No. 20-1220

In the Supreme Court of the United States

COMCAST CABLE COMMUNICATIONS, LLC, PETITIONER

v.

PROMPTU SYSTEMS CORPORATION, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals appropriately declined to consider a constitutional challenge to the manner in which the judges of the Patent Trial and Appeal Board (Board) are appointed, where petitioner asked the Board to institute inter partes review proceedings and did not challenge the judges' appointment until after the Board issued its adverse decision.

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OPINIONS BELOW

The opinion of the court of appeals in No. 2019-1947 (Pet. App. 1a-6a) is not published in the Federal Reporter but is reprinted at 838 Fed. Appx. 555. The final written decisions of the Patent Trial and Appeal Board (Pet. App. 16a-61a, 62a-101a) are not published in the United States Patent Quarterly but are available at 2019 WL 1423154 and 2019 WL 1423155.

The opinion of the court of appeals in No. 2019-2287 (Pet. App. 7a-15a) is not published in the Federal Reporter but is reprinted at 838 Fed. Appx. 551. The final written decisions of the Patent Trial and Appeal Board (Pet. App. 102a-141a, 142a-182a) are not published in the United States Patent Quarterly but are available at 2019 WL 2714487 and 2019 WL 2714488.

JURISDICTION

The judgments of the court of appeals in these cases were entered on January 4, 2021. A petition for rehearing in No. 2019-2287 was denied on February 2, 2021. The petition for a writ of certiorari was filed on February 26, 2021. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. The Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, establishes the United States Patent and Trademark Office (USPTO) as an executive agency within the United States Department of Commerce "responsible for the granting and issuing of patents and the registration of trademarks." 35 U.S.C. 2(a)(1); see 35 U.S.C. 1(a). The Patent Trial and Appeal Board (Board) is an administrative tribunal within the USPTO consisting of the Director, the Deputy Director, the Commissioners for Patents and Trademarks, and "administrative patent judges." 35 U.S.C. 6(a). The Board conducts several kinds of patent-related administrative adjudications, including appeals from adverse decisions of patent examiners; derivation proceedings; and inter partes and post-grant reviews. See 35 U.S.C. 6.

Administrative patent judges, of whom there are currently more than 250, are "persons of competent legal knowledge and scientific ability who are appointed by the Secretary [of Commerce], in consultation with the Director." 35 U.S.C. 6(a). Like other "[o]fficers and employees" of the USPTO, most administrative patent judges are "subject to the provisions of title 5, relating to Federal employees." 35 U.S.C. 3(c). Under those provisions, members of the civil service may be removed "only for such cause as will promote the efficiency of the

service." 5 U.S.C. 7513(a).* Because the Secretary appoints the judges, that removal authority belongs to the Secretary. See *Free Enterprise Fund* v. *Public Co. Accounting Oversight Bd.*, 561 U.S. 477, 509 (2010).

These cases arise out of inter partes review proceedings conducted by the Board. Inter partes review allows third parties to "ask the [USPTO] to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2136 (2016). When an inter partes review is instituted, the Board determines the patentability of the claims at issue through a proceeding that has "many of the usual trappings of litigation." *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1353-1354 (2018); see 35 U.S.C. 316; 37 C.F.R. Pt. 42, Subpt. A. At the conclusion of the proceedings, the Board issues a final written decision addressing the patentability of the challenged claims, 35 U.S.C. 318(a), which is subject to rehearing by the Board, 35 U.S.C. 6(c). The Board's final written decisions may be appealed to the Federal Circuit. 35 U.S.C. 319; see 35 U.S.C. 141(c), 144.

2. a. In *Arthrex, Inc.* v. *Smith & Nephew, Inc.*, 941 F.3d 1320 (2019), cert. granted, 141 S. Ct. 549, and 141 S. Ct. 551 (2020), the Federal Circuit held that, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges are principal officers who must be appointed by the President with the advice and consent of the Senate. 941 F.3d at 1327-1335.

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* A small subset of administrative patent judges serve as members of the Senior Executive Service, see 83 Fed. Reg. 29,312, 29,324 (June 22, 2018), and therefore are subject to removal "for misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in a transfer of function," 5 U.S.C. 7543(a); see 5 C.F.R. Pt. 359.

The court therefore held that the statutorily prescribed method of appointing administrative patent judges—by the Secretary of Commerce acting alone—violates the Appointments Clause. *Ibid.*; see 35 U.S.C. 6(a).

