

No. 2019-2026, -2027, -2028, -2029

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

MIRROR IMAGING, LLC,

APPELLANT,

v.

FIDELITY INFORMATION SERVICES, LLC,

APPELLEE,

**ANDREI IANCU, DIRECTOR,
U.S. PATENT AND TRADEMARK OFFICE**

INTERVENOR.

Appeal from the United States Patent and Trademark Office
Patent Trial and Appeal Board in Nos. CBM2017-00064, CBM2017-00065,
CBM2017-00066, and CBM2017-00067

PETITION FOR REHEARING OR REHEARING EN BANC

JOSEPH H. HUNT
Assistant Attorney General

SCOTT R. MCINTOSH
MELISSA N. PATTERSON
*Attorneys, Appellate Staff
Civil Division, Room 7230
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530
(202) 514-1201*

THOMAS W. KRAUSE
Solicitor

FARHEENA Y. RASHEED
Deputy Solicitor

ROBERT E. MCBRIDE
Associate Solicitor

*U.S. Patent and Trademark Office
Office of the Solicitor
Mail Stop 8, P.O. Box 1450
Alexandria, VA 22313
(571) 272-9035*

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/ Robert E. McBride
Associate Solicitor
U.S. Patent and Trademark Office

INTRODUCTION AND SUMMARY OF ARGUMENT

This appeal involves the same significant constitutional issue decided on October 31, 2019, 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. 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, the parties in *Arthrex* all filed petitions for rehearing en banc, which remain pending before this Court. On January 15, 2020, this Court issued a remand in this 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 the parties’ forfeiture of their 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 the parties' failure to raise this issue before the Board.

STATUTORY AND FACTUAL BACKGROUND

1. This Court is familiar with the PTAB and the covered business method patent review (CBM) proceedings it conducts. Here, Appellant Mirror Imaging appealed the Board's decisions in four related CBMs (Nos. CBM2017-00064, CBM2017-00065, CBM2017-00066, and CBM2017-00067), which this Court consolidated on June 19, 2019.

2. On October 31, 2019, before briefing on the merits had begun 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. On November 18, 2019, in their joint motion to vacate and remand (filed prior to the date on which Appellant Mirror Imaging's opening brief was due in this Court), the parties raised for the first time their argument that APJs are principal

officers who must be appointed by the President, with the Senate's advice and consent. *See* ECF 19-1, Br. 3-4. The Director intervened, and argued that the Appointments Clause challenge was forfeited because neither party raised the issue before the agency, and that APJs were inferior officers whose appointment Congress permissibly vested in the Secretary of Commerce.

4. By December 16, 2019, all parties in *Arthrex* filed petitions for rehearing en banc, and those petitions remain pending before this Court. On January 15, 2020, after those petitions for rehearing en banc were filed, the panel in this case issued an order granting the joint motion to vacate and remand, stating that “the cases are remanded to the Board for proceedings consistent with the court’s decision in *Arthrex*.” ECF 27, 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* 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 the parties' forfeiture.¹

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

The panel here, in its January 15, 2020 order, 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. 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, 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*

¹ Even apart from forfeiture, the appellee is in no position to challenge the constitutionality of the Board panel, since the appellee successfully sought out the Board's adjudication. *See Ciena Corp. v. Oyster Optics, LLC*, No. 19-2117 (Fed. Cir. Jan. 28, 2020); *Hytera Commc'ns Co. v. Motorola Sols., Inc.*, No. 19-2124, slip op. 3 (Fed. Cir. Jan. 30, 2020); *Caterpillar Inc. v. Wirtgen Am. Inc.*, No. 19-2206, slip op. 2 (Fed. Cir. Jan. 29, 2020); *Sierra Wireless, Inc. v. Koninklijke KPN N.V.*, No. 19-2082, slip op. 2 (Fed. Cir. Jan. 29, 2020).

Pet., *supra*. This Court’s own recent decisions demonstrate that the *Arthrex* panel’s analysis is open to fair question. See *Polaris Innovations Ltd. v. Kingston Tech. Co.*, 2020 WL 504974, No. 2018-1831 (Fed. Cir. Jan. 31, 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 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 The Parties’ Forfeiture On The Basis Of *Arthrex*.

