

No. 20-

IN THE
Supreme Court of the United States

ESSITY HYGIENE AND HEALTH AB, ESSITY
PROFESSIONAL HYGIENE NORTH AMERICA LLC,

Petitioners,

v.

CASCADES CANADA ULC,
TARZANA ENTERPRISES, LLC,

Respondents.

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

PETITION FOR A WRIT OF CERTIORARI

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Dated: July 24, 2020

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QUESTION PRESENTED

The Constitution requires that Officers of the United States be appointed with the “Advice and Consent of the Senate.” U.S. Const. art. II, § 2, cl. 2. This Court has enforced that mandate vigorously, to the point of exercising discretion to hear otherwise forfeited Appointments Clause challenges. *See, e.g., Freytag v. Comm’r*, 501 U.S. 868 (1991). But the Court has not defined the bounds of that discretion or whether such challenges may be forfeited at all. As Justice Scalia observed in *Freytag*, the lower courts “remain without guidance as to whether [an Appointments Clause] forfeiture must, or even may, be disregarded.” *Id.* at 893 (Scalia, J., concurring). Without that guidance, the lower courts have followed different paths, with the Federal Circuit recently striking out in a unique direction. In *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), the court held that the appointment of Administrative Patent Judges violated the Appointments Clause, but then categorically refused to apply that holding in pending cases where the issue had not been raised in the opening appellate brief, even those (like this one) where the briefing had not concluded. That approach, which eschews *any* discretion, is inconsistent with the decisions of this Court and other circuits, as well as common sense.

The question presented is: Following a precedential decision sustaining an Appointments Clause challenge, does a court have discretion to apply the decision in pending cases where it has not already been raised, and if so, under what circumstances should it exercise that discretion?

PARTIES TO THE PROCEEDING BELOW

Petitioners Essity Health and Hygiene AB and Essity Professional Hygiene North America LLC (collectively, “Essity”) were the patent owners in proceedings before the Patent Trial and Appeal Board and the appellants in the court of appeals.

Respondents Cascades Canada ULC and Tarzana Enterprises, LLC were petitioners in proceedings before the Patent Trial and Appeal Board and appellees in the court of appeals.

In each appeal, the United States intervened in the court of appeals after Essity filed a Notice of Constitutional Challenge regarding retroactive application of the inter partes review statute and was dismissed as a party on its own motion when that issue was not raised.

RULE 29.6 STATEMENT

Essity Hygiene and Health AB and Essity Professional Hygiene North America LLC are wholly-owned subsidiaries of Essity Aktiebolag (publ), which is traded on the Swedish stock market. No other publicly traded company owns 10% or more of the stock of Essity Hygiene and Health AB, Essity Professional Hygiene North America LLC, or Essity Aktiebolag (publ).

RELATED PROCEEDINGS

The following proceedings are directly related to this case within the meaning of Rule 14.1(b)(iii):

Essity Hygiene and Health AB v. Cascades Canada ULC, Nos. 2019-1736, 2019-1741 (Fed. Cir.), judgment entered on May 8, 2020;

Essity Professional Hygiene North America LLC v. Cascades Canada ULC, No. 2019-1742 (Fed. Cir.), judgment entered on May 8, 2020;

Cascades Canada ULC v. Essity Hygiene and Health AB, Case IPR2017-01902 (P.T.A.B.), final written decision entered on February 1, 2019;

Cascades Canada ULC v. Essity Hygiene and Health AB, Case IPR2017-01921 (P.T.A.B.), final written decision entered on February 1, 2019; and

Cascades Canada ULC v. Essity Professional Hygiene North America LLC, Case IPR2017-02198 (P.T.A.B.), final written decision entered on February 25, 2019.

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit in Appeal Nos. 2019-1736, -1741 is unreported but available at __ F. App'x __, 2020 WL 2299641 and is reprinted at Pet. App. 1a. The Federal Circuit's opinion in Appeal No. 2019-1742 is unreported but available at __ F. App'x __, 2020 WL 2299642 and is reprinted at Pet. App. 12a. The Federal Circuit's Order on Motion in Appeal Nos. 2019-1736, -1741 holding that Essity forfeited its *Arthrex* challenge is unreported and is reprinted at Pet. App. 20a. The Federal Circuit's Order on Motion to the same effect in Appeal No. 2019-1742 is unreported and is reprinted at Pet. App. 22a.