To cure the putative constitutional defect that it identified, the *Arthrex* court held that the restrictions on removal imposed by Section 7513(a) cannot validly be applied to administrative patent judges, and that the application of those restrictions should be severed so that the judges are removable at will. 941 F.3d at 1335-1338. "Because the Board's decision in [*Arthrex*] was made by a panel of [administrative patent judges] that were not constitutionally appointed at the time the decision was rendered," the court vacated the Board's decision, remanded for "a new hearing" before the Board, and directed "that a new panel of [administrative patent judges] must be designated to hear the [proceeding] anew on remand." *Id.* at 1338, 1340; see *id.* at 1338-1340.

The patent owner in *Arthrex* raised its Appointments Clause challenge for the first time in its opening brief in the court of appeals. The court recognized that, as a general rule, "a federal appellate court does not consider an issue not passed upon below." *Arthrex*, 941 F.3d at 1326 (citation omitted). The court concluded, however, that despite "Arthrex's failure to raise its Appointments Clause challenge before the Board," resolving the constitutional issue in that case was "an appropriate use of [the court's] discretion." *Id.* at 1326-1327. The court explained that the issue implicated "important structural interests and [the] separation of powers," and it concluded that "[t]imely resolution [wa]s critical to providing certainty to rights holders and competitors alike." *Ibid.*

b. On October 13, 2020, this Court granted the government's petition for a writ of certiorari seeking review of the Federal Circuit's *Arthrex* decision, as well as two additional petitions filed by the private parties in *Arthrex*. See *United States* v. *Arthrex, Inc.*, No. 19-1434 (argued Mar. 1, 2021); *Smith & Nephew, Inc.* v. *Arthrex, Inc.*, No. 19-1452 (argued Mar. 1, 2021); *Arthrex, Inc.* v. *Smith & Nephew, Inc.*, No. 19-1458 (argued Mar. 1, 2021). The Court granted certiorari to consider (1) whether administrative patent judges are principal or inferior officers for purposes of the Appointments Clause; and (2) whether, if administrative patent judges are principal officers, the Federal Circuit properly cured any Appointments Clause defect by severing the application of Section 7513(a) to those judges.

3. a. In 2016, petitioner was sued for infringing two patents—U.S. Patent No. 7,260,538 (the '538 patent) and U.S. Patent No. 7,047,196 (the '196 patent)—owned by respondent Promptu Systems Corporation. See Compl. ¶ 1(a), *Promptu* v. *Comcast*, No. 16-cv-6516 (E.D. Pa. Dec. 19, 2016). In 2017, petitioner filed a petition for inter partes review of both patents. Pet. App. 3a, 11a. The Board granted the petitions and instituted review. *Ibid.* On petitioner's request, the infringement litigation was stayed pending a Board decision. See Order, *Promptu* v. *Comcast*, No. 16-cv-6516 (E.D. Pa. Aug. 13, 2019) (D. Ct. Doc. 195).

At no point during the agency proceedings did petitioner raise any constitutional objection to the appointment of the Board's administrative patent judges. At the conclusion of the administrative proceedings, the Board issued final written decisions confirming the patentability of all of the claims on review. Pet. App. 17a, 63a, 103a, 143a.

b. Petitioner appealed the Board's final written decisions to the Federal Circuit. In its opening briefs, petitioner principally argued that the Board's resolution of the inter partes review proceedings was erroneous, and that the Board should have found the challenged claims unpatentable. See 2019-1947 Pet. C.A. Br. 28-66; 2019-2287 Pet. C.A. Br. 26-66. In a paragraph at the end of each opening brief, however, petitioner argued that, under *Arthrex*, it was "constitutionally entitled to a 'new hearing' before a 'new panel of [administrative patent judges].'" 2019-1947 Pet. C.A. Br. 66 (citation omitted); 2019-2287 Pet. C.A. Br. 65 (citation omitted). In neither case did petitioner clearly request a new hearing. Petitioner contended, however, that by asserting its entitlement to such a hearing, it had "adequately preserved the constitutional issue." *Ibid.*

In both cases, the Federal Circuit notified the USPTO that petitioner had raised a constitutional challenge to the Patent Act. See 35 U.S.C. 142. The USPTO Director intervened in both cases, arguing that petitioner had forfeited its Appointments Clause challenge since petitioner had urged the Board to institute the inter partes review proceedings and had not challenged the Board judges' appointments at any point during those proceedings. See 2019-1947 Gov't C.A. Corrected Br. 6 (citing *Ciena Corp.* v. *Oyster Optics, LLC*, 958 F.3d 1157 (Fed. Cir. 2020)); 2019-2287 Gov't C.A. Corrected Br. 6 (citing *Ciena Corp.*, *supra*).

c. In No. 2019-1947, the Federal Circuit affirmed the Board's decisions with respect to the '538 patent. Pet. App. 1a-6a. The court held that the Board had not erred in construing the challenged patent claims, and that the Board's factual findings were based on substantial evidence in the record. See *id.* at 2a-6a. The court

further explained that it had "considered [petitioner's] remaining arguments" and found "them unpersuasive." *Id.* at 6a.

