

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2020-1295, -1296

NORTH STAR INNOVATIONS, INC.,
Appellant

v.

MICRON TECHNOLOGY, INC.,
Appellee

Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Nos. IPR2018-00998 and IPR2018-00999.

**Intervenor USPTO Director's Opposition to
Appellant's Motion to Vacate and Remand**

Introduction

The Director of the U.S. Patent and Trademark Office respectfully opposes Appellant North Star Innovations, Inc.'s ("Patent Owner") motion to vacate and remand the final written decisions of the Patent Trial and Appeal Board in IPR2018-00998 and IPR2018-00999 and receive a new trial in front of a different panel of Board judges in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). *See* ECF No. 14. As discussed below, Patent Owner forfeited its Appointments Clause challenge, so this Court should not remand based on this challenge. Not only did Patent Owner fail to raise an Appointments Clause challenge during the initial inter partes review proceedings, it also failed to avail itself of the opportunity to ask

the Board to reconsider its final written decisions after this Court issued its decision in *Arthrex*. If the Court excuses Patent Owner's forfeiture and permits it to raise an Appointments Clause challenge at this stage, the USPTO respectfully requests that the Court hold any decision in this case pending en banc consideration of the issues raised by this Court's decision in *Arthrex*.

Background

Appellee Micron Technology petitioned for inter partes review of certain claims of patents owned by North Star Innovations. North Star did not raise an Appointments Clause challenge at any point in the proceedings before the Board. On October 22, 2019, the Board issued final written decisions in *inter partes* review Nos. IPR2018-00998 and IPR2018-00999 agreeing with Micron that the challenged claims were unpatentable. After this Court issued its decision in *Arthrex* on October 31, 2019, North Star could have, but did not, seek relief from the Board in the form of a request for rehearing before a new panel of administrative patent judges.

On January 29, 2020, Patent Owner filed a motion to vacate and remand, urging for the first time in these proceedings that the administrative patent judges' appointments violated the Constitution and that the Board's decisions should therefore be set aside. ECF No. 14. This Court asked the United States if it wished to intervene. ECF No. 16. The government has filed its Notice of Intervention and now responds to the motion to vacate and remand.

Argument

A. The Court should not remand this case under *Arthrex* because Patent Owner forfeited any challenge under the Appointments Clause

Patent Owner never raised an Appointments Clause challenge before the agency. “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.**” *Woodford v. Ngo*, 548 U.S. 81, 90 (2006) (emphasis in original; citations omitted). Applying *Woodford*, this Court has ruled that it will not consider an Appointments Clause challenge to the statutory method of administrative patent judges’ appointment raised for the first time on appeal unless the appellant showed that the situation was “exceptional.” *In re DBC*, 545 F.3d 1373, 1379, 1380 (Fed. Cir. 2008). The Supreme Court, too, has found that only those who raise a “timely” Appointments Clause challenge are entitled to relief. *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2048 (2018) (quoting *Ryder v. United States*, 515 U.S. 177, 182-83 (1995)). In short, the “general rule” is that “a federal appellate court does not consider an issue not passed upon below,” although courts maintain “discretion to decide when to deviate from that general rule.” *Arthrex*, 941 F.3d at 1326.

By not raising an Appointments Clause challenge before the agency, Patent Owner forfeited its Appointments Clause challenge. This Court should therefore deny the motion to vacate and remand. Patent Owner does not argue that this case is

“exceptional” under *DBC*, 545 F.3d at 1379, 1380. And, as the government explains in its petition for rehearing in *Arthrex*, the issue “could have been raised” with the agency. See U.S. Petition for Rehearing En Banc, *Arthrex, Inc. v. Smith & Nephew, Inc.*, Appeal No. 18-2140, ECF No. 77, at 13 (Dec. 16, 2019). Patent Owner simply failed to raise an Appointments Clause challenge until the Board ruled against it. That is too late.

Arthrex does not require otherwise. In *Arthrex*, the court “exercise[d] its discretion to decide the Appointments Clause challenge.” 941 F.3d at 1327. In part, the *Arthrex* panel was motivated by its determination that the 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.* That rationale has no application now that this Court has opined on the Appointments Clause question. To be sure, *Arthrex* suggested that its ruling would apply to all “cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal,” *id.* at 1340, but that statement about how discretion should be applied in other cases presenting other facts was dicta. Regardless, forfeiture is a discretionary doctrine, see, e.g., *Freytag v. Commissioner*, 501 U.S. 868, 878-79 (1991); *Arthrex*, 941 F.3d at 1326-27, so one panel’s decision should not bind other panels.

