

2019-2011

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

CONCERT PHARMACEUTICALS, INC.,
Appellant,

v.

INCYTE CORPORATION,
Appellee,

ANDREI IANCU, Director, U.S. Patent and Trademark Office,

Intervenor.

**Appeal from United States Patent and Trademark Office, Patent Trial and
Appeal Board in No. IPR2017-01256.**

**INCYTE CORPORATION'S COMBINED PETITION FOR
PANEL REHEARING AND/OR REHEARING EN BANC**

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CERTIFICATE OF INTEREST
Concert Pharmaceuticals, Inc. v. Incyte Corp.
Case No. 19-2011

Counsel for the appellee Incyte Corporation certifies the following (use “None” if applicable; use extra sheets if necessary):

1. The full name of every party represented by me is:

Incyte Corporation

2. Name of the Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:

Incyte Corporation

3. Parent corporations and publicly held companies that own 10 % or more of the stock of the party:

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:

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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. See Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

None.

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STATEMENT OF COUNSEL

Based on my professional judgment, I believe this appeal requires an answer to the following questions of exceptional importance:

(1) Whether the appointment of Administrative Patent Judges (APJs) to the Patent Trial and Appeal Board (PTAB) violated the Appointments Clause of the U.S. Constitution, U.S. Const., Art 2, § 2, cl. 2, as the panel in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), concluded.

(2) What appropriate judicial remedy, if any, can be fashioned to ameliorate such a constitutional violation of the Appointments Clause, if found.

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

(4) 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/ Mark J. Feldstein

Mark J. Feldstein

Counsel for Appellee

INTRODUCTION AND SUMMARY OF THE ARGUMENT

Appellee Incyte Corporation (“Incyte”) petitions for panel reconsideration and en banc rehearing of the decision remanding proceedings to the PTAB based on *Arthrex* alone. D.I. 39 (Addendum). The constitutional questions in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), are at issue in this appeal, but remain unresolved because *Arthrex* is not yet final. *See infra* § I & n.1. Moreover, Concert forfeited this argument by not raising it before the agency, regardless of *Arthrex*’s determination. *See infra* § II.

As the mandate in *Arthrex* has not issued, remanding is premature because the *Arthrex* panel’s decision remains subject to revision, clarification, or even vacatur en banc by the Court at large. All parties to the *Arthrex* case—including the government—have lodged timely requests for rehearing en banc, but the Court’s decision on the petitions remains pending. In light of the potential for further review of *Arthrex*, in either en banc proceedings or at the Supreme Court, this case should be held pending any such further review, and then decided in a manner consistent with the final disposition of that case. To grant Concert’s request would waste the resources of the Court and the parties.

The first three issues presented in this petition are the same as the government’s challenge to the *Arthrex* decision itself—(1) the underlying Appointments Clause question, (2) the proper remedy for any constitutional defect,

and (3) the propriety of entertaining a forfeited challenge—each one independently warranting en banc review. The fourth issue raised in this en banc petition is whether the motions panel erred in permitting Concert to raise *Arthrex* in this appeal when the Appointments Clause challenge was not made before the PTAB. While the *Arthrex* panel explained significant reasons for excusing the appellant’s forfeiture in that case, 941 F.3d at 1327, Concert has offered no such reasons in this case. In vacating the Final Written Decision and remanding based entirely on *Arthrex*, and without providing further analysis of the facts here, the motions panel failed to perform the case-by-case determination necessary to excuse Concert’s undisputed forfeiture. *Id.* at 1340 (quoting *Freytag v. Comm’r of Internal Rev.*, 501 U.S. 868, 878-79 (1991)).

The USPTO has also timely filed a petition for panel rehearing or rehearing en banc of the vacatur and remand in this case (D.I. 42 (Mar. 9, 2020) (PTO Petition)), and Incyte agrees with the government’s positions.