In No. 2019-2287, with respect to the '196 patent, the Federal Circuit affirmed in part, vacated in part, and remanded. Pet. App. 7a-15a. The court agreed with petitioner that the Board had erred in construing one of the challenged patent claims, and it therefore "vacate[d] and remand[ed] for the Board to consider the parties' arguments under the correct construction." See *id.* at 14a-15a. The court rejected petitioner's other arguments with respect to the Board's claim construction. *Id.* at 12a-13a. And the court again noted that it had "considered [petitioner's] remaining arguments" and found "them unpersuasive." *Id.* at 13a.

ARGUMENT

Petitioner contends (Pet. 6) that this petition should be held pending the Court's resolution of *United States* v. *Arthrex*, No. 19-1434 (argued Mar. 1, 2021), on the ground that the Court's decision in that case may affect the proper disposition here. Petitioner notes that it "has taken the position in other cases that *Arthrex*[, *Inc.* v. *Smith & Nephew, Inc.*, 941 F.3d 1320 (2019), cert. granted, 141 S. Ct. 549, and 141 S. Ct. 551 (2020)] was wrongly decided by the Federal Circuit." Pet. 7. Petitioner argues (Pet. 6-7), however, that if this Court affirms the Federal Circuit's Appointments Clause ruling in *Arthrex*, the Court should vacate the Federal Circuit's judgment in these cases and remand for new hearings before the Board. That argument is unsound.

The court of appeals' decisions in these cases were issued after the Federal Circuit's decision in *Arthrex*, and the court neither relied on nor disavowed any aspect of the *Arthrex* decision. The court merely declined

to vacate the Board decisions based on petitioner's forfeited *Arthrex* challenge. As petitioner recognizes (Pet. 7-8), the Federal Circuit has repeatedly refused to excuse parties' forfeitures in similar circumstances. And there is no reason to suppose that this Court's disposition of *Arthrex*, which does not present any question of forfeiture, will cast doubt on the result here. The petition for a writ of certiorari should be denied.

1. a. This Court has long recognized that "[s]imple fairness to those who are engaged in the tasks of administration, and to litigants, requires as a general rule that 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." *United States* v. *L. A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 37 (1952); see, *e.g.*, *Woodford* v. *Ngo*, 548 U.S. 81, 90 (2006); *McCarthy* v. *Madigan*, 503 U.S. 140, 144-145 (1992); *Unemployment Comp. Comm'n* v. *Aragon*, 329 U.S. 143, 154-155 (1946); *Hormel* v. *Helvering*, 312 U.S. 552, 556-557 (1941). That general rule protects agency authority by giving the agency an opportunity to address a party's claim "before it is haled into federal court." *Ngo*, 548 U.S. at 89 (citation omitted). It promotes efficiency by allowing a party's claim to be addressed at the administrative level, potentially rendering judicial proceedings unnecessary. *McCarthy*, 503 U.S. at 145. And it discourages "sandbagging," *Freytag* v. *Commissioner*, 501 U.S. 868, 895 (1991) (Scalia, J., concurring in part and concurring in the judgment), whereby a party strategically encourages an agency to pursue one course, but then seeks "at the last possible moment to undo the administrative proceedings" if the outcome is unfavorable. *L. A. Tucker Truck Lines*, 344 U.S. at 36.

Notwithstanding the general rule, "exceptional cases or particular circumstances" may arise "which will prompt a reviewing or appellate court, where injustice might otherwise result, to consider questions of law which were neither pressed nor passed upon by the * * * administrative agency below." *Helvering*, 312 U.S. at 557; see, *e.g.*, *Carr* v. *Saul*, No. 19-1442 (Apr. 22, 2021), slip op. 12 (holding that, *inter alia*, the "inquisitorial features" of Social Security proceedings justified excusing beneficiaries from raising Appointments Clause questions before the agency). In those "rare cases," a court may "exercise [its] discretion" to hear challenges not raised before the administrative tribunal. *Freytag*, 501 U.S. at 879.

