1319-20.

Bedgear's 3-sentence attempt to reserve the right to raise this constitutional challenge is even more sparse than the appellant's 4-sentence attempt rejected by the Court in *Trading Technologies*—the appellant's attempt rejected in that case is repeated in its entirety here:

> Moreover, the decision should be vacated because CBM review is unconstitutional. TT was entitled to a jury or bench trial on the issues of patent eligibility and invalidity before an Article III court. U.S. CONST. art. III, amend. VII; *McCormick Harvesting Mach. Co. v. C.*

> *Aultman & Co.*, 169 U.S. 606, 612 (1898); *see also In re Trading Techs. Int'l, Inc.*, No. 2016-120 (Fed. Cir. 2016), *petition for cert. filed*, No. 15-1516 (U.S. June 16, 2016); *Oil States*, 137 S. Ct. at 2239. The AIA's CBM review violates separation of powers principles under Article III, due process, and the takings clause because it permits an executive agency to adjudicate a private property interest, without TT's prior consent. Indeed, that the AIA applied retroactively to TT's patent further supports the unconstitutionality of the CBM Review proceeding.

Trading Techs. Int.'l, Inc. v. IBG LLC, No. 17-2323, Dkt. 50 at 64. In that case, the appellant had at least included a very terse statement why it contended the PTAB decision was unconstitutional, in addition to citing to a petition for certiorari. Here, Bedgear left Fredman, the Government, and the Court to guess as to any of the bases that Bedgear purported to rely on, including which of any bases other parties had advanced in which of any of the other various pending appeals, to support any challenge under the Appointments Clause. Further obscuring any supporting analysis or developed argumentation on which it intended to rely, Bedgear also failed to even raise the Appointments Clause during oral argument. *See http://www.cafc.uscourts.gov/oral-argument-recordings/* at *2018-2082.mp3*. Under this Court's precedent, including *Trading Technologies*, Bedgear failed to properly raise an Appointments Clause challenge on appeal and, therefore, waived it. The

Court, therefore, should grant, at a minimum, panel rehearing on this basis and proceed to issue an opinion on the merits of Bedgear's appeal.

In the alternative, the Court should grant rehearing en banc to decide this important question, likely to arise again in other cases, of whether a party can merely purport to reserve the right to raise a constitutional challenge to a PTAB decision on appeal in a perfunctory manner, unsupported by argumentation.

II. If The Court Determines Bedgear Sufficiently Raised Any Appointments Clause Challenge In Its Opening Brief, Then Rehearing Should Be Granted To Forestall Issuance Of The Mandate So That This Appeal Can Track The Outcome In *Arthrex* And Any En Banc Consideration In *Polaris*

The Government and the private parties in *Arthrex* have filed petitions for rehearing en banc on the Appointments Clause issue, and the Court has recently invited responses by no later than January 17, 2020. *See Arthrex*, No. 18-2140, Dkt. Nos. 77, 78, 79, 102. Amicus briefs, all supporting en banc review, have also been filed. *See id*., Dkt. Nos. 92, 99. In the event the Court determines that Bedgear properly raised the Appointments Clause challenge in its opening brief here and to the extent the Court grants rehearing and/or rehearing en banc in *Arthrex* or another appeal addressing the same issues, it should grant, at a minimum, panel rehearing here, or alternatively, rehearing en banc, to forestall issuance of the mandate because any revision to the decision in *Arthrex* would be directly applicable here and issuance of the mandate could result in wasted resources and unnecessary delay.