JURISDICTION

The court of appeals entered its judgment in each appeal on May 8, 2020. Pet. App. 1a, Pet. App. 12a. This Court has extended the deadline to file a petition for a writ of certiorari due on or after March 19, 2020 to 150 days. This Court has jurisdiction under 28 U.S.C. § 1254(1).

RELEVANT CONSTITUTIONAL AND STATUTORY PROVISIONS

The Appointments Clause, U.S. Const. art. II, § 2, cl. 2, provides as follows:

[The President] shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur; and he shall nominate, and by and with

the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the Supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

Relevant sections of the Patent Act, 35 U.S.C. §§ 3 & 311-19 (2012) and 35 U.S.C. §§ 311-18 (2006), are reproduced in the Appendix at Pet. App. 24a.

STATEMENT OF THE CASE

Administrative Patent Judges (“APJs”) who sit on the Patent Trial and Appeal Board (the “Board”) exercise substantial adjudicative authority, but are not appointed by the President with the advice and consent of the Senate. In several instances, litigants have challenged the authority of the APJs under the Appointments Clause. After repeatedly rejecting such challenges, a panel of the Federal Circuit declared in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) that the APJs were indeed principal officers of the United States that had been appointed in violation of the Appointments Clause. The *Arthrex* court then remanded the case for determination by a new panel of APJs.

Thirteen days later, after Essity had filed its opening briefs, but before briefing had concluded,

Essity filed motions to remand its appeals on the same ground. Citing this Court's rulings in *Freytag* and *Glidden Co. v. Zdanok*, 370 U.S. 530, 535-36 (1962), both of which refused to apply forfeiture rules to Appointments Clause challenges, Essity asked the court to apply its own intervening law and remand this case as well. The court's answer to *Freytag* and *Glidden* was silence, failing to refer to, much less distinguish, this Court's decisions. Instead, the Federal Circuit applied a rigid rule, stating that it would consider a challenge brought the day before an opening brief, but not the day after, and it summarily denied Essity's motions. The court cited no impediment to applying its *Arthrex* decision to this case, such as the need for further factual development, nor any judicial efficiency gains. Rather, it reformulated the normal rule refusing to consider arguments raised for the first time in a reply brief—which exists to ensure that the parties can fully join any issue raised on appeal—into an immutable “opening brief” rule that bars the application of intervening decisions where the parties indisputably have an opportunity to brief the issue. The Federal Circuit's decision refusing to apply its own intervening law resulted in the affirmance of numerous *ultra vires* Board decisions rendered by unconstitutionally appointed officers.

This case is an ideal vehicle to decide the important and recurring question of whether and when lower courts should exercise their discretion to apply intervening precedents enforcing the Appointments Clause to pending cases where the issue was not previously raised. Multiple petitions for certiorari are pending on the forfeiture questions

surrounding *Arthrex*, but to Essity’s knowledge this is the sole case involving a forfeiture that occurred in the middle of briefing before actual submission of the appeal for decision. Certiorari is warranted both to settle the question of whether a court of appeals may categorically eschew all discretion to hear an Appointments Clause challenge after an opening brief has been filed and under what circumstances it should exercise that discretion.

A. THE *ARTHREX* DECISION

In *Arthrex*, the Federal Circuit held that the appointment process for APJs who conduct inter partes reviews violates the Appointments Clause. 941 F.3d at 1335.¹ The court held that APJs are principal officers because they exercise significant power, issue decisions that cannot be reviewed, vacated, or corrected by any presidentially-appointed officer, and enjoy tenure protections that prevent them from being removed at will by a principal officer. *Id.* at 1331-35. Because principal officers must be appointed by the President with the advice and consent of the Senate, U.S. Const. art. II, § 2, cl.2, whereas APJs are appointed by the Secretary of Commerce, the Federal Circuit held that “the current structure of the Board violates the Appointments Clause.” *Id.* at 1335.

