2020-1272

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

UNITED FIRE PROTECTION CORP.,

Appellant,

v.

ENGINEERED CORROSION SOLUTIONS, LLC,

Appellee.

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in No. IPR2018-00991.

ENGINEERED CORROSION SOLUTIONS, LLC'S OPPOSITION TO UNITED FIRE PROTECTION CORPORATION'S MOTION TO REMAND

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

United Fire Protection Corp. v. Engineered Corrosion Solutions

Case No. 20-1272

CERTIFICATE OF INTEREST

Counsel for the:

☐ (petitioner) ☐ (appellant) ☐ (respondent) ☒ (appellee) ☐ (amicus)

☐ (name of party)

Engineered Corrosion Solutions, LLC

certifies the following (use "None" if applicable):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
Engineered Corrosion Solutions, LLC	None	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:

None.

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).

None.

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I. INTRODUCTION

Appellee Engineered Corrosion Solutions, LLC, respectfully opposes United Fire Protection Corp.'s motion to remand this case to the Patent Trial and Appeal Board (Board) in view of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). D.I. 16. United Fire fails to carry its burden on its motion because (1) *Arthrex* expressly states that its holding does not apply to institution decisions like the one at issue here—a fact that United Fire never addresses in its motion; (2) United Fire waived any Appointments Clause challenge under *Arthrex* by affirmatively petitioning the Board to hear its case; and (3) United Fire waived its challenge by not raising it before the Board.

II. FACTS

United Fire petitioned the Board for *inter partes* review of U.S. Patent No. 9,144,700 ("the '700 patent"), which is assigned to Engineered Corrosion Solutions. *See United Fire Protection Corp. v. Engineered Corrosion Sols., LLC*, IPR2018-00991, Paper 1 (P.T.A.B. May 7, 2018). The Board denied institution of United Fire's petition, and later denied United Fire's request for rehearing. *United Fire Protection Corp.*, IPR2018-00991, Paper 10 (P.T.A.B. Nov. 15, 2018) (denying institution), Paper 18 (P.T.A.B. Oct. 10, 2019) (denying rehearing).

United Fire filed a notice of appeal, followed by this motion to remand. The next day, the USPTO filed a Notice of Non-Filing of Certified List Due to Lack of

Jurisdiction, explaining "appellant's notice of appeal is not seeking review of a final written decision issued pursuant to 35 U.S.C. § 318(a), and thus does not comply with the statute." D.I. 19 at 1-2.

III. ARGUMENT

A. United Fire Does Not Carry Its Burden of Proving It Is Entitled to a Remand, and Neglects to Inform the Court that *Arthrex* Expressly States that Its Holding Does Not Extend to Institution Decisions

United Fire argues that *Arthrex* controls and requires a remand, but United Fire does not address or even inform the Court of *Arthrex*'s statement that "we see no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314." *Arthrex, Inc.*, 941 F.3d at 1340. The Director is appointed by the President and confirmed by the Senate, so the Director's institution authority is not subject to the same Appointments Clause issue addressed in *Arthrex*. Because United Fire appeals from a denial of institution, and not a final written decision, *Arthex* does not require a remand in this case.

In addition to failing to inform the Court of the *Arthrex* language that fully undermines its motion, United Fire also incorrectly alleges that "United Fire is similarly situated as the litigants in *Arthrex*." D.I. 16 at 2. To the contrary, *Arthrex* involved an appeal of a final written decision issued under 35 U.S.C. § 318(a), while United Fire seeks to appeal a denial of institution based on the Director's discretion under 35 U.S.C. § 314(a). Denials of institution differ from adverse final written

decisions in several ways, including that denials of institution are decided by the Director (who has been found to properly delegate this authority to others, including to Board judges)[1] and that appeals from denials of institution are expressly prohibited by 35 U.S.C. § 314(d).[2] This latter distinction led the USPTO to properly issue its Notice of Non-Filing of Certified List Due to Lack of Jurisdiction. D.I. 19.

United Fire alleges that "[i]nstitution decisions under section 314 are 'final'" and therefore, "[f]or purposes of considering the constitutional question of an Appointments Clause challenge, the PTAB has issued a final written decision." D.I. 16 at 3. United Fire provides no support for this allegation and never addresses that Congress and this Court distinguish institution decisions from final written decisions in part because the constitutionally-appointed Director decides whether to institute.

United Fire concedes that institution "decisions are normally non-appealable under section 314," but contends that "the Supreme Court has held that where the PTAB has exceeded its 'statutory bounds, judicial review remains available.'"

[1] *See, e.g.*, *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1033 (Fed. Cir. 2016) ("We conclude that the Director here has the inherent authority to delegate institution decisions to the Board.").