Further, Fredman notes that, in the concurring opinion filed here, the correctness, under Supreme Court precedent, of the prospective remedy adopted in *Arthrex*, rather than a retroactive remedy, was called into doubt by two judges of this panel. *See* Dkt. 68, at 3-10 (Nov. 7, 2019) (Dyk, J., concurring) (citing, *inter alia*, *e.g. Harper v. Virginia Dep't of Taxation*, 509 U.S. 86 (1993)). In addition, shortly after the *Arthrex* decision, a separate panel of this Court ordered supplemental briefing on many of the same questions addressed in *Arthrex*, including "whether severing the application of Title 5's removal restrictions with respect to APJs under 35 U.S.C. § 3(c) obviates the need to vacate and remand for a new hearing, given the Supreme Court's holdings on the retroactive application of constitutional rulings. *E.g., Harper v. Virginia Dep't of Taxation*, 509 U.S. 86 (1993)." *Polaris Innovations Ltd. v. Kingston Tech. Co.*, No. 2018-1768, Dkt. No. 90, Order (nonprecedential) (Fed. Cir. Nov. 8, 2019). And, as discussed, the *Arthrex* decision itself may yet be modified based on the pending rehearing petitions. Those petitions seek rehearing en banc, *inter alia*, on the issue of whether the Appointments Clause was violated, as well as the issue of whether all appellants who raise the Appointments Clause issue for the first time on appeal without having raised it before the PTAB should all be excused from the standard rule of forfeiture. The Government, in its petition for rehearing en banc in *Arthrex* has also asked the Court to order *Polaris* to be heard initially en banc in tandem with rehearing en banc in *Arthrex*, because in *Polaris* the

appellant had first raised the challenge before the Board, unlike in *Arthrex*. *See Government's En Banc Pet.*, No. 18-2140, Dkt. 77 at 3, 14 (citing Federal Circuit Practice Notes to Rule 35).

The *Arthrex* panel decision, therefore, may not be the final word from the Federal Circuit on the Appointments Clause issue. Because of these uncertainties, the remand order in this case poses the potential risk of substantial waste of resources given that the order requires a new PTAB panel of APJs to issue a new Final Written Decision, which would then be subject to potential further appeal. Given that the Court's order to remand this case was based exclusively on the panel decision in *Arthrex*, it makes sense to hold any remand until the parties have the benefit of the final word from the Federal Circuit. For example, in *Arthrex*, if the Federal Circuit were to hold on rehearing that there is no Appointments Clause violation, that the remand remedy imposed was incorrect or unnecessary, or that certain parties forfeit Appointments Clause challenges by not having raised them before the PTAB (as Bedgear failed to do here), then the remand order here should be vacated. The Court, therefore, should, at a minimum, not issue any mandate in this case at least until after the petitions in *Arthrex* are decided, as well as any potential en banc consideration in *Polaris*.

Indeed, Fredman is aware of at least one other case where the Appointments Clause issue had been raised and the Court recently stayed the case. *See Rovi Guides, Inc. v. Comcast Cable Communications, LLC*, No. 19-1293, Dkt. 68 (Jan. 2, 2020).

III. Bedgear Forfeited Any Appointments Clause Challenge By Not Raising It Before The Board And Rehearing Should Be Granted To Correct *Arthrex*'s Overbroad Apparent Holding To The Contrary

As Fredman argued in its appellee brief, Bedgear forfeited any challenge under the Appointments Clause by not first raising it before the Board and by not providing any argument as to why this should be deemed an "exceptional case" that should be excused from forfeiture. Dkt. 46 (citing *In re DBC*, 545 F.3d 1373, 1378 (Fed. Cir. 2008) (holding that an Appointments Clause challenge regarding APJs of the Board of Patent Appeals and Interferences had been waived by not raising it before the Board because "[it] is well-established that a party generally may not challenge an agency decision on a basis that was not presented to the agency.")). Although this Court will in "exceptional cases" consider issues not previously presented before the Board, such as was done by the Supreme Court for the Appointments Clause challenge in *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878-79 (1991), Bedgear did not provide any reason for why this case was exceptional. Dkt. 46 (citing *In re DBC*, 545 F.3d at 1379).