The *Arthrex* court rejected the appellees’ and the government’s argument that *Arthrex* had forfeited its

¹ An inter partes review is an adversarial proceeding before a panel of APJs of the Patent Trial and Appeal Board, in which a challenger can contest validity of a patent. 35 U.S.C. §§ 311-19 (2012).

Appointments Clause challenge by failing to raise it before the Board. *Id.* at 1326. The court noted that it had discretion to deviate from the general rule of forfeiture in order to reach an Appointments Clause challenge that was not raised below. *Id.* (citing *Freytag*, 501 U.S. at 878-79 and *Glidden*, 370 U.S. at 535-36). The court also concluded that it would have been futile for Arthrex to raise the Appointments Clause challenge before the Board. *Id.* at 1339.

Because the Board's decision was made by a panel of APJs who were not constitutionally appointed, the court vacated that decision and remanded it for determination by a new panel of APJs. *Id.* at 1340 (citing *Lucia v. SEC*, 585 U.S. ___, 138 S. Ct. 2044, 2055 (2018)). To remedy the Appointments Clause violation prospectively, the Federal Circuit severed the APJs' removal protections. *Id.* at 1335-37.

B. THE POST-*ARTHREX* LITIGATION

The *Arthrex* decision was a watershed event in the realm of patent litigation. Before *Arthrex*, the Federal Circuit had characterized the APJs as "subordinate officers" to whom the Director could delegate his authority to institute inter partes reviews. *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1032 (Fed. Cir. 2016).² The court had twice reaffirmed

² The "Director" is the statutory title for the Under Secretary of Commerce, appointed by the President with the advice and consent of the Senate, in whom the powers and duties of the U.S. Patent and Trademark Office are vested. 35 U.S.C. § 3 (2012). The Director determines whether or not to institute an inter partes review, and that determination is final and nonappealable. 35 U.S.C. § 314 (2012).

that view—by summary affirmance—and rejected the very same Appointments Clause challenge it ultimately sustained in *Arthrex*. See *Trading Techs. Int'l, Inc. v. IBG LLC*, 771 F. App'x 493 (Fed. Cir. 2019) (summary affirmance rejecting Appointments Clause challenge); *Bedgear, LLC v. Fredman Bros. Furniture Co.*, 779 F. App'x 748 (Fed. Cir. 2019) (same).³

The day after issuing *Arthrex*, the Federal Circuit took immediate and novel steps to limit its effect. The court issued a precedential order precluding an appellant from relying on *Arthrex* in a pending appeal where the challenger had failed to anticipate the change of law and raise the issue in its opening brief or a pre-filing motion. *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. Nov. 1, 2019). The court stated that it was “well established that arguments not raised in the opening brief are waived” and that this rule “applies with equal force to Appointments Clause challenges.” *Id.* (internal quotation marks and citations omitted). The Federal Circuit did not address this Court’s decisions refusing categorically to recognize forfeiture in Appointments Clause cases and favoring a more flexible discretionary approach. See *Freytag*, 501 U.S.

³ The Federal Circuit employs a heavily criticized practice of issuing summary dispositions without opinion under Federal Circuit Rule 36. See Dennis Crouch, *Wrongly Affirmed Without Opinion*, 52 Wake Forest L. Rev. 561 (2017). Accordingly, the nature of the Appointments Clause challenge does not appear in the affirmances. The Appointments Clause challenge in *Trading Technologies* can be found at Dkt. No. 36 in Appeal No. 18-1489 (Fed. Cir.) at 79-80, and in *Bedgear* it is described in the order vacating in light of *Arthrex*, 803 F. App'x 407 (Fed. Cir. 2020).

at 878-79; *Glidden*, 370 U.S. at 535-36; *Lamar v. United States*, 241 U. S. 103 (1916). Indeed, ignoring this Court’s discretionary approach, the Federal Circuit bound its own hands, declaring: “Consequently, we *must* treat that argument as forfeited in these appeals.” *Customedia*, 941 F.3d at 1174 (emphasis added). The upshot of the Federal Circuit’s approach is that, at the time *Arthrex* was decided, any litigant who had yet to file its opening brief in a pending appeal was free to make an Appointments Clause challenge even if the litigant had never raised it before. But if the same litigant had filed its opening brief without raising the issue, the litigant would not get the benefit of the then-prevailing law at the time its case was decided.

