

Nos. 2019-1408, 2019-1485

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

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IMAGE PROCESSING TECHNOLOGIES LLC,

Appellant,

v.

SAMSUNG ELECTRONICS CO. LTD.,  
SAMSUNG ELECTRONICS AMERICA, INC.,

Cross-Appellants,

UNITED STATES,

Intervenor.

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Appeal from the United States Patent and Trademark Office  
Patent Trial and Appeal Board in Nos. IPR2017-01218

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**PETITION FOR REHEARING OR REHEARING EN BANC**

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## STATEMENT OF COUNSEL

Based on my professional judgment, I believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

1. This case presents the same three questions presented in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), in which all parties have petitioned for en banc review:

A. Whether the administrative patent judges of the Patent Trial and Appeal Board are inferior officers of the United States under the Appointments Clause, U.S. Const. art. II, § 2, cl. 2, such that Congress permissibly vested their appointments in a department head, rather than principal officers of the United States who must be nominated by the President and confirmed by the Senate.

B. Whether this Court should entertain an Appointments Clause challenge a litigant forfeited by failing to raise it before the agency.

C. How to remedy any Appointments Clause defect in the Patent Trial and Appeal Board.

2. Whether the *Arthrex* panel's decision to excuse a challenger's forfeiture of an Appointments Clause challenge applies automatically to excuse forfeiture in future cases, or whether this Court's ordinary forfeiture rules apply.

/s/ Courtney L. Dixon  
COURTNEY L. DIXON

## INTRODUCTION AND SUMMARY OF ARGUMENT

This appeal involves the same significant constitutional issue decided in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019): whether the administrative patent judges (APJs) of the Patent Trial and Appeal Board (PTAB or Board) are inferior officers whose appointment Congress could vest in the Secretary of Commerce. Before the time for the parties to file petitions for rehearing en banc had expired in *Arthrex*, this Court issued a remand in this case on the basis of the panel's holding in that case. The parties in *Arthrex* all subsequently filed petitions for rehearing en banc, which remain pending before this Court.

Rehearing in this case is warranted for two reasons. First, any further review of *Arthrex* would affect the proper disposition of this case. We therefore respectfully request that this case be held for further review pending a decision on the parties' petitions for en banc review in *Arthrex* and the final disposition of that case.

Second, regardless of whether *Arthrex* is subject to further review in this Court or the Supreme Court, the panel here erred in excusing Image Processing's forfeiture of its Appointments Clause challenge on the basis of *Arthrex*. The *Arthrex* panel invoked the need for "[t]imely resolution" of the constitutional question in light of its "wide-ranging effect on property rights and the nation's economy" as a reason to excuse the patent owner's forfeiture. *Arthrex*, 941 F.3d at 1327. Now that the *Arthrex* panel has opined on the issue, however, no similar reasons support an exercise of this

Court's discretion to excuse Image Processing's failure to raise this issue before the Board.

### **STATUTORY AND FACTUAL BACKGROUND**

1. This Court is familiar with the PTAB and the inter partes review (IPR) proceedings it conducts. Image Processing here appealed the Board's decision in an IPR. In its opening brief in this Court, Image Processing raised for the first time, as an alternative to its argument for reversal on the merits, its argument that APJs are principal officers who must be appointed by the President, with the Senate's advice and consent. *See* Image Processing Br. 66-74. The United States intervened, and argued that Image Processing had forfeited its challenge, and that APJs were inferior officers whose appointment Congress permissibly vested in the Secretary of Commerce.

2. After briefing was completed in this case, a panel of this Court decided a forfeited Appointments Clause question in *Arthrex*. 941 F.3d at 1327-35. The panel concluded that APJs are principal, not inferior, officers; invalidated the removal restrictions applicable to APJs in order to remedy this perceived constitutional defect; and vacated and remanded for a new proceeding before a new panel of APJs. *Id.* at 1330-40. The panel reached its constitutional holding after exercising its discretion to excuse Arthrex's forfeiture of the issue before the agency, asserting that the Appointments Clause issue "has a wide-ranging effect on property rights and the

nation's economy," and "[t]imely resolution" of the issue "is critical to providing certainty to rights holders and competitors alike." *Id.* at 1327.