[2] Section 314(d) states: "No Appeal—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."

D.I. 16 at 3-4. While this is true as a general matter, it does not apply here, where the Director—as opposed to the PTAB—has the authority to institute, as recognized in *Arthrex*. 941 F.3d at 1340.

Finally, United Fire notes that the denial of institution and request for rehearing included a dissenting opinion, but it fails to explain how the presence of a dissenting opinion alters the constitutionality analysis. D.I. 16 at 2-3. As the movant, United Fire bears the burden of establishing entitlement to the relief it seeks. Its failure to explain its arguments cannot carry that burden.

Because United Fire has not carried its burden,[3] Engineered Corrosion Solutions requests that the Court deny United Fire's motion.

B. United Fire Waived Its Appointments Clause Challenge in Two Ways

United Fire waived its Appointments Clause challenge in two ways. First, United Fire affirmatively chose the Board's judges to hear its challenges to the patentability the '700 patent, petitioned those judges for relief, and only cried foul when the judges it chose ruled against it. Second, United Fire waived this challenge by failing to raise the issue before the Board.

[3] In addition to not carrying its burden, United Fire does not specify the scope of its requested remand. In *Arthrex*, the appellant requested a remand for a new hearing with a new panel of APJs. *See Arthrex, Inc.*, 941 F.3d at 1340. Such a remedy would not be appropriate here where no trial has been instituted.

Regarding the first basis for waiver, unlike the appellant in *Arthrex*, United Fire was the *inter partes* review petitioner. In electing to petition for *inter partes* review of the '700 patent, United Fire expressly called upon the Board to decide its patentability challenges. In doing so, United Fire required that Engineered Corrosion Solutions defend the validity of the '700 patent before the Board. United Fire was content to have its chosen invalidity grounds settled by the Board until the Board denied institution. It was only after the Board denied institution that United Fire raised any challenge to the Board's composition. United Fire thus waived its Appointments Clause challenge. *See, e.g.*, *Stern v. Marshall*, 564 U.S. 462, 482 (2011) (explaining that the Court disapproved of "a litigant . . . 'sandbagging' the court—remaining silent about his objection and belatedly raising the error only if the case does not conclude in his favor" (quotation marks omitted)); *Freytag v. Comm'r*, 501 U.S. 868, 892-901 (1991) (Scalia, J., concurring-in-part).

Regarding the second basis for waiver, Appointments Clause challenges are generally waived if not presented below. *In re DBC*, 545 F.3d 1373,1378-80 (Fed. Cir. 2008). United Fire does not contend it raised the issue before the Board, and indeed it did not do so. Yet, in "rare cases," this Court may exercise "its discretion to review a constitutional challenge not timely raised before the lower tribunal." *Id.* at 1380 (citing *Freytag*, 501 U.S. at 879). This is not one of those "rare cases" and,

therefore, Engineered Corrosion Solutions asks the Court not to exercise its discretion to entertain United Fire's Appointments Clause challenge.

United Fire provides the Court with no basis for departing from these traditional waiver principles. Although, the Court in *Arthrex* exercised its discretion not to find waiver where the appellant did not raise the Appointments Clause issue before the Board, the appellant was a patent owner whose patent claims were held unpatentable. *See Arthrex, Inc.*, 941 F.3d at 1326-27. Here, United Fire is the petitioner and cannot claim to be in the same position as the appellant in *Arthrex*. Indeed, United Fire is also in a different position than, for example, a group of taxpayers subject to collective liabilities in excess of one and a half billion dollars (*Freytag*, 501 U.S. at 871 n.1), or an individual facing a $300,000 sanction and a lifetime bar from the investment industry (*Lucia v. S.E.C.*, 138 S. Ct. 2044, 2050 (2018)). There is no similar harm to United Fire here.

IV. CONCLUSION

Engineered Corrosion Solutions requests that the Court deny United Fire's motion to remand the Board's institution decision. Instead, we request that the Court direct United Fire to show cause why this appeal from a denial of institution should not be dismissed for lack of jurisdiction, as the Court has in other appeals from denials of institution. *See Kingston Tech. Co. v. SPEX Techs., Inc.*, No. 19-1342,

D.I. 6 (Fed. Cir. Jan. 17, 2019); *Sandoz Inc. v. AbbVie Biotechnology, Ltd.*, No. 18-2142, D.I. 18 (Fed. Cir. Jul. 26, 2018).

In the event the Court believes this case is controlled by *Arthrex*, Engineered Corrosion Solutions respectfully requests that the Court hold any decision here pending resolution by the Court of the pending en banc petitions raising the Appointments Clause issue in cases like *Arthrex*.

Date: January 24, 2020

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CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

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