C. FACTUAL AND PROCEDURAL HISTORY

Petitioners Essity Hygiene and Health AB and Essity Professional Hygiene North America LLC (collectively, “Essity”) are leaders in the paper-goods industry and provide paper-based commercial products for dining, kitchen, washroom, and cleaning applications in healthcare, hotel, office, and food service markets. Essity manufactures tissue, towel, and napkin products that are sold to distributors who service office buildings, food service companies, hospitality companies, educational facilities, healthcare institutions, janitorial/sanitary companies, and the automotive industry. One of the three largest producers of Away-From-Home tissue products in North America, Essity develops, manufactures, markets and distributes napkin products that directly compete with the products commercialized by Respondents Tarzana Enterprises,

LLC (“Tarzana”) and Cascades Canada ULC (“Cascades ULC”, and collectively with Tarzana, “Cascades”).

The patents at issue in Appeal Nos. 2019-1736 and 2019-1741 describe an improvement in paper napkin design: a stack of absorbent sheets, such as napkins, that (a) are interfolded for easy removal from a dispenser so as to encourage users to remove napkins one at a time, and (b) are folded in a particular way (*i.e.*, with a first fold that is deliberately offset from a parallel line bisecting the sheet, and a second fold that preferably bisects the sheet in the perpendicular direction) thereby requiring less paper to manufacture, without significantly affecting the tactile perception and performance of the napkin. Essity obtained two patents for this invention: U.S. Patent No. 8,597,761 (the “761 patent”) and its continuation, U.S. Patent No. 9,320,372 (the “372 patent”).

The patent at issue in Appeal No. 2019-1742, U.S. Patent No. 8,273,443 (the “443 patent”) describes an additional improvement in paper napkin design: namely, a stack of absorbent napkins that (a) are interfolded for easy removal, one at time, from a dispenser, (b) are embossed so as to improve the aesthetic performance of the napkins, and (c) are interleaved such that each napkin within the stack is oriented oppositely from each preceding and each succeeding napkin in the stack.

After Essity had asserted the ‘761, ‘372, and ‘443 patents against Cascades in litigation, Cascades filed petitions with the U.S. Patent and Trademark Office for inter partes review, asserting that their claims

were anticipated or rendered obvious by certain prior art patents and patent publications. The Board instituted an inter partes review of each patent and issued final written decisions under 35 U.S.C. § 318 holding the challenged claims unpatentable for anticipation and/or obviousness.

Essity appealed the Board's decisions to the Federal Circuit. In its opening brief in Appeal Nos. 2019-1736, -1741, filed on September 3, 2019, Essity argued that the Board had relied on a flawed reading of a reference called "Grosriez,"⁴ on which it based its conclusion that Grosriez anticipated several claims of Essity's patents. Essity challenged the remainder of the Board's analysis as tainted by (a) its flawed reading of Grosriez, and (b) its disregard of affirmative evidence of nonobviousness. In its opening brief in Appeal No. 2019-1742, Essity challenged the Board's conclusion that the claims on appeal were obvious over a combination of two patents issued, respectively, 81 and 84 years before the priority date of the '443 patent, given an absence of any reason to make the asserted combination, and objective evidence of nonobviousness.

On November 13, 2019—13 days after the decision in *Arthrex* and before Cascades filed its responsive brief in Appeal Nos. 2019-1736, -1741—Essity filed a motion requesting vacatur of the Board's decisions in light of *Arthrex* and seeking remand for determination by a newly constituted panel of APJs. Citing *Freytag* and *Glidden*, Essity argued that the

⁴ U.S. Patent No. 6,602,575 to Lefevre Du Grosriez et al., entitled "Stack and Method for Stacking Folded Supple Sheets."