The Court in *Arthrex* exercised its discretion in declaring *Arthrex* to be one of those rare, exceptional cases where it should excuse the appellant's forfeiture, but

the Court did so in view of the need to obtain a vehicle to timely decide the important constitutional issue. *Arthrex*, 941 F.3d at 1327 ("Because . . . APJs continue to decide patentability in *inter partes* review, we conclude that it is appropriate for this court to exercise its discretion to decide the Appointments Clause challenge here."). And the Court found it important to "incentivize[]" such challenges at the appellate level. *Id*. at 1340. But now that the Court has chosen *Arthrex* as its vehicle and because *Polaris* provides an adequate vehicle for en banc review in a case where the appellant raised the Appointments Clause challenge before the Board, the instant case is not the kind of exceptional case where Bedgear's forfeiture needs to be or should be excused. Indeed, there is no need to incentivize the type of bare-bones effort to purport to reserve the right to later raise such a challenge for the first time on appeal that Bedgear attempted here, because Bedgear's three sentences, which lacked any analysis, afforded no vehicle for meaningful appellate review.

Nonetheless, *Arthrex* appears to foreclose such arguments by suggesting that, beyond *Arthex* itself, all litigants in all cases who present an Appointments Clause challenge to PTAB final written decisions for the first time on appeal should be excused from forfeiture. *Arthrex*, 941 F.3d at 1340 ("[W]e see the impact of this case as limited to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal."). This holding appears contrary to both this Court's opinion in *In re DBC* and the Supreme Court's

opinion in *Freytag*, which provide that the Court's excusal of forfeiture should be applied in a discretionary manner on a case-by-case basis, contrary to the sweeping manner in which *Arthrex* appears to excuse forfeiture in all such cases where the issue was not raised before the Board. *In re DBC*, 545 F.3d at 1380 ("The Supreme Court has never indicated that such challenges must be heard regardless of waiver. Rather, the Court has proceeded on a case-by-case basis, determining whether the circumstances of the particular case warrant excusing the failure to timely object.") (citing *Freytag*, 501 U.S. at 893 and citing *id*. at 879 ("We conclude that this is one of those rare cases in which we should exercise our discretion to hear petitioners' challenge to the constitutional authority of the Special Trial Judge.")). The Court, therefore, should either grant panel rehearing to distinguish *Arthrex* from the instant unexceptional case where Bedgear failed to provide any meaningful vehicle for review to be incentivized, or, alternatively, the Court should grant rehearing en banc to reconsider the important question in *Arthrex* of whether all forfeitures in all cases where parties failed to raise this challenge before the PTAB should be summarily excused without discretionary consideration of the particular equities in those cases. This reconsideration is particularly necessary here given the unwarranted substantial administrative disruption that would be caused in light of the hundreds of Board decisions still on appeal or available for appeal where parties failed to timely raise Appointments Clause challenges before the Board and seek unwarranted windfalls,

as the Government and an *amicus curiae* have noted. *See Government's En Banc Pet*., No. 18-2140, Dkt. 77 at 12-13; *AAM's En Banc Pet.*, No. 18-2140, Dkt. 99 at 9-11.

Further, as the Government has noted in its en banc petition, the Supreme Court has only provided the remedy of vacating and remanding for a new hearing before a new administrative judge or panel to remedy an Appointments Clause violation where the petitioner had first raised such a challenge before the agency. *Government's En Banc Pet*., No. 18-2140, Dkt. 77 at 14-15; *see Lucia v. S.E.C.*, 138 S. Ct. 2044, 2055 (2018) (holding Lucia made a "timely challenge" under *Ryder v. United States*, 515 U.S. 177, 182-183 (1995) by raising the challenge before the agency below, entitling Lucia to a "new 'hearing before a properly appointed official.'") (quoting *Ryder*, 515 U.S. at 182-183, 188)); *see also Ryder*, 515 U.S. at 182 ("[P]etitioner raised his objection to the judges' titles before those very judges and prior to their action on his case."). And, as the Government has noted, the *Arthrex* panel was incorrect to suggest that the Board "could not have corrected the problem" and "was not capable of providing any meaningful relief to this type of Constitutional challenge," because the Board could have, for example, declined to institute the IPR, vacated the institution, or adopted a saving construction of the statute if it considered one necessary to correct any violation. *Government's En Banc Pet*., No. 18-2140, Dkt. 77 at 13. Thus, affording appellants the remedy of a new