BACKGROUND

Concert’s appeal of the final written decision finding unpatentable for obviousness claims 1-15 of Concert’s U.S. Patent No. 9,249,149, was docketed on June 12, 2019. D.I. 1. Over the course of several months, the deadline for filing Concert’s opening brief was twice extended by a total of 60 days, with no opposition from Incyte, to November 19, 2019. D.I. 19 & 21. During the second

briefing extension, the decision issued in *Arthrex* on October 31, 2019. *See* 941 F.3d at 1320-40. The *Arthrex* panel concluded that APJs are principal, not inferior, officers, invalidated the removal restrictions applicable to APJs in an attempt 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.

On November 12, 2019—a week before its Opening Brief was due—Concert filed a Motion to Remand, arguing that based on *Arthrex* it too "is entitled to vacatur of the Board's decision and a hearing before a new panel of APJs." D.I. 24 at 2. This was the first time that Concert had ever raised the Appointments Clause challenge. The Director intervened in this case 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.

Despite the oppositions of the government and Incyte, the motions panel vacated the PTAB determination and remanded on January 24, 2020. D.I. 39. The

only basis provided was *Arthrex. Id.* at 2 (“The Patent Trial and Appeal Board’s decision is vacated, and the case is remanded to the Board for proceedings consistent with this court’s decision in *Arthrex.*”).

ARGUMENT

Inasmuch as the motion panel’s decision was based solely on *Arthrex* (D.I. 39), if that case is altered, then the present remand, respectfully, is premature. The arguments here are the same as to the merits. *See infra* § I; PTO Petition § I. Moreover, regardless of how the issues are decided in *Arthrex*, Concert forfeited its constitutional challenge on facts not considered “case-by-case” by the panel. *See infra* § II; PTO Petition § II.

I. This Case Should Not Be Remanded Before the Final Disposition of *Arthrex* Because Fair Questions Persist on the Merits

All parties in the *Arthrex* case have timely sought en banc rehearing, and that determination is still pending. *See* U.S. En Banc Pet., No. 2018-2140, D.I. 77 (Fed. Cir. Dec. 16, 2019) (DoJ Petition); Appellant En Banc Pet., No. 2018-2140, D.I. 78 (Fed. Cir. Dec. 16, 2019) (*Arthrex* Petition); Appellees’ En Banc Pet., No. 2018-2140, D.I. 79 (Fed. Cir. Dec. 16, 2019) (S&N Petition). With the timely filing of numerous petitions for rehearing en banc in *Arthrex*, the issuance of its mandate is now held in abeyance indefinitely until disposition of these requests. Fed. R. App. P. 35, 40, 41. At least three questions persist, therefore:

(1) The threshold question presented by these *Arthrex* petitions for rehearing en banc is whether there is a constitutional problem at all. The government has argued in *Arthrex* that based on constitutional-avoidance principles and the Supreme Court’s decision in *Edmond v. United States*, 520 U.S. 651, 663 (1997), the holding should be overturned. *See* DoJ Petition 10-15; S&N Petition 16-26. The petitions of record in *Arthrex* further challenge the panel’s unprecedented conclusion that the efficiency-of-service removal standard is incompatible with inferior-officer status. *Id.* Recently, in *Polaris Innovations Ltd. v. Kingston Technology Co.*, 792 F. App’x 820, 821 (Fed. Cir. 2020) (unpublished) (Hughes, J., concurring), two judges explained at length 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.” *See also* PTO Petition § I.

(2) The follow-on question is whether the “the panel erred in crafting a remedy,” even if there was an Appointments Clause violation. DoJ Petition 18; *see also* S&N Petition 26-27. There is serious debate as to the proper remedy if such constitutional flaw is found, and subsequent panels have inquired as to whether a remand for a new PTAB hearing is required to cure an unconstitutional deficiency. For example, potential disagreement with the reach of *Arthrex* is evident in the recent concurrence of *Bedgear, LLC v. Fredman Brothers Furniture Co.*, 783 F.

App’x 1029, 1030-32 (Fed. Cir. 2019) (Dyk, J., joined by Newman, J., concurring in judgment), questioning why the remedy in *Arthrex* was not applied retroactively. *Id.* (citing *Harper v. Va. Dep’t of Taxation*, 509 U.S. 86, 97 (1993)); *see also* PTO Petition § I.