In *Arthrex*, the Federal Circuit found it "appropriate for th[e] court to exercise its discretion to decide the Appointments Clause challenge" to the appointment of administrative patent judges, even though the appellant in the case had raised that challenge for the first time in the court of appeals. 941 F.3d at 1327. The court recognized that the appellant's failure to raise the issue before the Board would ordinarily preclude the court's consideration of the issue on appeal. See *id.* at 1326-1327. The court concluded, however, that the Appointments Clause issue was one of "exceptional importance" and that "[t]imely resolution" of it was "critical." *Id.* at 1327.

b. Since resolving *Arthrex*, the Federal Circuit has vacated and remanded for new hearings in many other cases where litigants have raised Appointments Clause challenges for the first time on appeals from final written decisions issued by the Board. See, *e.g.*, Pet. App. at 1a-23a, *Iancu* v. *Fall Line Patents, LLC*, No. 20-853 (Dec. 23, 2020); Pet. App. at 70a-84a, *Iancu* v. *Luoma*, No. 20-74 (July 23, 2020). But the Federal Circuit has

not invariably excused litigants' failures to raise their Appointments Clause challenges during the agency proceedings. In particular, the court has declined to entertain Appointments Clause challenges raised for the first time on appeal when (as here) the party seeking to raise the challenge was the petitioner in the Board proceedings. See *Ciena Corp.* v. *Oyster Optics, LLC*, 958 F.3d 1157, 1159-1162 (Fed. Cir. 2020); see also, *e.g.*, *Palo Alto Networks, Inc.* v. *Finjan, Inc.*, 836 Fed. Appx. 916, 917 n.2 (Fed. Cir. 2020); *Hytera Commc'ns Co.* v. *Motorola Solutions, Inc.*, No. 2019-2124 (Fed. Cir. Jan. 30, 2020); *Caterpillar Inc.* v. *Wirtgen Am., Inc.*, No. 2019-2206 (Fed. Cir. Jan. 29, 2020); *Sierra Wireless, Inc.* v. *Koninklijke KPN N.V.*, No. 2019-2082 (Fed. Cir. Jan. 29, 2020).

In *Ciena*, the Federal Circuit observed that, "[w]hile the presence of a structural separation of powers issue can justify considering a matter in the face of a clear waiver or forfeiture, it does not compel it." 958 F.3d at 1161. The court of appeals explained that, "[h]aving forgiven forfeiture in *Arthrex*" to consider the Appointments Clause question presented there, the court "remain[ed] free to exercise [its] discretion to impose standard principles of waiver in other cases raising the same challenge." *Ibid.* The court further explained that, when the party that seeks to challenge the Board members' appointments is the petitioner that previously invoked the Board's jurisdiction by requesting inter partes review, the court would exercise its discretion not to reach the forfeited claim. *Ibid.* "Where the decision to invoke a forum 'is left entirely to the parties,'" the court explained, "'separation of powers concerns are diminished.'" *Ibid.* (quoting *Commodity Futures Trading Comm'n* v. *Schor*, 478 U.S. 833, 855 (1986)). And where an inter partes review petitioner "not only

consented to adjudication by the Board, but * * * affirmatively sought to delay any consideration of its patent challenges by seeking a stay of the district court litigation initiated by [the patent owner]," "[a]ny constitutional concern regarding the appointment of the Board judges" is "negated by [the petitioner's] forfeiture." *Id.* at 1162.

As the government argued below, the Federal Circuit's decision in *Ciena* fully supports enforcing petitioner's forfeiture in these cases. As in *Ciena*, petitioner initiated the Board proceedings about which it now complains, in an effort to have Promptu's patents declared unpatentable. Pet. App. 3a, 11a. As in *Ciena*, petitioner not only initiated those proceedings, but "affirmatively sought to delay any consideration of its patent challenges by seeking a stay of the district court litigation initiated by" the patent owner. *Ciena*, 958 F.3d at 1162; see p. 5, *supra*. And as in *Ciena*, petitioner then failed to raise any challenge to the appointment of the administrative patent judges that comprised the Board panels that heard these proceedings until after petitioner had lost before the Board. See *Freytag*, 501 U.S. at 895 (Scalia, J., concurring in part and concurring in the judgment) (explaining that forfeiture principles are intended to prevent a party from "suggesting" that a tribunal "pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error").