hearing before a new panel where they failed to first raise that issue before the Board is not called for by Supreme Court precedent. *Cf.* Dkt. 68, at 3 (Nov. 7, 2019) (Dyk, J., concurring) (noting "it seems to me that the remedy aspect of *Arthrex* (requiring a new hearing before a new panel) is not required by [*Lucia*], imposes large and unnecessary burdens on the system of *inter partes* review, requiring potentially hundreds of new proceedings, and involves unconstitutional prospective decision-making"). And, importantly, as this Court has explained, allowing parties to raise such Appointments Clause challenges for the first time on appeal would improperly permit "sandbagging" where parties, for strategic reasons, pursue a certain course before a lower tribunal and only later argue the course followed was reversible error if the outcome is unfavorable. *DBC*, 545 F.3d at 1380.

IV. En Banc Rehearing Should Be Granted To Reconsider *Arthrex*'s Holding That PTAB APJs Are Principal Officers

Finally, Fredman respectfully requests that the Court grant rehearing en banc to reconsider the holding in *Arthrex* that APJs are unconstitutionally appointed, because the APJs of the PTAB are inferior, not principal, officers as argued by Fredman in its appellee brief. Dkt. 46 at 63. En banc rehearing should be granted for at least the reasons expressed by the Government and Appellee in their en banc petitions in *Arthrex*. Of particular note, the reasoning in *Arthrex* placed undue reliance on assessing the Director's ability to remove APJs from employment, which *Arthrex* construed as being limited to removal for cause, rather than at-will removal.

Arthrex, 941 F.3d at 1334. However, as noted by the Government and Appellee petitions in *Arthrex*, the Supreme Court's opinion in *Edmond v. United States* focused on removal of administrative judges from their "*judicial assignment* without cause," not on removal from employment entirely. 520 U.S. 651, 664 (1997) (emphasis added); *Government's En Banc Pet*., No. 18-2140, Dkt. 77 at 6-7; *Appellee's En Banc Pet.*, No. 18-2140, Dkt. 79 at 14. The Director has unfettered discretion to designate the APJs to sit on panels for IPRs, which means the Director can and does choose, at will, not to designate certain APJs to handle any IPRs at all and instead to assign them to other non-IPR duties, which removes them from their judicial assignment without cause. *See* 35 U.S.C. § 6. In addition, as the Government has noted, the discretion to designate APJs to sit on a panel includes the discretion to de-designate APJs from an existing panel during a proceeding. *See Myers v. United States*, 272 U.S. 52 (1926). For these and the other reasons set forth in the pending en banc petitions, the Court should grant rehearing en banc to allow reconsideration of *Arthrex*'s holding that the APJs are principal officers.

Conclusion

Appellee Fredman Bros. Furniture Company, Inc. respectfully requests that the Court grant panel rehearing and/or rehearing en banc for the reasons set forth above.

Date: January 8, 2020

Respectfully submitted,

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Addendum

Bedgear, LLC v. Fredman Bros. Furniture Company, Inc.,
No. 18-2082 (Fed. Cir. Nov. 7, 2019)

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

BEDGEAR, LLC,
Appellant

v.

FREDMAN BROS. FURNITURE COMPANY, INC.,
Appellee

2018-2082, 2018-2083, 2018-2084

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2017-00350, IPR2017-00351, IPR2017-00352.

Decided: November 7, 2019

K. LEE MARSHALL, Bryan Cave Leighton Paisner LLP, San Francisco, CA, argued for appellant. Also represented by JOSEPH J. RICHETTI, ALEXANDER DAVID WALDEN, New York, NY.

JASON R. MUDD, Erise IP, P.A., Overland Park, KS, argued for appellee. Also represented by ERIC ALLAN BURESH.

Before NEWMAN, DYK, and STOLL, *Circuit Judges.*

Opinion for the court filed PER CURIAM.

Opinion concurring in the judgment filed by *Circuit Judge* DYK, in which *Circuit Judge* NEWMAN joins.

PER CURIAM.

