

2020-1154

United States Court of Appeals for the Federal Circuit

Sound View Innovations, LLC,

Appellant

v.

Unified Patents Inc.,

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 no. IPR2018-00599.

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/ Molly R. Silfen
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 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 February 3, 2020, this Court issued a remand in this case on the basis of the panel’s holding in that case.

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 Sound View’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 the parties' failure to raise this issue before the Board.

Statutory and Factual Background

1. This Court is familiar with the Board and the inter partes review proceedings it conducts. Unified Patents and Hulu each filed an inter partes review petition challenging claims of Sound View's U.S. Patent No. 9,462,074, and the Board concluded that the claims at issue were unpatentable.¹

2. On October 31, 2019, after Sound View's time to seek rehearing of the Board decision ended and before Sound View had appealed, 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 did so over a challenge of waiver, exercising its discretion to excuse Arthrex's forfeiture of the issue before the agency in part because 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 1326-27.

¹ This petition is being filed in both cases.

3. Sound View attempted to file a late request for rehearing to the Board in order to raise the Appointments Clause issue. The Board denied the belated request in each case. Sound View appealed both decisions. By December 16, 2019, all parties in *Arthrex* filed petitions for rehearing en banc, and those petitions remain pending before this Court.

4. On December 20, 2019, in a motion to vacate and remand (filed before the deadline for Sound View's opening brief in this Court), Sound View raised to this Court an argument that APJs are principal officers who must be appointed by the President, with the Senate's advice and consent. *See* Appeal No. 20-1154, ECF No. 16, at 6-7; Appeal No. 20-1155, ECF No. 14, at 6-7. The Director intervened and argued that the Appointments Clause challenge was forfeited because Sound View did not timely raise the issue before the agency, and that regardless the Court should hold the case pending resolution of the three en banc rehearing petitions in *Arthrex*. As the government has explained in its petition for rehearing en banc in *Arthrex*, APJs have always been properly appointed inferior officers. The Director preserves these issues for further review in this case as well.

5. On February 3, 2020, after the three petitions for rehearing en banc in *Arthrex* were filed, the panel in this case issued an order granting Sound View's motion to vacate and remand, stating that "the case is remanded to the Board for proceedings consistent with this court's decision in *Arthrex*." Appeal No. 20-1154, ECF No. 36; Appeal No. 20-1155, ECF No. 27.

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 Sound View's forfeiture.

A. This case should be held pending a final decision in *Arthrex*

The panel here, in its February 3, 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*." 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* 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.*, 792 F. App’x 820, 820-21 (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) (two judges 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.

B. The panel erred in excusing the Sound View’s forfeiture on the basis of *Arthrex*

The panel’s decision independently warrants rehearing because the panel erred in applying *Arthrex* to excuse Sound View’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. 12. But even if it were, no similar reason supports excusing Sound View’s forfeiture in this case or forfeiture in 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; *see also Ciena Corp. v. Oyster Optics, LLC*, No. 19-2117 at 5 (Fed. Cir. Jan. 28, 2020) (refusing to vacate and remand, explaining, “This case is also meaningfully distinguishable from *Freytag* because *Arthrex* has already decided the issue raised here and remedied the structural defect”). 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 Sound View’s forfeiture. *DBC*, 545 F.3d at 1380. Indeed, as the government explained, not only did Sound View fail to present its constitutional challenge when its cases were before the agency, but also it is using its own delay as an avenue to seek a different claim construction standard in front of the Board on remand, because the patent will soon expire. *See* USPTO Director’s Opposition to Appellant’s Motion to Remand at 4-5. 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, threatens to place a significant burden on the USPTO and appellees, who in making a

decision in this case 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 here 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.

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 of the holding in *Arthrex*.

²To 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 numerous cases. See, 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; *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; and *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.

Dated: March 19, 2020

Respectfully submitted,

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ADDENDUM

NOTE: This order is nonprecedential.

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

SOUND VIEW INNOVATIONS, LLC,
Appellant

v.

UNIFIED PATENTS, LLC,
Appellee

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

2020-1154

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2018-
00599.

ON MOTION

Before REYNA, BRYSON, and TARANTO, *Circuit Judges*.
TARANTO, *Circuit Judge*.

ORDER

Sound View Innovations, LLC moves to vacate the de-
cision of the Patent Trial and Appeal Board and remand

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for further proceedings in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Unified Patents, LLC opposes. The Director of the United States Patent and Trademark Office intervenes and opposes.

Upon consideration thereof,

IT IS ORDERED THAT:

(1) The Director is added as 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

February 03, 2020

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

s35

CERTIFICATE OF COMPLIANCE

I certify that this petition contains 2,262 words as measured by the word-processing software used to prepare it.

Dated: March 19, 2020

Respectfully submitted,

/s/ Molly R. Silfen

Molly R. Silfen

Associate Solicitor

U.S. Patent and Trademark Office

CERTIFICATE OF SERVICE

I hereby certify that on March 19, 2020, this petition was electronically filed with the Court's CM/ECF filing system. I further certify that I will cause 18 paper copies to be filed with the Court unless the Court specifies otherwise.

/s/ Molly R. Silfen

Molly R. Silfen

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