Federal Circuit had discretion to reach the issue, although it had not been raised in Essity's opening brief, because *Arthrex* represented a significant intervening change in the law and there was a strong judicial interest in considering an Appointments Clause issue that was newly recognized by that court and raised promptly thereafter in a pending appeal.⁵

Later that day, the court issued an order in Appeal Nos. 2019-1736, -1741 staying further merits briefing under Federal Circuit Rule 31(c), which governs the treatment of potentially terminating motions.⁶ Cascades subsequently filed a full response to the remand request, and Essity then filed its reply brief around noon on November 25, 2020. By the end of the day, the remand motion had been distributed, decided, and denied. Citing its precedential order in *Customedia*, the court concluded that Essity's Appointments Clause challenge had been forfeited. Pet. App. 21a, Pet. App. 23a. It did not address this Court's precedents or Essity's arguments regarding its discretion not to apply the forfeiture rule in this case.

On May 8, 2020, the Federal Circuit issued a decision on the merits in Appeal Nos. 2019-1736, -1741 affirming the Board's rulings. The court deferred to the Board's interpretation of Grosriez as

⁵ The motion to remand in Appeal No. 2019-1742 was filed concurrently with Essity's reply brief on appeal on November 13, 2019.

⁶ In Appeal No. 2019-1742, an order staying the briefing schedule under Federal Circuit Rule 31(c) was issued on November 14, 2019.

supported by substantial evidence and thus concluded that the Board's finding of obviousness was not affected by a misreading of Grosriez. That same day, the court issued a decision on the merits in Appeal No. 2019-1742, affirming the Board's rulings.

REASONS FOR GRANTING THE PETITION

The rigid forfeiture rule that the Federal Circuit adopted and applied in this case conflicts with this Court's precedents establishing a discretionary approach to the review of otherwise forfeited Appointments Clause challenges. This Court has repeatedly held that normal forfeiture rules should yield in meritorious Appointments Clause challenges. And for good reason: Those challenges cut to the core of the separation of powers and address *ultra vires* government action. The Federal Circuit's rule, by contrast, enshrines unconstitutional administrative rulings without providing any discernible benefit to judicial efficiency or fairness to the parties. This Court should grant certiorari to provide guidance to the lower courts on this important question and to conform Federal Circuit practice to this Court's own precedents.

Significantly, no other court of appeals applies such a rigid approach in this context. Given the Court's decisions in *Freytag* and *Glidden*, that is not surprising. And the Federal Circuit's approach is all the more confounding in light of its willingness to excuse forfeiture to reach the Appointments Clause issues in *Arthrex* itself. Ordinarily, a court of appeals will not consider an argument raised for the first time on appeal. Yet that is exactly what the Federal Circuit did in *Arthrex*—and properly so. But it then

quickly adopted an inflexible forfeiture rule that denied *other* parties in *other* pending appeals the benefit of its watershed constitutional ruling in *Arthrex*.

Not only is that rule inconsistent with this Court's precedents; it undermines our constitutional design. In considering constitutional challenges under the Appointments Clause, this Court has championed "the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers." *Freytag*, 501 U.S. at 879 (quoting *Glidden*, 370 U.S. at 536). Consistent with that view, the Court in *Freytag*, *Glidden*, and *Lamar* reiterated that Appointments Clause challenges may be considered when raised for the first time on appeal, and in *Lamar* the Court decided a challenge that was not merely omitted from the opening appellate brief, but was first presented "in this Court [by] filing . . . a supplemental brief upon a second request for review." *Freytag*, 501 U.S. at 879 (quoting *Glidden*, 370 U.S. at 536). The Federal Circuit's position that it "must treat" challenges made following the opening brief as forfeited is thus in direct conflict with this Court's decisions. *Customedia*, 941 F.3d at 1174. The Court should grant certiorari to conform the Federal Circuit's approach to this Court's practice.

The Court should also grant review to answer the question Justice Scalia identified in *Freytag*—namely, which factors properly guide a lower court's discretion to consider otherwise forfeited Appointments Clause challenges? For the reasons Justice Scalia elucidated, the question was timely in 1991 and is even more so today, following this Court's

landmark decision in *Lucia* and the lower courts' application of its principles to various questionable government appointments. With respect to *Arthrex* alone, several petitions have been filed seeking this Court's review of the forfeiture issue, and both the government and the parties have sought review of the underlying *Arthrex* decision itself.