2. Contrary to petitioner's contention, there is no reason to hold this case pending the Court's disposition of *Arthrex*. The Court granted certiorari in that case to consider (1) whether administrative patent judges are principal or inferior officers for purposes of the Appointments Clause; and (2) whether, if administrative

patent judges are principal officers, the Federal Circuit properly cured any Appointments Clause defect by severing the application of 5 U.S.C. 7513(a) to those judges. See *United States* v. *Arthrex, Inc.*, 141 S. Ct. 549 (2020). Although the government asked the Court also to consider the Federal Circuit's forfeiture holding in *Arthrex*, the Court did not grant certiorari on that question. See *ibid.* As a result, even if this Court affirms the Federal Circuit's decision in *Arthrex* on the merits, its decision will provide no basis to disturb the Federal Circuit's disposition of these cases. And as petitioner acknowledges (Pet. 7), if the Court reverses the Federal Circuit's decision and concludes that the current scheme for the appointment of administrative patent judges is constitutional, there will likewise be no basis for disturbing the decisions below here.

It is immaterial that the Federal Circuit did not cite *Ciena* in the decisions below. See Pet. 7. This Court may affirm a court of appeals' decision on any ground "appearing in the record," *Union Pac. R.R* v. *Brotherhood of Locomotive Eng'rs & Trainmen Gen. Comm. of Adjustment*, 558 U.S. 67, 80 (2009) (citation omitted). *A fortiori*, the Court may decline on the same grounds to exercise its discretionary authority to grant a writ of certiorari. See generally Sup. Ct. R. 10. And even if this Court vacated the decisions below based on the court of appeals' failure to cite its own binding precedent, petitioner identifies no reason to believe that the Federal Circuit would do anything other than reissue materially identical decisions, simply making its reliance on *Ciena* explicit. Holding this petition pending the Court's resolution of *Arthrex* thus would only delay further proceedings and waste judicial resources.

3. Petitioner's passing alternative suggestion (Pet. 6, 9) that the Court exercise plenary review in these cases should likewise be rejected. Given petitioner's prior affirmative invocation of the Board's jurisdiction, the Federal Circuit acted well within its discretion in refusing to excuse petitioner's forfeiture of its Appointments Clause challenge during the agency proceedings. See pp. 8-11, *supra*; see also *Stern* v. *Marshall*, 564 U.S. 462, 482 (2011) ("[The litigant] repeatedly stated to the Bankruptcy Court that he was happy to litigate there. We will not consider his claim to the contrary, now that he is sad."). If petitioner had legitimate concerns with the appointment of the Board's members, it "had a valid alternative forum in which it could have challenged" the validity of Promptu's patents: namely, the district court proceedings in which Promptu had sued petitioner for patent infringement. *Ciena Corp.*, 958 F.3d at 1161; see Compl., *Promptu* v. *Comcast*, No. 16-cv-06516 (E.D. Pa. Dec. 19, 2016). Plenary review on this question is especially unwarranted given the Court's prior decision (when granting certiorari in *Arthrex*) not to review the Federal Circuit's application of administrative-forfeiture principles to the far more common circumstance where a *patent owner* seeks to raise an Appointments Clause challenge for the first time in the court of appeals.

Even if the Federal Circuit's approach to forfeiture of Appointments Clause claims otherwise warranted this Court's review, these cases would be an unsuitable vehicle for clarifying that issue. As petitioner acknowledges (Pet. 7), it has "taken the position in other cases," including cases before this Court, "that *Arthrex* was wrongly decided by the Federal Circuit." See 20-92 Pet. 9 ("[B]ecause APJs are inferior Officers, their appoint-

ments by the Secretary of Commerce (a Head of Department) [are] entirely consonant with the Constitution."). Petitioner's arguments on forfeiture have been similarly inconsistent. Compare Pet. 8 ("IPR petitioners have the same rights and remedies as patent owners."), with 20-92 Pet. 9 (arguing that "[t]he court of appeals erred in *Arthrex* itself by excusing the patent owner's administrative forfeiture," and that the court "compounded that error in this case because, whatever the circumstances in *Arthrex* itself, there [we]re no exceptional circumstances * * * that warrant[ed] excusing Promptu's administrative forfeiture" before the Board). And even in these cases, petitioner did not clearly request a new hearing on the basis of the Federal Circuit's decision in *Arthrex*. See, *e.g.*, 19-1947 Pet. C.A. Br. 66-67 ("[P]ursuant to this Court's ruling in *Arthrex*, Comcast is constitutionally entitled to a 'new hearing' before a 'new panel of APJs.' Comcast has adequately preserved the constitutional issue by presenting it in its opening brief.") (citation omitted). Petitioner's inconsistent and incomplete requests for relief confirm the propriety of the Federal Circuit's exercise of discretion here, and make these cases an unsuitable vehicle for considering the court's treatment of forfeited Appointments Clause challenges in more typical circumstances.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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