

No. 2018-2140

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

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ARTHREX, INC.,

Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,

Appellees,

UNITED STATES,

Intervenor.

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Appeal from the United States Patent and Trademark Office  
Patent Trial and Appeal Board in No. IPR2017-00275

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**UNOPPOSED MOTION TO STAY THE MANDATE**

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Pursuant to Federal Rule of Appellate Procedure 41(d)(1), the United States hereby respectfully requests that this Court stay issuance of its mandate for 90 days, or pending final disposition of any petition for a writ of certiorari the government may file in this case. *See* Fed. R. App. P. 41(d)(2)(B)(ii) (providing that the stay may extend for 90 days, and that if “the petition has been filed, ... the stay continues until the Supreme Court’s final disposition”). In this case, the Court announced a new and significant rule of constitutional law and partially invalidated a federal statute. As

evidenced by the views expressed by members of this Court in their dissents from denial of rehearing en banc, a petition for a writ of certiorari challenging the panel's conclusion that several hundred administrative patent judges (APJs) are principal officers of the United States under the Appointments Clause would "present a substantial question" for the Supreme Court's review. Fed. R. App. P. 41(d)(1). Moreover, "there is good cause for a stay." *Id.* Absent a stay, the remand of this case—and all the many cases remanded on the basis of this case—to the USPTO for new inter partes review proceedings before a new panel of APJs will become effective, potentially engendering needless burdens on both the agency and the appellees in this case. Staying the mandate would thus sensibly "forestall action in the ... agency that would necessitate a remedial order of the Supreme Court if the writ of certiorari were granted." Practice Note to Federal Circuit Rule 41. All parties consent to a stay of the mandate.

### STATEMENT

This Court is familiar with the Patent Trial and Appeal Board (Board), its administrative patent judges, and inter partes review proceedings (IPRs). Congress provided that APJs, of whom there are over 250, are to be appointed by the Secretary of Commerce, *i.e.*, an appointment mechanism designed for inferior officers under the Appointments Clause. *See* 35 U.S.C. § 6(a). Nonetheless, the Court here concluded that under the "current structure of the Board" as specified by Congress, these APJs are in fact principal officers of the United States who must be appointed by the

President with Senate confirmation. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1335 (Fed. Cir. 2019). The Court only reached this challenge after exercising its discretion to excuse Arthrex's forfeiture of this issue before the agency. *See id.* at 1326-27 (acknowledging that it was "exercis[ing] its discretion to decide the Appointments Clause challenge here"); *see In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008) (concluding that a litigant waives an Appointments Clause challenge to administrative patent judges by failing to raise the issue before the Board).

The Court decided that the appropriate remedy for the constitutional defect it perceived was to partially invalidate the modest statutory removal restrictions APJs enjoyed. *See Arthrex*, 941 F.3d at 1335-38; *see also id.* at 1333-34 (discussing 35 U.S.C. § 3(c)'s application of Title 5 to USPTO officers, and 5 U.S.C. § 7513's efficiency-of-the-service removal standard). The Court then vacated the Board's decision and remanded to the USPTO for a new inter partes review proceeding before a new panel of APJs. *See id.* at 1338-40. The Court decided that Arthrex's failure to raise the issue before the Board did not affect the scope of this remedy. *See id.* And despite its earlier acknowledgement that courts should excuse forfeiture only in "rare" and "exceptional cases," *id.* at 1326-27 (quoting *Freytag v. Commissioner*, 501 U.S. 868, 879 (1991)), the Court suggested that the "impact" of its opinion would extend "to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal," *id.* at 1340.

All parties to this case filed petitions for rehearing en banc, which the Court denied on March 23, 2020 over dissents joined by a total of four judges. Absent a stay, the mandate will issue on March 30, 2020.

### **ARGUMENT**

To obtain a stay of the mandate “pending the filing of a petition for a writ of certiorari in the Supreme Court,” a movant “must show that the [certiorari] petition would present a substantial question and that there is good cause for a stay.” Fed. R. App. P. 41(d)(1). This requires a party to demonstrate a reasonable probability of succeeding on the merits and injury absent a stay. *See, e.g., United States v. Warner*, 507 F.3d 508, 510-11 (7th Cir. 2007) (Wood, J., in chambers); *Nara v. Frank*, 494 F.3d 1132, 1133 (3d Cir. 2007); *California v. American Stores Co.*, 492 U.S. 1301, 1307 (1989) (O’Connor, J., in chambers).