The panel’s decision independently warrants rehearing because the panel erred in applying *Arthrex* to excuse the parties’ 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 the parties’ 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 the parties’ forfeiture. *DBC*, 545 F.3d at 1380. And as the government explained, the parties did not even attempt to argue that any exceptional circumstances exist here to excuse their failure to present their

constitutional challenge to the agency. *See* USPTO Director’s Opposition to Joint Motion to Remand at 2 (noting that the parties described the issue on appeal as the Board’s unpatentability determination without raising any violation of the Appointments Clause of the Constitution). 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, 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.² Rehearing is therefore warranted to make clear that excusing forfeiture is a “rare” and “exceptional measure” that must be

² This Court has already remanded many cases, apparently on the assumption that *Arthrex’s* forfeiture ruling has broader reach. See, e.g., *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, No. 18-2170 (Fed. Cir.) (rehearing petition filed Nov. 8, 2019); *Uniloc 2017 LLC v. Facebook, Inc.*, No. 18-2251 (Fed. Cir.) (rehearing petition filed Dec. 2, 2019); *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, Nos. 18-2082, 18-2083, 18-2084 (Fed. Cir.) (rehearing petition filed Jan. 8, 2020); *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 18-1831 (Fed. Cir.) (rehearing petition filed Feb. 21, 2020); *VirnetX, Inc. v. Cisco Sys. Inc.*, No. 19- 1725 (Fed. Cir.) (rehearing petition filed Feb. 24, 2020); *Uniloc 2017 LLC v. Cisco Sys. Inc.*, No. 18-2431 (Fed. Cir.) (rehearing petition filed Feb. 24, 2020); *Uniloc 2017 LLC v. Cisco Sys. Inc.*, No. 19-1064 (Fed. Cir.) (rehearing petition filed Feb. 24, 2020); *Image Processing Tech. LLC v. Samsung Electronics Co.*, No. 18-2156 (Fed. Cir.) (petition for rehearing denied Feb. 24, 2020); *Luoma v. GT Water Prods., Inc.*, No. 19-2315 (Fed. Cir.) (rehearing petitions due March 2, 2020); *Stuart v. Rust-Oleum Corp.*, Nos. 19-1994, 19-2238 (Fed. Cir.) (rehearing petitions due March 6, 2020); *Pfizer Inc. v. Merck Sharp & Dohme Corp.*, Nos. 19-1871, 19-1873, 19-1875, 19-1876, 19-2224 (Fed. Cir.) (rehearing petitions due March 6, 2020); *Vilox Tech. LLC v. Unified Patents, Inc.*, No. 19-2057 (Fed. Cir.) (rehearing petitions due March 6, 2020); *Agrofresh, Inc. v. UPL Ltd.*, No. 19-2243 (Fed. Cir.) (rehearing petitions due March 9, 2020); *Concert Pharm., Inc. v. Incyte Corp.*, No. 19- 2011 (Fed. Cir.) (rehearing petitions due March 9, 2020); *Document Sec. Sys. v. Seoul Semiconductor Co., Ltd.*, No. 19-2281 (Fed. Cir.) (rehearing petitions due March 9, 2020); *Vaporstream, Inc. v. Snap, Inc.*, Nos. 19-2231, 19-2290, 19-2337, 20-1030 (Fed. Cir.) (rehearing petitions due March 9, 2020); *Vaporstream, Inc. v. Snap, Inc.*, No. 19-2339 (Fed. Cir.) (rehearing petitions due March 9, 2020); *VirnetX, Inc. v. Cisco Sys. Inc.*, No. 19-1671 (Fed. Cir.) (rehearing petitions due March 9, 2020); *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 19-1202 (Fed. Cir.) (rehearing petitions due March 12, 2020); *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 18-1768 (Fed. Cir.) (rehearing petitions due March 16, 2020); *Sound View Innovations, LLC v. Unified Patents Inc.*, No. 20-1154 (Fed. Cir.) (rehearing petitions due March 19, 2020); *Sound View Innovations, LLC v. Hulu, LLC*, No. 20-1155 (Fed. Cir.) (rehearing petitions due March 19, 2020); *Document Sec. Sys., Inc. v. Seoul Semiconductor Co., Ltd.*, No. 19-2430 (Fed. Cir.) (rehearing petitions due March 19, 2020); *Intel Corp. v. Alacritech, Inc.*, Nos. 19-1443, 19-1447, 19-1449, 19-1450 (Fed. Cir.) (rehearing petitions due April 6, 2020); *Intel Corp. v. Alacritech, Inc.*, No. 19-1464 (Fed. Cir.) (rehearing petitions due April 6, 2020); *Alacritech, Inc. v. Intel Corp.*, Nos. 19-1444, 19-1445, 19-1466 (Fed. Cir.) (rehearing petitions due April 6, 2020); *VirnetX, Inc.*

exercised “on a case-by-case basis,” not automatically where unwarranted.