(3) The government in *Arthrex* also contended that “patent owner failed to present its Appointments Clause challenge to the Board, forfeiting that challenge.” DoJ Petition 7, 15 (“This Court has squarely held that litigants must raise such challenges before the judges whom they contend lack a valid appointment” (citing *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008))). Thus, if the forfeiture argument is successful en banc in *Arthrex*, Concert will also be found to have no remand available. *Cf. id.* at 15-18; *accord Ryder v. United States*, 515 U.S. 177, 181-83, 188 (1995) (defendant was “entitled to a hearing before a properly appointed panel” because he, unlike other litigants, “raised his objection to the judges’ titles before those very judges”); *see also* PTO Petition § I.

Any of the three grounds above if successful in *Arthrex* would independently negate Concert’s remand as well. Thus, the Order from the motions panel, respectfully, was premature prior to *Arthrex*’s mandate issuing.¹ In the event that

¹ Since the mandate has not issued in *Arthrex*, that case is not final and remains subject to change. *See Bryant v. Ford Motor Co.*, 886 F.2d 1526, 1529 (9th Cir. 1989) (“An appellate courts’ decision is not final until its mandate issues.”) (citation omitted). Until the mandate issues, the opinion in *Arthrex* is subject to clarification, revision, and/or vacatur—by the panel itself or upon rehearing en

Arthrex is subject to further review, the panel’s vacatur and remand here could prove entirely unwarranted and would be a needless burden on the parties to this case. Accordingly, because of the potential for modification or vacatur of *Arthrex*, in either en banc or the Supreme Court proceedings, Incyte requests at a minimum that this case be held pending such further review.

Alternatively, the most efficient use of time and resources here, and to avoid a backlog of potentially hundreds of cases stalled while awaiting disposition of *Arthrex*, is to vacate the Order and have Concert file its opening brief, which was a week away from being filed after two extensions—approaching, in total 120 days of briefing time. When the mandate issues in *Arthrex*, an appropriate remedy can be sought and issued at that time, if needed, on arguments Concert purports not to have waived. This moves the case forward rather than waiting many months for a mandate in *Arthrex* that may not ultimately require remand.

II. The Panel Did Not Address Concert’s Specific Forfeiture of the Constitutional Arguments

There is no debate here that Concert did not raise its constitutional challenge before the Board. Thus, an independent forfeiture issue exists *in this case*, even if

banc. *Flagship Marine Servs., Inc. v. Belcher Towing Co.*, 23 F.3d 341, 342 (11th Cir. 1994) (per curiam) (“[u]ntil the mandate issues, an appellate judgment is not final; the decision reached in the opinion may be revised by the panel, or reconsidered by the en banc court”). At this point, therefore, *Arthrex* does not provide a reliable basis for a vacatur and remand here.

excusing waiver was appropriate in *Arthrex*. See PTO Petition § II. The motions panel provided no discussion or rationale for permitting Concert’s Appointments Clause argument so late in this case—it was never raised before the PTAB, never raised by Concert in compliance with Federal Rule of Appellate Procedure 44(a) on appeal, and never raised until a week before the opening brief was due (after two unopposed extensions totaling 60 additional days). The motions panel decision erred applying *Arthrex* to automatically excuse Concert’s forfeiture. On this issue alone, en banc rehearing is also warranted, irrespective of the ultimate merits determination in *Arthrex*. Accord PTO Petition § II.