3. Before the mandate issued in *Arthrex*, and before the time to file petitions for rehearing en banc had expired, the panel in this case issued a per curiam order providing that "[i]n light of this Court's decision in [*Arthrex*], and the fact that [Image Processing] has raised an Appointments Clause challenge in its opening brief," the Board's decision is "vacated and the case[] [is] remanded to the Board for proceedings consistent with the court's decision in *Arthrex*." Order 2.

## ARGUMENT

This case presents the same Appointments Clause challenge that was addressed in *Arthrex*, and the panel's decision here rested entirely on *Arthrex*. In light of the potential for further review in *Arthrex*, we respectfully request that this case be held pending any further review of *Arthrex*, and then decided in a manner consistent with the final disposition of that case. In any event, rehearing is warranted because the panel erred in applying *Arthrex* to excuse Image Processing's forfeiture.

### I. This Case Should Be Held Pending A Final Decision In *Arthrex*

The panel here relied solely on the *Arthrex* decision in vacating and remanding the Board's decision "for proceedings consistent with the court's decision in *Arthrex*." Order 2. All parties, including the government, have since petitioned for en banc review in *Arthrex*, and those petitions remain pending. *See* U.S. En Banc Pet., No. 2018-2140, Doc. 77 (Fed. Cir. Dec. 16, 2019) (U.S. *Arthrex* Pet.); *Arthrex* En Banc

Pet., No. 2018-2140, Doc. 78 (Fed. Cir. Dec. 16, 2019). Appellees' En Banc Pet., No. 2018-2140, Doc. 79 (Fed. Cir. Dec. 16, 2019). As the government's en banc petition explains, the *Arthrex* panel's decision rested on several significant errors, and en banc review is warranted to address (1) whether APJs are inferior officers under the Appointments Clause; (2) whether the panel abused its discretion in entertaining *Arthrex*'s challenge despite its failure to raise it before the agency; and (3) whether the panel erred in vacating and remanding for a new proceeding before a new panel of APJs. *See generally* U.S. *Arthrex* Pet., *supra*. This Court's own recent orders demonstrate that the *Arthrex* panel's analysis is open to fair question. *See* Order, *Polaris Innovations Limited v. Kingston Tech. Co.*, Nos. 2018-1768, 2018-1831 (Fed. Cir. Nov. 8, 2019) (ordering supplemental briefing regarding issues addressed by *Arthrex* panel); *Bedgear, LLC v. Fredman Bros Furniture Co.*, 783 F. App'x 1029, 1030 (Fed. Cir. 2019) (Dyk, J., concurring) (questioning *Arthrex*'s decision to vacate and remand for new Board proceedings).

In the event that *Arthrex* is subject to further review, the panel's vacatur and remand here could prove unwarranted, and would impose a needless burden on the agency and the appellee in this case. In light of the possibility of further review in *Arthrex*, we respectfully request that this case be held pending the final disposition of *Arthrex*, and then be decided consistent with that final disposition.



## II. The Panel Erred In Excusing Image Processing's Forfeiture On The Basis Of *Arthrex*

The panel's decision independently warrants rehearing because the panel erred in applying *Arthrex* to excuse Image Processing's forfeiture. As this Court has explained, a panel must "proceed on a case-by-case basis" to determine whether a case warrants the "exceptional measure" of excusing a party's failure to raise a constitutional challenge before the agency. *In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008). The *Arthrex* panel concluded that that case "was one of the 'rare cases'" warranting "use of [the panel's] discretion to decide the issue over a challenge of waiver." *Arthrex*, 941 F.3d at 1326-27 (quoting *Freytag v. Commissioner*, 501 U.S. 868, 879 (1991)). In explaining its use of that discretion, the *Arthrex* panel asserted that the Appointments Clause issue "has a wide-ranging effect on property rights and the nation's economy" and that "[t]imely resolution is critical to providing certainty to rights holders and competitors alike who rely upon the inter partes review scheme to resolve concerns over patent rights." *Id.*