Additionally, Patent Owner waived its challenge by not seeking rehearing before the Board post-*Arthrex*. The Board issued its final written decisions on October 22, 2019, and this Court issued the *Arthrex* decision on October 31, 2019. Because *Arthrex* prospectively cured APJs' appointments, *see* 941 F.3d at 1335-40, if Patent Owner had sought rehearing—which would have still been timely after *Arthrex*—the Board could have cured any constitutional problem itself.

DBC is instructive. After the Board affirmed the rejection of all of DBC's pending claims in an ex parte reexamination, DBC appealed to this Court. *DBC*, 545 F.3d at 1375-1376. DBC challenged the Board's composition under the Appointments Clause, asserting that two of the three APJs on the DBC panel were appointed unconstitutionally because they were appointed by the Director (pursuant to a 2000 modification to the Patent Act), rather than the Secretary. *DBC*, 545 F.3d at 1377-1378 (citing sources). DBC asked that this Court vacate the Board's decision and remand. *See id.* This Court ruled that DBC waived its argument by raising it for the first time on appeal, explaining that, had DBC presented the argument at the USPTO, the Board itself "could have evaluated and corrected the alleged constitutional infirmity by providing DBC with a panel of administrative patent judges appointed by the Secretary." *Id.* at 1379.

Patent Owner's failure to seek rehearing post-*Arthrex* creates a similar waiver here. *Arthrex* distinguished *DBC* on the ground that the "the Board could not have corrected the [*Arthrex* Appointments Clause] problem" because, when *Arthrex* was

before the Board, *no* APJs were properly appointed. *Arthrex*, 941 F.3d at 1327. However, even were that true before *Arthrex*, it was not true by the time Patent Owner’s petition for rehearing would have been considered in this case. *Arthrex* severed APJs’ removal protections and prospectively rendered all of the APJs properly appointed inferior officers. *See id.* at 1335-39. Thus, just like in *DBC*, had Patent Owner raised its challenge to the Board, the Board itself “could have evaluated and corrected the alleged constitutional infirmity by providing [patent owner] with a panel of administrative patent judges [properly] appointed.” *See* 545 F.3d at 1379.

B. The motion to vacate and remand should be held pending resolution by the en banc court in *Arthrex*

The government and both private parties have all filed petitions for rehearing en banc in *Arthrex*. In addition, en banc petitions on the issues raised by *Arthrex* have been filed in *Uniloc 2017 LLC v. Facebook et al.*, No. 2018-2251 (ECF No. 47), *Bedgear, LLC v. Fredman Bros. Furniture Co.*, Nos. 18-2082, -2083, -2084 (ECF No. 73), and *Image Processing Techs. v. Samsung Electronics Co.*, No. 18-2156 (ECF Nos. 71 & 72), Nos. 19-1408, -1485 (ECF Nos. 66 & 69). Additional en banc petitions may be filed in other pending cases. These en banc petitions raise significant questions regarding the underlying Appointments Clause challenge, as well as issues relating to forfeiture and remedy, all of which are relevant to the proper disposition of the motion to vacate and remand in this case. It would be inefficient and burdensome for the Court, the

parties, and the agency to engage in further proceedings in this case relating to the *Arthrex* decision before the en banc Court decides what to do with that decision.

Conclusion

For the reasons given above and in the government's en banc petition in *Arthrex*, this Court should deny Patent Owner's motion to vacate and remand the Board's decisions, and the parties should proceed with the appeal on the merits. In the event the Court believes that *Arthrex* controls this case, the government respectfully requests that the Court hold any decision here pending en banc consideration of the issues raised in *Arthrex*.

Dated: February 19, 2020

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify that the foregoing Opposition by Intervenor Director of the United States Patent and Trademark Office contains 1,472 words as measured by the word-processing software used to prepare this Opposition.

Dated: February 19, 2020

Respectfully submitted,

/s/ Frances M. Lynch

FRANCES M. LYNCH

Associate Solicitor

U.S. Patent and Trademark Office

CERTIFICATE OF SERVICE

I hereby certify that on February 19, 2020, the foregoing Opposition by Intervenor Director of the United States Patent and Trademark Office was electronically filed with the Court's CM/ECF filing system, which constitutes service, pursuant to Fed. R. App. P. 25(c)(2) and Fed. Cir. R. 25(e)(1).

/s/ Frances M. Lynch
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