This standard is easily met here. Any petition that the Solicitor General may decide to file in this case would involve a substantial legal issue of the type appropriate for Supreme Court review. This Court concluded that Congress violated the Appointments Clause with respect to hundreds of officers and partially invalidated a federal statute to cure the constitutional infirmity it identified. Greatly magnifying the practical effects of this very significant constitutional holding, the Court reached this issue and ordered a remedy despite the appellant’s forfeiture of the issue before the agency, suggesting that vacatur and remand should be equally available in similarly forfeited cases. This case is thus just one of the many in which this Court has ordered

remands under *Arthrex*. Absent a stay of the mandate in this and similar cases, such remands threaten to unwind dozens of agency decisions reached after months of administrative proceedings, imposing substantial and potentially unnecessary burdens upon the USPTO. Nor would the costs of such burdens necessarily be borne by the government alone; the private-party appellees in these cases could be forced to undergo a second round of inter partes review proceedings on the basis of a belated challenge they had no way to anticipate might undo their administrative victories. Accordingly, this Court should stay its mandate pending final disposition of any petition for a writ of certiorari filed in this case.

1. Any decision invalidating an Act of Congress on constitutional grounds is significant. *See Rostker v. Goldberg*, 453 U.S. 57, 64 (1981) (noting that judging the constitutionality of an Act of Congress is “the gravest and most delicate duty that this Court is called upon to perform”) (quoting *Blodgett v. Holden*, 275 U.S. 142, 148 (1927) (Holmes, J.)). The Supreme Court often reviews holdings that a federal statute is invalid, even in the absence of a circuit split. *See, e.g., Matal v. Tam*, 137 S. Ct. 1744 (2017). Here, the Court concluded that Congress unconstitutionally structured the Patent Trial and Appeal Board by granting its APJs too much independence from their superior officers. Although the Court chose what it considered the “narrowest viable approach” to altering Congress’s handiwork, it nonetheless struck down the application of a federal statute to hundreds of officers of the United States, *Arthrex*,

941 F.3d at 1337, who adjudicate thousands of cases each year. The substantiality of the issues here is plain.

A subsequent opinion from this Court underscores the significance of the issues in this case and the strength of the government's arguments on the merits. In *Polaris Innovations Ltd. v. Kingston Technology Co., Inc.*, No. 18-1831 (Fed. Cir. Jan. 31, 2020), the panel issued a per curiam order vacating and remanding under *Arthrex*. But two members of this Court issued a concurring opinion explaining their disagreement with that decision. Judge Hughes, joined by Judge Wallach, concluded that “in light of the Director’s significant control over the activities” of the PTAB and APJs, “APJs are inferior officers already properly appointed by the Secretary of Commerce.” *Polaris* Concurring Op. 1-2. The concurring judges emphasized that the relevant question under *Edmond v. United States*, 520 U.S. 651 (1997), is “whether a presidentially-nominated and senate-confirmed principal officer ‘direct[s] and supervise[s]’ APJs ‘‘at some level.’” *Polaris* Concurring Op. 3 (quoting *Edmond*, 520 U.S. at 663). The *Arthrex* panel, they explained, had paid “insufficient attention to the significant ways in which the Director directs and supervises the work of the APJs” and instead had focused only “on whether the Director can single-handedly review and reverse Board decisions” or remove APJs at will from federal employment, which was not the relevant test set forth in the case law. *Id.* at 3-4.

Similar concerns were echoed in the dissents from the denial of rehearing en banc in this case. Judge Dyk, joined by several other judges, raised questions

regarding the propriety of the panel's remedies for any Appointments Clause defect. Dissent from Denial of Rehearing En Banc, at 24-25 (Dyk, J.) (joined by Judges Newman and Wallach, questioning the merits of the constitutional holding). He noted that "PTAB judges have no ... role" in "articulation of agency policy." *Id.* at 25. And Judge Hughes, joined by Judge Wallach, again explained the error of the panel's conclusion that APJs are inadequately controlled officers. Dissent from Denial of Rehearing En Banc, at 1-13 (Hughes, J.). He highlighted the many forms of the Senate-confirmed officers' control over the Board's work, noting that the Director "may issue binding policy guidance, institute and reconsider institution of an *inter partes* review, select APJs to preside over an instituted *inter partes* review, single-handedly designate or de-designate any final written decision as precedential, and convene a panel of three or more members of his choosing to consider rehearing any Board decision." *Id.* at 3.

The *Polaris* concurrence and the dissents from the denial of rehearing demonstrate that the Court's constitutional holding is—at minimum—open to fair debate. Any government petition for a writ of certiorari would accordingly "present a substantial question." Fed. R. App. P. 41(d)(1).

