No. 20-314

IN THE
Supreme Court of the United States

RPM INTERNATIONAL INC., RUST-OLEUM CORPORATION,

Petitioners,

v.

ALAN STUART, TRUSTEE FOR THE CECIL G. STUART AND DONNA M. STUART REVOCABLE LIVING TRUST AGREEMENT, AND CDS DEVELOPMENT, LLC

Respondents.

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

MEMORANDUM IN RESPONSE FOR RESPONDENTS ALAN STUART, TRUSTEE FOR THE CECIL G. STUART AND DONNA M. STUART REVOCABLE LIVING TRUST AGREEMENT, AND CDS DEVELOPMENT, LLC

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QUESTIONS PRESENTED

1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate's advice and consent, or "inferior officers" whose appointment Congress has permissibly vested in a department head.

2. Whether the Court of Appeals erred by adjudicating an Appointments Clause challenge brought by a litigant that had not presented the challenge to the agency.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, respondents Alan Stuart, Trustee for the Cecil G. Stuart and Donna M. Stuart Revocable Living Trust Agreement and CDS Development, LLC (collectively, "Stuart") states that it has no parent corporation and that no publicly held company owns 10% or more of its stock.

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MEMORANDUM IN RESPONSE FOR RESPONDENT STUART

The court of appeals correctly held that administrative patent judges ("APJs") are principal officers who are not appointed in the manner the Appointments Clause requires—by the President with the advice and consent of the Senate. RPM International Inc. and Rust-Oleum Corporation (collectively, "Rust-Oleum") also seek this Court's review of whether Stuart was required to raise its Appointments Clause challenge sooner. That argument is meritless. Stuart timely raised its claim in the first forum capable of adjudicating it, and the court had discretion to reach the claim regardless.

STATEMENT OF THE CASE

There is nothing run-of-the-mill about this case. Alan Stuart, the inventor of U.S. Patent No. 6,669,991 ("the '991 patent"), is a former mechanic from the steel mills of Whelling-Pittsburgh Steel and a classic "garage inventor." Mr. Stuart did all the right things – he invested in his patent, invested in a product, and invested his time in trying to license his technology to potential corporate partners. After seeing his invention marketed by Rust-Oleum, Mr. Stuart filed the underlying lawsuit.

This case is indistinguishable from *Arthrex* for purposes of this Court's review. The court of appeals issued *Arthrex* on October 31, 2019. On November 20, 2019, Stuart properly and timely raised a challenge to the constitutionality of the Appointments Clause for the APJs assigned to IPR2017-02158 citing the court of appeals *Arthrex* decision. Stuart raised this challenge via a motion pursuant to Federal Rule of Appellate Procedure 27 and Federal Circuit Rule 27(f) for an order vacating and remanding this case to the Patent Trial and Appeal Board (the "Board"). On December 27, 2019, Rust-Oleum filed a response in opposition to Stuart's motion and its own motion to stay. After consideration of the briefing, the court of appeals granted Stuart's motion on January 21, 2020. Rust-Oleum sought rehearing, which was denied by the court of appeals.

ARGUMENT

The court of appeals correctly held that APJs are principal officers. The court of appeals held a provision of federal law unconstitutional as applied to a significant category of officers.

As for timeliness, Rust-Oleum has shown no grounds for reversal. Stuart timely raised its constitutional challenge in the first forum capable of adjudicating the claim. Even if the claim were untimely, the court of appeals had discretion to reach it.

I. THE FEDERAL CIRCUIT'S APPOINTMENTS CLAUSE RULING IS AN IMPORTANT QUESTION THAT WARRANTS REVIEW

Under *Edmond v. United States*, 520 U.S. 651 (1997), "'inferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Id.* at 663. APJs are principal officers under that standard because no superior executive officer directs or supervises the most critical aspect of their work. APJs issue decisions that are not reviewable by any superior officer. And APJs are protected from removal by restrictive standards.

The APJ were superior officers in this case, the court of appeals in *Arthrex* correctly decided this key issue.

II. STUART TIMELY RAISED ITS APPOINTMENTS CLAUSE CHALLENGE

Rust-Oleum argues that the court of appeals should not have considered Stuart's constitutional challenge because Stuart raised it too late and seeks an extension of *Arthrex*. (Pet. 6.) Rust-Oleum's arguments are meritless – and Rust-Oleum's argument regarding an extension of *Arthrex* is directly in conflict with the argument it advanced before the court of appeals. The court of appeals properly granted Stuart's motion

because, just as in *Arthrex*, Stuart raised its challenge in the first forum able to adjudicate it. And the court had discretion to reach the claim regardless.