In its opening brief, Bedgear, LLC argues that the three final written decisions at issue in this appeal exceed the scope of the Patent Trial and Appeal Board's authority and violate the Constitution's Appointments Clause. *See* Appellant's Br. 66 (citing U.S. Const. art. II, § 2, cl. 2). This court recently decided this issue in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140 (Fed. Cir. Oct. 31, 2019). Accordingly, the Board's decisions in Nos. IPR2017-00350, IPR2017-00351, and IPR2017-00352 are vacated and the case is remanded to the Board for proceedings consistent with this court's decision in *Arthrex*.

VACATED AND REMANDED

COSTS

No costs.

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

BEDGEAR, LLC,
Appellant

v.

FREDMAN BROS. FURNITURE COMPANY, INC.,
Appellee

2018-2082, 2018-2083, 2018-2084

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2017-00350, IPR2017-00351, IPR2017-00352.

DYK, *Circuit Judge*, with whom *Circuit Judge* NEWMAN joins, concurring in the judgment.

I agree that the panel here is bound to follow *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019). But, even putting to one side the question of whether Administrative Patent Judges ("APJs") would have been improperly appointed (if not subject to at will removal), it seems to me that the remedy aspect of *Arthrex* (requiring a new hearing before a new panel) is not required by *Lucia v. S.E.C.*, 138 S. Ct. 2044 (2018), imposes large and unnecessary burdens on the system of *inter partes* review, requiring potentially hundreds

of new proceedings, and involves unconstitutional prospective decision-making.

I

In *Arthrex,* the panel held that the appointment of Administrative Patent Judges ("APJs") would be unconstitutional if subject to the removal provisions of title 5. The panel avoids this result by holding that those removal provisions are unconstitutional as applied to APJs, and that the unconstitutional removal provision may be severed from the remainder of the statute "to render the APJs inferior officers and remedy the constitutional appointment problem." *Arthrex*, 2019 WL 5616010, at *1. Instead of holding past actions by APJs valid, the *Arthrex* majority held those past actions invalid and remanded for a new hearing before a new panel "[b]ecause the Board's decision in this case was made by a panel of APJs that were not constitutionally appointed at the time the decision was rendered." *Arthrex*, 2019 WL 5616010, at *11.

This holding is in part constitutional interpretation and part statutory construction. In essence, the panel improperly makes the application of its decision prospective only, so that only PTAB decisions after the date of the panel's opinion are rendered by a constitutionally appointed panel. In my view, the panel improperly declined to make its ruling retroactive so that the actions of APJs in the past were compliant with the constitution and the statute. In this respect, I think that the panel in *Arthrex* ignored governing Supreme Court authority.

II

I first address the *Arthrex* panel's claim that *Lucia* mandates remanding for a new hearing. In *Lucia*, the issue was whether Securities and Exchange Commission ("SEC") Administrative Law Judges ("ALJs") were inferior officers that had to be appointed by an agency head—the SEC. *Lucia*, 138 S. Ct. at 2051 & n.3 (2018). The Supreme

Court held that "[t]he Commission's ALJs are 'Officers of the United States,' subject to the Appointments Clause." *Id.* at 2055. The ALJs were found to be unconstitutionally appointed as "Officers of the United States" because they were appointed by "[o]ther staff members, rather than the Commission proper." *Id.* at 2046, 2051.

While the case was pending, "the SEC issued an order 'ratif[ying]' the prior appointments of its ALJs," thus curing the constitutional defect.[1] *Id.* at 2055 n.6 (alteration in original) (quoting SEC Order, *In re: Pending Administrative Proceedings* (Nov. 30, 2017), https://www.sec.gov/litigation/opinions/2017/33-10440.pdf). The Supreme Court nevertheless held that "the 'appropriate' remedy for an adjudication tainted with an appointments violation is a new 'hearing before a properly appointed' official." *Id.* at 2055 (quoting *Ryder v. United States*, 515 U.S. 183, 188 (1995)).

The difference between *Lucia* and *Arthrex* is that the fix in *Lucia* was an agency fix, whereas the fix in *Arthrex* is a judicial fix. Agencies and legislatures generally act only prospectively, while a judicial construction of a statute or a holding that a part of the statute is unconstitutional and construing the statute to permit severance are necessarily retrospective as well as prospective.