2. Remands in this case and similar cases will impose burdens on both the USPTO and the appellees in these cases. Burdens will accrue regardless of whether the agency goes forward with the remanded proceedings while litigation on the Appointments Clause issue may yet begin in the Supreme Court, or the agency instead

defers the remanded proceedings until the constitutional issue has been finally resolved. Those burdens constitute “good cause for a stay.” Fed. R. App. P. 41(d)(1).

Should the United States successfully seek a writ of certiorari and prevail in this case (or in one of its many progeny), new administrative proceedings in accordance with the remand here would be entirely unwarranted. Vacatur and remand in these cases should not continue if either the Court’s constitutional or remedial holding is reversed. This case thus could present precisely the circumstance this Court’s practice notes indicate can warrant a stay of the mandate. *See* Practice Note to Federal Circuit Rule 41 (“[A] motion to stay the mandate should advance reasons for the stay beyond the mere intention to apply for certiorari, *e.g.*, to forestall action in the trial court or agency that would necessitate a remedial order of the Supreme Court if the writ of certiorari were granted.”).

If the mandate issues in this case and all similar cases and the Board were to go forward with the remanded proceedings, the administrative burdens that would ensue would be considerable. The judges concurring in the denial of rehearing en banc indicated their view that over six dozen appeals are subject to remand. *See* Concurrence in Denial of Rehearing En Banc, at 5-7 & n.4 (Moore, J.) (indicating that “the universe of cases which could be vacated and remanded ... is 81”). Inter partes review proceedings generally take 12 months of work on the part of the agency and the parties. It is unclear how long it would take for “a new panel of APJs ... to hear the inter partes review anew on remand.” *Arthrex*, 941 F.3d at 1340. But such



proceedings would not be trivial; the records in the typical IPR are voluminous and would need to be reviewed by APJs new to the case. Moreover, while the Court stated that a new panel could “proceed[] on the existing written record,” it also indicated that the Board would need to exercise “sound discretion [regarding] whether it should allow additional briefing or reopen the record in any individual case.” *Id.* Thus, the Board will likely face motions from dissatisfied parties seeking to reopen the record, even if, as the concurring judges noted, “the USPTO is not required to reopen the record or permit new briefing” in every case. Concurrence in Denial of Rehearing En Banc, at 7 (Moore, J.). Even where such motions are denied, they will impose costs on parties opposing them and on the Board in adjudicating them.

The burdens of carrying out remands under this decision would extend beyond the government. Unlike many administrative proceedings—such as those in *Lucia v. SEC*, 138 S. Ct. 2044 (2018), on which the panel relied for its broad remedy—*inter partes* reviews do not involve only the government and a regulated party. There are two parties appearing before the USPTO in an adversarial proceeding. Thus, the appellee in an appeal from the Board’s IPR decision has generally prevailed in the trial before the agency and has a strong interest in avoiding a remand to redo that decision. Private parties like appellees Smith & Nephew, Inc. and Arthrocare, Corp., who already expended substantial resources in the initial IPR proceeding and by fully briefing this case on appeal, would face additional demands on their resources in remand proceedings.

If the USPTO instead exercises its discretion to hold remanded cases in administrative abeyance until it is clear whether this case will undergo further review in the Supreme Court, other burdens will accrue to the Court, the agency, and the parties. If the Supreme Court decides that the statutes governing the PTAB are not constitutionally defective, this Court will have to recall the *Arthrex*-related mandates in all of these cases in order to conform its disposition of the cases with such a decision. And in any event, once a case is back before the agency, even if new proceedings had not yet commenced, the parties would be free to engage in motions practice before the Board.

3. We have contacted counsel for the other parties regarding their position on this motion. Arthrex, Inc. and the appellees consent to a stay of the mandate.

## CONCLUSION

For the foregoing reasons, this Court should stay the mandate for 90 days or until the Supreme Court's final disposition of any petition for a writ of certiorari filed.

Respectfully submitted,

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**CERTIFICATE OF COMPLIANCE WITH  
FEDERAL RULES OF APPELLATE PROCEDURE**

I hereby certify that this motion 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 word limitation of Fed. R. App. P. 27(d)(2) because it is 2,396 words, excluding the parts exempted under Fed. R. App. P. 32(f).

*/s/Melissa N. Patterson*  
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MELISSA N. PATTERSON

### **CERTIFICATE OF SERVICE**

I hereby certify that on March 26, 2020, I electronically filed this motion with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. The participants in the case are represented by registered CM/ECF users and service will be accomplished by the appellate CM/ECF system.

*/s/Melissa N. Patterson*  
MELISSA N. PATTERSON