Notably, Rust-Oleum cites no legal support for its assertion that Stuart seeks an extension of *Arthrex*. Indeed, the only case cited by Rust-Oleum, *Wood v. Milyard*, 566 U.S. 463 (2012), does not address waiver. Rather, *Wood* only purports to address whether the court of appeals had have authority to reach Stuart's constitutional challenge regardless of timeliness. Rust-Oleum attempts to gloss over the fact that Stuart properly and timely raised a challenge to the constitutionality of the Appointments Clause for the APJs assigned to IPR2017-02158 via a motion pursuant to Federal Rule of Appellate Procedure 27 and Federal Circuit Rule 27(f).

As explained above, *Wood v. Milyard*, is the only case cited by Rust-Oleum with respect to waiver. However, Wood is inapplicable. *Wood* considered "the authority of a federal court to raise, on its own motion, a statute of limitations defense to a habeas corpus petition" that the state knowingly elected not to rely on. *See Wood v. Milyard*, 566 U.S. 463, 465 (2012). Thus, *Wood* simply bears no relation to the issues presented in this case. Rust-Oleum's purported application of *Wood*, advances waste of judicial and party resources filing needless briefing on the merits when the newly issued constitutional decision, *Arthrex*, is clearly case dispositive. Rust-Oleum's position is contrary to the scope and purpose of the Federal Rules of Civil Procedure: "[t]hey should be construed, administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding." Fed. R. Civ. P. 1.

Perhaps more importantly, Rust-Oleum assertion that Stuart seeks an extension of *Arthrex* is directly in conflict with the arguments advanced in support of its motion to stay at the court of appeals. Specifically, Rust-Oleum's motion to stay stated that: "[a]ccordingly, pursuant to Federal Rule of Appellate Procedure 27(a)(3)(B), Rust-Oleum moves to stay the above-captioned appeals (or hold them in abeyance),

including resolution of Stuart's motion, pending this Court's resolution of any rehearing *en banc* in *Arthrex*. ***Stuart's motion presents the same issues as in the Arthrex petitions for rehearing.*** (Pet. App. 24a) (emphasis added). Rust-Oleum cannot for expediency take a contrary position before this Court. Accordingly, Rust-Oleum does not seriously contest the timeliness of Stuart's constitutional challenge.

For at least these reason, Stuart's constitutional challenge should be adjudicated according to this Court's ultimate decision in *Arthrex*.

A. Raising the Challenge in the Patent Office Would Have Been Futile

Stuart timely raised its Appointments Clause claim for the first time in the court of appeals because the Patent Office had no authority to resolve it. This case is indistinguishable from *Arthrex* with respect to timeliness. Rust-Oleum cites nothing to the contrary.

Rust-Oleum identifies no statutory requirement that a party raise an Appointments Clause claim in the Patent Office before pursuing it in the court of appeals. Absent such a requirement, judicial exhaustion standards apply. *See McCarthy v. Madigan*, 503 U.S. 140, 144 (1992). Those standards are "intensely practical" and balance a party's interest in access to a judicial forum against any "countervailing institutional interests favoring exhaustion." *Id.* at 146. Applying those standards, this Court has made clear that a party need not exhaust a claim if the agency "lacks institutional competence to resolve the particular type of issue presented." *Id.* at 147-148; see also *Shalala v. Ill. Council on Long Term Care, Inc.*, 529 U.S. 1, 13 (2000).

III. THIS COURT'S DISPOSITION OF THE CERTIORARI PETITIONS IN *ARTHREX* MAY AFFECT THE APPROPRIATE DISPOSITION OF THIS PETITION

The Court has granted petitions for a writ of certiorari in *Arthrex* (Nos. 19-1434, 19-1452, and 19-1458). Those petitions have been consolidated as No. 19-1434 and present issues that are identical to the questions presented by Rust-Oleum's petition. Accordingly, the Court's disposition of No. 19-1434 will affect the proper disposition of this case.

CONCLUSION

Rust-Oleum's petition for a writ of certiorari should be held pending this Court's disposition of the petitions in *Arthrex* (Nos. 19-1434, 19-1452, and 19-1458) and any further proceedings in this Court, and then adjudicated in accordance with the Court's decision in that case.

Respectfully submitted,

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December 9, 2020