III

As the Supreme Court concluded in *Rivers v. Roadway Exp., Inc.*, 511 U.S. 298 (1994), "[i]n construing a statute, courts are 'explaining [their] understanding of what the statute has meant continuously since the date when it became law.'" *Id.* at 313 n.12 (emphasis added). The same is true as to constitutional decisions, as *Harper v. Virginia Dep't of Taxation,* 509 U.S. 86 (1993) confirmed: "'[B]oth

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[1] The Court declined to decide whether the agency cured the defect when it "ratified" the appointments. *Lucia*, 138 S. Ct. at 2055 n.6.

the common law and our own decisions' have 'recognized a general rule of retrospective effect for the constitutional decisions of this Court.'" *Id.* at 94 (alteration in original) (quoting *Robinson v. Neil*, 409 U.S. 505, 507 (1973)). As Justice Scalia put it in his concurrence in the later *Reynoldsville* decision:

> In fact, what a court does with regard to an unconstitutional law is simply to ignore it. It decides the case "disregarding the [unconstitutional] law," *Marbury* v. *Madison*, 1 Cranch 137, 178 (1803) (emphasis added), because a law repugnant to the Constitution "is void, and is as no law," *Ex parte Siebold*, 100 U.S. 371, 376 (1880).

Reynoldsville Casket Co. v. Hyde, 514 U.S. 749, 760 (1995) (Scalia, J., concurring) (alterations in original). In other words, "[w]hen [a c]ourt applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate [the court's] announcement of the rule." *Harper*, 509 U.S. at 97 (1993).[2]

The requirement for retroactivity applies to remedies as well, such as the remedy in this case. In *Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749 (1995), the Court reversed an Ohio Supreme Court decision declining to apply a constitutional decision as to a limitations period retroactively.

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[2] *Harper* overruled prior caselaw that provided for exceptions allowing prospective application of a new rule of law in constitutional and other cases. *Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 752 (1995) ("*Harper* overruled [a prior Supreme Court decision] insofar as the [prior] case (selectively) permitted the prospective-only application of a new rule of law.").

The Court rejected the respondent's argument that the Ohio Supreme Court's decision was based on "remedy" rather than "non-retroactivity" and held that accepting the Ohio Supreme Court's "remedy" would "create what amounts to an ad hoc exemption from retroactivity." *Id.* at 758. The Court noted only four circumstances where retroactive application of a constitutional ruling is not outcome-determinative.[3] None is remotely relevant to *Arthrex*.

Thus, to be consistent with *Harper*, the statute here must be read as though the PTAB judges had always been constitutionally appointed, "disregarding" the unconstitutional removal provisions. *Marbury v. Madison*, 1 Cranch 137, 178, 2 L.Ed. 60 (1803). Since no Congressional or agency action is required in order to render the appointment of the PTAB judges constitutional, when the PTAB judges decided cases in the past, they did not act improperly. Thus, the past opinions rendered by the PTAB should be reviewed on the merits, not vacated for a new hearing before a different panel.

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[3] Namely, where there is: "(1) an alternative way of curing the constitutional violation, or (2) a previously existing, independent legal basis (having nothing to do with retroactivity) for denying relief, or (3) as in the law of qualified immunity, a well-established general legal rule that trumps the new rule of law, which general rule reflects both reliance interests and other significant policy justifications, or (4) a principle of law, such as that of 'finality' . . . , that limits the principle of retroactivity itself." *Reynoldsville*, 514 U.S. at 759.

IV

While the Circuits appear to be divided as to the retroactivity issue in Appointments Clause and similar cases,[4] the very Supreme Court decisions relied on in *Arthrex* have given retroactive effect to statutory constructions or constitutional decisions that remedied potential Appointment

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[4] In *Collins v. Mnuchin*, 938 F.3d 553 (5th Cir. 2019), the en banc Fifth Circuit found that the Federal Housing Finance Agency ("FHFA") was unconstitutionally structured because Congress "[g]rant[ed] both removal protection and full agency leadership to a single FHFA Director." 938 F.3d at 591. It declined to invalidate prior agency actions. *Id.* at 592. It concluded that the only appropriate remedy, and one that "fixes the . . . purported injury," is a declaratory judgment "removing the 'for cause' provision found unconstitutional." *Id.* 595.