Finally, this case presents an ideal vehicle to resolve the question presented. Because Essity filed its challenge 13 days after the *Arthrex* decision, and before Respondent filed its brief in two of the appeals, the procedural posture poignantly isolates the unsparing harshness and unnecessary rigidity of the Federal Circuit's reasoning—Respondent was not surprised and had every opportunity to respond to Essity's argument. There are simply no countervailing considerations, such as unreasonable delay in filing the motion following the *Arthrex* decision or a materially negative impact on judicial efficiency—the issue had already been recently and authoritatively resolved. For these reasons, and as discussed below, the Court should grant certiorari in this case.

I. THE FEDERAL CIRCUIT'S FORFEITURE RULE IS INCONSISTENT WITH THIS COURT'S PRECEDENTS.

A. The "Opening Brief" Rule Is Inconsistent With This Court's Discretionary Approach in Appointments Clause Cases.

This Court's discretionary approach to reviewing otherwise forfeited Appointments Clause challenges is grounded in the special nature of the issues

involved in such challenges. As the Court has explained, Appointments Clause challenges are included within a small class of issues denominated as “nonjurisdictional structural constitutional objections.” *Freytag*, 501 U.S. at 878-79. As the Court has further explained, the constitutional significance of these structural issues justifies the special attention the Court has paid to them notwithstanding a party’s failure to raise them in the ordinary course.

The practice of excusing forfeiture for these sorts of core constitutional challenges has a long lineage at this Court. As the Court observed in *Freytag*, in *Lamar v. United States*, 241 U.S. 103 (1916), the Court reviewed an Appointments Clause challenge to an inter-circuit assignment “despite the fact that it had not been raised in the District Court or in the Court of Appeals or even in this Court until the filing of a supplemental brief upon a second request for review.” *Freytag*, 501 U.S. at 879 (quoting *Glidden*, 370 U.S. at 536). Thus, for over a century, this Court has adhered to a flexible approach that favored enforcing constitutional limits over formalistic forfeiture rules.

Moreover, as the Court has further explained, what is required in considering whether to hear an otherwise forfeited Appointments Clause challenge is a balancing of any perceived disruption to the appellate process against the important constitutional considerations at stake:

Like the Court in *Glidden*, we are faced with a constitutional challenge that is neither frivolous nor disingenuous. The alleged defect in the appointment of the

Special Trial Judge goes to the validity of the Tax Court proceeding that is the basis for this litigation. It is true that, as a general matter, a litigant must raise all issues and objections at trial. But the disruption to sound appellate process entailed by entertaining objections not raised below does not always overcome what Justice Harlan called “the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers.”

Id. (quoting *Glidden*, 370 U.S. at 536). Quite clearly, the Court below did not heed this advice.

Had the Federal Circuit performed the requisite balancing analysis, instead of applying its own rigid “opening brief” rule, the result would have been a remand to the Board to issue a new ruling with constitutionally appointed APJs. As in *Freytag* and *Glidden*, Essity presented “a constitutional challenge that is neither frivolous nor disingenuous.” *Id.* Indeed, the challenge had just succeeded in a prior case. On the other side of the scale, there was no material disruption or prejudice to the appellate process in hearing Essity’s challenge. Following *Arthrex*, the purely legal issue Essity raised required virtually no judicial resources to resolve—the work had already been done. The Federal Circuit stayed the merits briefing to decide the motion, and the remand motion was fully briefed and decided before the merits briefing had concluded. Tellingly, the Federal Circuit identified no material interest in judicial efficiency, and there was none.

B. The “Opening Brief” Rule Is Inconsistent With This Court’s Precedents Regarding the Treatment of Intervening Changes in the Law.

The Federal Circuit’s position was all the more remarkable because it departed from well-established procedure on the application of intervening law, treating the important constitutional question at issue here with *less* solicitude than changes in the interpretation of ordinary federal law.