DBC, 545 F.3d at 1380.

CONCLUSION

For the foregoing reasons, this Court should rehear this case en banc.

Dated: March 2, 2020

Respectfully submitted,

JOSEPH H. HUNT
Assistant Attorney General

THOMAS W. KRAUSE
Solicitor

SCOTT R. MCINTOSH
MELISSA N. PATTERSON
Attorneys, Appellate Staff
Civil Division, Room 7230
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, DC 20530
(202) 514-1201

FARHEENA Y. RASHEED
Deputy Solicitor
ROBERT E. MCBRIDE
Associate Solicitor
/s/ Robert E. McBride
Associate Solicitor
U.S. Patent and Trademark Office
Office of the Solicitor
Mail Stop 8, P.O. Box 1450
Alexandria, VA 22313
(571) 272-9035

v. Iancu, Nos. 17-2593, 17-2594 (Fed. Cir.) (rehearing petitions due April 13, 2020); *Promptu Sys. Corp., v. Comcast Cable Comm. LLC*, Nos. 19-2368, 19-2369 (Fed. Cir.) (rehearing petitions due April 13, 2020); *Promptu Sys. Corp., v. Comcast Cable Comm. LLC*, No. 20-1253 (Fed. Cir.) (rehearing petitions due April 13, 2020); *High 5 Games, LLC v. Iancu*, No. 20-1024 (Fed. Cir.) (rehearing petitions due April 13, 2020); *Drone-Control, LLC v. SZ DJI Tech. Co., Ltd.*, No. 19-2210, 19-2223, 19-2276, 19-2318 (Fed. Cir.) (rehearing petitions due April 13, 2020); *Protiva Biotherapeutics, Inc. v. Moderna Therapeutics, Inc.*, No. 20-1183 (Fed. Cir.) (rehearing petitions due April 13, 2020); *Iron Oak Tech. LLC v. Unified Patents Inc.*, No. 19-2388 (Fed. Cir.) (rehearing petitions due April 13, 2020).

ADDENDUM

NOTE: This order is nonprecedential.

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

MIRROR IMAGING, LLC,
Appellant

v.

FIDELITY INFORMATION SERVICES, LLC,
Appellee

**ANDREI IANCU, Director, U.S. Patent and Trade-
mark Office,**
Intervenor

2019-2026, -2027, -2028, -2029

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. CBM2017-00064, CBM2017-00065, CBM2017-00066, and CBM2017-00067.

ON MOTION

Before LOURIE, MOORE, and, O'MALLEY, *Circuit Judges*.
O'MALLEY, *Circuit Judge*.

O R D E R

2 MIRROR IMAGING, LLC v. FIDELITY INFORMATION SERVICES

Mirror Imaging, LLC and Fidelity Information Services, LLC move jointly to vacate the decisions of the Patent Trial and Appeal Board and remand for further proceedings in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). The Director of the United States Patent and Trademark Office intervenes and requests that the court hold any decision on the motion in abeyance pending en banc consideration of *Arthrex*.

Upon consideration thereof,

IT IS ORDERED THAT:

(1) The Director of the United States Patent and Trademark Office is added as an intervenor. The revised official caption is reflected above.

(2) The motion to vacate and remand is granted. The Patent Trial and Appeal Board's decisions are vacated, and the cases are remanded to the Board for proceedings consistent with this court's decision in *Arthrex*.

(3) Each side shall bear its own costs.

FOR THE COURT

January 15, 2020

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

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

I hereby certify that this petition complies with the requirements of Fed. R. App. P. 32(a)(5) and (6) because it has been prepared in 14-point Garamond, a proportionally spaced font. I further certify that this petition complies with the page limitation of Fed. R. App. P. 35(b)(2) because it is 2,613 words excluding the parts exempted under Rule 32(a)(7)(B)(iii).

/s/ Robert E. McBride

ROBERT E. MCBRIDE
Associate Solicitor
U.S. Patent and Trademark Office

CERTIFICATE OF SERVICE

I hereby certify that on March 2, 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/Robert E. McBride

ROBERT E. MCBRIDE
Associate Solicitor
U.S. Patent and Trademark Office