In *Intercollegiate Broadcasting* and *Kuretski*, the D.C. Circuit reached the opposite result. *See Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012); *Kuretski v. Comm'r*, 755 F.3d 929 (D.C. Cir. 2014). In *Intercollegiate Broadcasting*, the D.C. Circuit found that the appointments of the Copyright Royalty Judges in the Library of Congress violated the Appointments Clause because they could be removed only for cause. *Intercollegiate Broad. Sys., Inc.*, 684 F.3d at 1334. The court invalidated the for-cause restriction on the removal of the judges, rendering them "validly appointed inferior officers." *Id.* at 1340–41. Yet, the D.C. Circuit declared that "[b]ecause the Board's structure was unconstitutional at the time it issued its determination, we vacate and remand the determination." *Id.* at 1342. These two cases were not based on Supreme Court precedent, did not consider the Supreme Court precedent suggesting a different result, and were an apparent departure from the Court's rulings in similar circumstances.

Clause violations. In *Free Enterprise Fund v. Public Co. Accounting Oversight Bd.*, 561 U.S. 477 (2010), the SEC's Public Company Accounting Oversight Board had instituted an investigation against an accounting firm, Beckstead and Watts ("B&W"). *Id.* at 487. B&W and another affiliated organization, Free Enterprise Fund, filed suit, asking the district court to enjoin the investigation as improperly instituted because members of the Board had not been constitutionally appointed. *Id.* The Supreme Court found that the statutory removal protections afforded to members of the Board were unconstitutional. *Id.* at 484. "By granting the Board executive power without the Executive's oversight [i.e., by limiting removal], this Act subverts the President's ability to ensure that the laws are faithfully executed—as well as the public's ability to pass judgment on his efforts." *Id.* at 498. But the Court severed the unconstitutional removal provisions from the remainder of the statute, leaving the rest of relevant act fully operational and constitutional. *Id.* at 509.

The Court did not view this action as fixing the problem only prospectively. It refused to invalidate or enjoin the prior actions of the Board in instituting the investigation, explaining that "properly viewed, under the Constitution, . . . the Board members are inferior officers" and "have been validly appointed by the full Commission." *Id.* at 510, 513. The Court remanded for further proceedings, but explained that Plaintiffs are only "entitled to declaratory relief sufficient to ensure that the reporting requirements and auditing standards to which they are subject will be enforced only by a constitutional agency accountable to the Executive." *Id.* at 513.[5]

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[5] On remand, the parties agreed that the Supreme Court's decision did not require invalidating the Board's prior actions. The agreed-upon judgment stated: "[a]ll relief not specifically granted by this judgment is hereby

So too in *Edmond*, past actions by the Coast Guard Court of Criminal Appeals were not set aside. The criminal defendants' convictions had been affirmed by the Coast Guard Court of Criminal Appeals. *Edmond v. United States*, 520 U.S. 651, 655 (1997). The defendants contended that the Coast Guard Court of Criminal Appeals judges had not been properly appointed, rendering the convictions invalid. *See id.* The issue was "whether Congress ha[d] authorized the Secretary of Transportation to appoint civilian [judges to] the Coast Guard Court of Criminal Appeals, and if so, whether this authorization [wa]s constitutional under the Appointments Clause of Article II [because the judges were inferior officers]." *Id.* at 653.

The Court construed the relevant statutes so that "Article 66(a) d[id] not give Judge Advocates General authority to appoint Court of Criminal Appeals judges; [and] that § 323(a) d[id] give the Secretary of Transportation authority to do so." *Id.* at 658. The Court explained that "no other way to interpret Article 66(a) that would make it consistent with the Constitution" because "Congress could not give the Judge Advocates General power to 'appoint' even inferior officers of the United States." *Id.* The Court then found that the judges of the Coast Guard Court of Criminal Appeals are inferior officers and that "[their] judicial appointments [by the Secretary] . . . are therefore valid." *Id.* at 666. Most significantly, the Court did not remand for a new hearing but rather "affirm[ed] the judgment of the Court of Appeals for the Armed Forces." *Id.* Nowhere did the Court suggest that the actions taken before the Court's construction were rendered invalid.