The Supreme Court has consistently reminded that a party, generally, may not challenge an agency decision on a basis that was not presented to the agency. *Woodford v. Ngo*, 548 U.S. 81, 90 (2006) (“As a general rule . . . courts should not topple over administrative decisions unless the administrative body not only has erred, but has erred against objection made at the time appropriate under its practice.”) (citation omitted). As this Court has further 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. *DBC*, 545 F.3d at 1380. This rule is necessary to prevent the litigation mischief known as “sandbagging.” *Id.* (permitting litigants “to raise [constitutional] issues for the first time on appeal would encourage what

Justice Scalia has referred to as sandbagging”) (quoting *Freytag*, 501 U.S. at 895 (Scalia, J., concurring in part and *concurring in the judgment*)); *see also Puckett v. United States*, 556 U.S. 129, 134 (2009) (“And of course the contemporaneous-objection rule prevents a litigant from ‘sandbagging’ the court—remaining silent about his objection and belatedly raising the error only if the case does not conclude in his favor.”); *see also* PTO Petition § II. Recognizing these concerns, the *Arthrex* panel concluded, based on the circumstances there, that it “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. Comm’r*, 501 U.S. at 879).

Here, however, Concert does not deny that it did not raise these procedural arguments before the Board. Indeed, Concert has never advanced any exceptional circumstances why its motion should be carried under the forfeiture standards above. It offers no excuse for belatedly raising the putative error only after the case did not conclude in its favor. *See Puckett*, 556 U.S. at 134; *DBC*, 545 F.3d at 1380; *cf. United States v. Vonn*, 535 U.S. 55, 72 (2002); *Wainwright v. Sykes*, 433 U.S. 72, 89 (1977). In fact, Concert’s failure to raise a “timely challenge” to the Appointments Clause—raising the constitutional question for the first time just days before its opening brief was due, on an issue that remains far from resolved—can be deemed a strategic choice which may foreclose equitable relief such as a

remand. *See* DoJ Petition at 15-19; *id.* at 16 (“[T]his Court has noted the dangers of permitting ‘sandbagging,’ *i.e.*, ‘suggesting or permitting, for strategic reasons, that the [lower tribunal] pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error’” (quoting *DBC*, 545 F.3d at 1380)). Nothing about Concert’s case rises to the level of *Arthrex*’s need, nor justifies an opportunistic presentation of Appointments Clause arguments for the first time in November 2019, the earliest Concert ever lodged a constitutional challenge riding *Arthrex*’s coattails.

The motions panel should have performed a “case-by-case” analysis required, *DBC*, 545 F.3d at 1380, to determine whether Concert’s forfeiture was excusable under exceptional circumstances. It did not. Even if the need for a timely resolution of the Appointments Clause issue was sufficient in *Arthrex* to overlook the initial forfeiture of the constitutional challenge below, 941 F.3d at 1327, that urgency no longer existed by the time Concert finally raised the issue. *See generally* PTO Petition § II. Instead, the motions panel erred in automatically “remand[ing] to the Board for proceedings consistent with this court’s decision in *Arthrex*” (D.I. 39), with no other discussion of case specific facts and the usual forfeiture rules where a party fails to timely raise such issues before the agency.

Should the panel decline to grant the rehearing, Incyte urges the Court to grant rehearing en banc to confirm the minimum standards for preserving

arguments on appeal and avert the improper expansion of the *Arthrex* decision beyond its intended reach.

CONCLUSION

For the foregoing reasons, the panel and/or Court should grant Incyte's petition.

Date: March 9, 2020

Respectfully submitted,

/s/ Mark J. Feldstein

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ADDENDUM

NOTE: This order is nonprecedential.

**United States Court of Appeals
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CONCERT PHARMACEUTICALS, INC.,
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INCYTE CORPORATION,
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**ANDREI IANCU, Director, U.S. Patent and Trade-
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Intervenor

2019-2011

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
01256.

ON MOTION

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

O'MALLEY, *Circuit Judge.*

O R D E R

2 CONCERT PHARMACEUTICALS, INC. v. INCYTE CORPORATION

Concert Pharmaceuticals, Inc. moves to vacate the decision 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). Incyte Corp. opposes the motion. The Director of the United States Patent and Trademark Office intervenes and opposes.

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 decision is vacated, and the case is 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 24, 2020
Date

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

s28

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a) or Federal Circuit Rule 28.1:

This brief contains 2,670 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) or Federal Circuit Rule 28.1 and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6):

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