

No. 2018-1768

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

POLARIS INNOVATIONS LIMITED,

Appellant,

v.

KINGSTON TECHNOLOGY COMPANY, INC.,

Appellee,

UNITED STATES,

Intervenor.

Appeal from the United States Patent and Trademark Office
Patent Trial and Appeal Board in No. IPR2017-01621

**[CORRECTED] 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/ Mai-Trang Dang
MAI-TRANG DANG
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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) on October 31, 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. In *Arthrex*, this Court vacated and remanded the Board’s Final Written Decision for a new hearing and new Final Written Decision before a new panel of the Board. By December 16, 2019, all the parties in *Arthrex* filed petitions for rehearing en banc, which remain pending before this Court. On January 31, 2020, this Court issued a remand in the current case on the basis of the panel’s holding in *Arthrex*.

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 Polaris Innovations Limited’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 Polaris’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 Polaris'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. Here, Polaris appealed the Board's decision in an IPR. In its opening brief in this Court, Polaris 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* ECF No. 2, Principal Brief of Appellant at 56-59. The United States intervened, and argued that the Appointments Clause challenge was forfeited because Polaris did not raise the issue before the agency, 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. By December 16, 2019, all parties in *Arthrex* filed petitions for rehearing en banc, and those petitions remain pending before this Court. On January 31, 2020, after those petitions were filed, the panel in this case issued a per curiam order providing that in light of this Court's decision in *Arthrex*, and the fact that Polaris 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*." ECF No. 106, Order at 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* in either en banc proceedings or the Supreme Court, we respectfully request that this case be held pending any such further review, 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 Polaris's forfeiture.

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

The panel here, in its January 31, 2020 order, relied solely on the *Arthrex* decision in vacating and remanding the Board's decision "for proceedings consistent with this court's decision in *Arthrex*." ECF No. 106, Order at 2. Prior to that order,

all parties, including the government, had petitioned for en banc review in *Arthrex*, and those petitions remain pending. *See* U.S. En Banc Pet., No. 2018-2140, ECF No. 77 (Fed. Cir. Dec. 16, 2019) (U.S. *Arthrex* Pet.); *Arthrex* En Banc Pet., No. 2018-2140, ECF No. 78 (Fed. Cir. Dec. 16, 2019); Appellees' En Banc Pet., No. 2018-2140, ECF No. 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 decisions demonstrate that the *Arthrex* panel's analysis is open to fair question. *See Polaris Innovations Limited v. Kingston Tech. Co.*, 792 F. App'x 820, 820-21 (Fed. Cir. 2020) (Hughes, J., concurring) (two judges concurring in a remand because "bound by the prior panel decision in *Arthrex*" but explaining their view that "in light of the Director's significant control over the activities of the Patent Trial and Appeal Board and Administrative Patent Judges, APJs are inferior officers already properly appointed by the Secretary of Commerce"); *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 Polaris’s Forfeiture On The Basis Of *Arthrex*.

The panel’s decision independently warrants rehearing because the panel erred in applying *Arthrex* to excuse Polaris’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* U.S. *Arthrex* Pet. at 12. But even if it were, no similar reason supports excusing Polaris’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 Polaris’s forfeiture. *DBC*, 545 F.3d at 1380. Indeed, Polaris did not attempt to argue that this case is “exceptional” under *DBC*, 545 F.3d at 1379, 1380. *See* ECF No. 44, United States Intervenor Br. at 6, 12-13. 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 hearing before different APJs, see *Arthrex*, 941 F.3d at 1339-40, 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.¹ Rehearing is therefore 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 unwarranted. *DBC*, 545 F.3d at 1380.

¹ To date, this Court has vacated Board decisions and remanded for new hearings before a different panel of APJs in more than fifty appeals of which the government is aware. En banc petitions on the issues raised by *Arthrex* have been filed in e.g., *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, No. 18-2170; *Uniloc 2017 LLC v. Facebook, Inc.*, No. 18-2251; *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, Nos. 18-2082, 18-2083, 18-2084; *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 18-1831; *VirnetX Inc. v. Cisco Sys., Inc.*, No. 19-1725; *Uniloc 2017 LLC v. Cisco Sys., Inc.*, No. 18-2431; *Uniloc 2017 LLC v. Cisco Sys., Inc.*, No. 19-1064; *Luoma v. GT Water Prods., Inc.*, No. 19-2315; *Mirror Imaging, LLC v. Fidelity Info. Servs., LLC*, Nos. 19-2026, 19-2027, 19-2028, 19-2029. Additional en banc petitions may be filed in other pending cases.

CONCLUSION

For the foregoing reasons, the panel or the en banc Court should rehear this case, or in the alternative, hold this case pending resolution of any further review in *Arthrex*.

Respectfully submitted,

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ADDENDUM

NOTE: This order is nonprecedential.

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

POLARIS INNOVATIONS LIMITED,
Appellant

v.

KINGSTON TECHNOLOGY COMPANY, INC.,
Appellee

2018-1768

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2016-01621.

O R D E R

The Office of the Solicitor of the United States Patent and Trademark Office and Polaris Innovations Limited notify the court that in this appeal, Polaris is challenging the constitutionality of 35 U.S.C. § 6.

Upon notice of the fact that “a party questions the constitutionality of an Act of Congress in a proceeding in which the United States . . . is not a party,” the clerk of this court must “certify that fact to the Attorney General.” Fed. R. App. P. 44(a); *see also* 28 U.S.C. § 2403(a) (“In any action . . . in a court of the United States to which the

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INC.

United States . . . is not a party, wherein the constitutionality of any Act of Congress affecting the public interest is drawn into question, the court shall certify such fact to the Attorney General, and shall permit the United States to intervene . . . for argument on the question of constitutionality.”).

Upon consideration thereof,

IT IS ORDERED THAT:

(1) Notice of the appellant’s constitutional challenge is hereby certified to the Attorney General.

(2) No later than 30 days from the date of filing of this order, the Attorney General is directed to inform this court whether the United States intends to intervene in this appeal.

(3) The proceedings in the above-captioned appeal are stayed.

FOR THE COURT

July 19, 2018
Date

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

s31

cc United States Attorney General

**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 2,054 words excluding the parts exempted under Rule 32(a)(7)(B)(iii).

/s/Mai-Trang D. Dang

MAI-TRANG D. DANG
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