In Appointments Clause cases, the Supreme Court has required a new hearing only where the appointment's

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DENIED." *See* Judgment Order, *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, C.A. No. 06-0217-JR (D.D.C. Feb. 23, 2011), ECF No. 66.

defect had not been cured[6] or where the cure was the result of non-judicial action.[7] The contrary decision in *Arthrex* is inconsistent with binding Supreme Court precedent and creates a host of problems in identifying the point in time when the appointments became valid.[8]

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[6] *See Ryder v. United States*, 515 U.S. 177, 182–83 (1995) (declining to apply the *de facto officer* doctrine to preserve rulings made by an unconstitutionally appointed panel); *Nguyen v. United States*, 539 U.S. 69, 77, 83 (2003) (declining to leave "undisturbed" the judgments of an unconstitutionally composed panel); *N.L.R.B. v. Noel Canning*, 573 U.S. 513, 519, 520 (2014) (affirming the DC Circuit in vacating an NLRB order finding a violation because the Board lacked a quorum as "the President lacked the power to make the [Board] recess appointments here at issue"); *see also Bandimere v. Sec. & Exch. Comm'n*, 844 F.3d 1168, 1171, 1188 (10th Cir. 2016) (setting aside opinion of an improperly appointed SEC ALJ where "the SEC conceded the ALJ had not been constitutionally appointed").

[7] *See Lucia*, 138 S. Ct. at 2055 n.6; *see also Jones Bros., Inc. v. Sec'y of Labor*, 898 F.3d 669, 679 (6th Cir. 2018) (improperly appointed ALJ's decision vacated despite Mine Commission's attempt to cure the improper appointment during judicial review).

[8] The difficulty of identifying at what point in time the appointments became effective is evident. Is it when then panel issues the decision, when the mandate issues, when en banc review is denied, when certiorari is denied, or (if there is an en banc proceeding) when the en banc court affirms the panel, or (if the Supreme Court grants review) when the Supreme Court affirms the court of appeals decision?

I respectfully suggest that *Arthrex* was wrongly decided on the issue of remedy. As a result of the *Arthrex* construction, APJs were properly appointed by the PTO Director/Under-Secretary of Commerce and their prior decisions are not invalid.

United States Court of Appeals for the Federal Circuit

November 12, 2019

ERRATA

Appeal Nos. 2018-2082, 2018-2083, 2018-2084

BEDGEAR, LLC,
Appellant

v.

FREDMAN BROS. FURNITURE COMPANY, INC.,
Appellee

Decided: November 7, 2019
Nonprecedential Opinion

Please make the following change:

On page 10, lines 3–4, replace "PTO Director/Under-Secretary of Commerce" with "Secretary of Commerce."

Certificate of Service

I hereby certify that on this 8th day of January, 2020, I caused this APPELLEE'S COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC to be electronically filed using the Court's CM/ECF filing system. Counsel for the Appellant was electronically served by and through the Court's CM/ECF filing system pursuant to Fed. R. App. P. 25(c) and Fed. Cir. R. 25(e).

/s/ Jason R. Mudd

Counsel for Appellee Fredman Bros. Furniture Company, Inc.

Certificate of Compliance
Pursuant to Fed. R. App. P. 32(g)

1. This Petition complies with the type-volume limitation of Fed. R. App. P. 35(b)(2) and 35(b)(3). This Petition contains 3,877 words, as determined by the Microsoft Word word-processing program used to prepare this paper, excluding the parts of the Petition exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b) and 35(c)(2).

2. This paper complies with the typeface requirements of Fed. R. App. P. Fed. R. App. P. 32(a)(5) and the type-style requirements of Fed. R. App. P. 32(a)(6) because it has been prepared in a proportionally spaced typeface that includes serifs using Microsoft Word in Times New Roman 14-point font.

/s/ Jason R. Mudd

Counsel for Appellee Fredman Bros. Furniture Company, Inc.