As explained in the government's rehearing petition in *Arthrex*, the need for timely resolution of the Appointments Clause challenges to administrative patent judges was not enough to justify excusing the forfeiture in *Arthrex* itself. *See* Gov't *Arthrex* Pet. 12. But even if it were, no similar reason supports excusing Image Processing's forfeiture in this case or similar appeals. Once the *Arthrex* panel decided the constitutional issue, there was no need for the panel to excuse forfeiture in order

to provide “[t]imely resolution” of the Appointments Clause question. *Arthrex*, 941 F.3d at 1327. The panel therefore erred in reflexively applying *Arthrex*, without determining, “on a case-by-case basis, whether the circumstances of” *this* case warrant the extraordinary step of excusing Image Processing’s forfeiture. *DBC*, 545 F.3d at 1380. And as the government explained, Image Processing did not even attempt to argue that any exceptional circumstances exist here to excuse its failure to present its constitutional challenge to the agency. *See* Intervenor Br. 6-7. The panel should have applied this Court’s usual forfeiture rule that a party who fails to “timely raise[]” an Appointments Clause challenge before the agency has forfeited that challenge. *DBC*, 545 F.3d at 1380.

The panel’s error in reflexively applying *Arthrex* to this case warrants rehearing or rehearing en banc. As this Court has explained, permitting litigants “to raise [constitutional] issues for the first time on appeal would encourage what Justice Scalia has referred to as sandbagging, *i.e.*, ‘suggesting or permitting, for strategic reasons, that the trial court pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error.’” *DBC*, 545 F.3d at 1380 (quoting *Freytag*, 501 U.S. at 895 (Scalia, J., concurring in part and concurring in the judgment)). The panel’s forfeiture ruling here encourages such gamesmanship, with no concomitant public benefit. To the contrary, vacating and remanding to the agency for a new proceeding before new APJs, *see Arthrex*, 941 F.3d at 1339, threatens to place a significant burden on the USPTO and the appellee, who had no reason to

anticipate a remand on constitutional grounds. That burden will prove particularly serious if the panel's error regarding forfeiture here is repeated in the many pending cases involving forfeited Appointments Clause challenges.<sup>1</sup> Rehearing is therefore

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<sup>1</sup> 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 broader reach. 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 (Fed.

warranted to make clear that excusing forfeiture is a “rare” and “exceptional measure” that must be exercised “on a case-by-case basis,” not automatically where the circumstances do not warrant. *DBC*, 545 F.3d at 1380.

### CONCLUSION

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

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

**ADDENDUM**

NOTE: This order is nonprecedential.

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

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**IMAGE PROCESSING TECHNOLOGIES LLC,**  
*Appellant*

v.

**SAMSUNG ELECTRONICS CO., LTD., SAMSUNG  
ELECTRONICS AMERICA, INC.,**  
*Appellees*

**UNITED STATES,**  
*Intervenor*

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2018-2156

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Appeal from the United States Patent and Trademark  
Office, Patent Trial and Appeal Board in No. IPR2017-  
00353.

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**IMAGE PROCESSING TECHNOLOGIES LLC,**  
*Appellant*

v.

**SAMSUNG ELECTRONICS CO., LTD., SAMSUNG  
ELECTRONICS AMERICA, INC.,**  
*Cross-Appellants*

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IMAGE PROCESSING TECHNOLOGIES v. SAMSUNG  
ELECTRONICS CO., LTD.

**UNITED STATES,**  
*Intervenor*

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2019-1408, 2019-1485

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Appeals from the United States Patent and Trademark  
Office, Patent Trial and Appeal Board in No. IPR2017-  
01218.

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**ORDER**

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PER CURIAM.

In light of this court's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140 (Fed. Cir. Oct. 31, 2019), and the fact that Image Processing Technologies LLC has raised an Appointments Clause challenge in its opening brief in both of the above captioned cases,

IT IS ORDERED THAT:

(1) The oral arguments scheduled for January 6, 2020 are cancelled and the cases are removed from the calendar.

(2) The Patent Trial and Appeal Board's decisions in No. IPR2017-00353 and No. IPR2017-01218 are vacated and the cases are remanded to the Board for proceedings consistent with the court's decision in *Arthrex*.

FOR THE COURT

December 5, 2019  
Date

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

**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 page limitation of Fed. R. App. P. 35(b)(2) because it is 2,060 words excluding the parts exempted under Rule 32(a)(7)(B)(iii).

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



### **CERTIFICATE OF SERVICE**

I hereby certify that on January 21, 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 16 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*  
COURTNEY L. DIXON