As this Court has explained, it is axiomatic that “an appellate court must apply the law in effect at the time it renders its decision.” *Thorpe v. Hous. Auth. of Durham*, 393 U.S. 268, 281 (1969). Consistent with this general guidance, a newly-announced interpretation of federal law “is . . . controlling . . . and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule.” *Harper v. Va. Dep’t of Tax’n*, 509 U.S. 86, 97 (1993). As this Court has also explained, this principle of retroactivity is fundamental to the integrity of the judicial process. “[T]he Court’s assertion of power to disregard current law in adjudicating cases before us that have not already run the full course of appellate review, is quite simply an assertion that our constitutional function is not one of adjudication but in effect of legislation.” *Griffith v. Kentucky*, 479 U.S. 314, 323 (1987) (quoting *Mackey v. United States*, 401 U.S. 667, 679 (1971) (Harlan, J.) (opinion concurring in judgment)). Accordingly, “it is in the nature of judicial review that precludes [courts] from ‘[s]imply fishing one case from

the stream of appellate review, using it as a vehicle for pronouncing new constitutional standards, and then permitting a stream of similar cases subsequently to flow by unaffected by that new rule.” *Id.* (quoting *Mackey, ibid.*). It follows that “each court, at every level, must ‘decide according to existing laws.’” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 227 (1995) (quoting *United States v. Schooner Peggy*, 5 U.S. (1 Cranch) 103, 109 (1801)).

In light of these considerations, this Court has recognized that a new judicial precedent creates an exception to the general rule of appellate waiver that otherwise flows from a litigant’s failure to raise an issue below or in an opening brief on appeal. “Rules of practice and procedure are devised to promote the ends of justice, not to defeat them.” *Hormel v. Helvering*, 312 U.S. 552, 557 (1941). “A rigid and undeviating judicially declared practice under which courts of review would invariably and under all circumstances decline to consider all questions which had not previously been specifically urged would be out of harmony with this policy.” *Id.* Accordingly, a recognized exception to the rule of waiver applies where “there have been judicial interpretations of existing law after decision below and pending appeal—interpretations which if applied might have materially altered the result.” *Id.* at 558-59 (internal citation omitted). Plainly that rule applies here, where the new precedent was issued only days earlier and cut to the core of the Constitution’s separation of powers.

Notably, the Federal Circuit has followed these precepts in other instances, for example refusing to

apply the “opening brief” rule when addressing a change of statutory interpretation to the Board’s authority. In *SAS Institute, Inc. v. Iancu*, 584 U.S. ___, 138 S. Ct. 1348, 1359-60 (2018), this Court considered whether the Board’s statutory discretion to grant or deny a challenger’s request to institute an inter partes review extended to granting review only on selected issues. The Court struck down the Board’s practice of partial institution, after which the Federal Circuit faced a slew of remand requests. Critically, in considering these requests the Federal Circuit did not apply an “opening brief” rule; indeed it explicitly rejected that rule and held that a remand motion was timely even when filed long after submission because “*SAS* represented a significant change in law” *Biodelivery Scis. v. Aquestive Therapeutics*, 898 F.3d 1205, 1209 (Fed. Cir. 2018). Consistent with its sister courts, the Federal Circuit remarked that “[p]recedent holds that a party does not waive an argument that arises from a significant change in law during the pendency of an appeal.” *Id.* (quoting *Polaris Indus. Inc. v. Arctic Cat, Inc.*, 724 F. App’x 948, 949 (Fed. Cir. 2018)). That is as it should be, as it clearly conforms with this Court’s practice.

In *Customedia*, however, the Federal Circuit rejected this sensible and well-established approach. It rested its ruling on the reflexive assertion that “[o]ur law is well established that arguments not raised in the opening brief are waived.” *Customedia*, 941 F.3d at 1174 (internal quotation marks and citations omitted). To be sure, with respect to the ordinary mine-run of issues, an appellant cannot raise a new argument in a reply brief, effectively sandbagging the appellee. But that is not the

applicable principle when intervening law is at issue, and it is not the principle when the Appointments Clause is at stake. In an apparent effort to blunt the impact of *Arthrex*, the Federal Circuit departed from, rather than followed, all of the well-established principles established by this Court's precedents.

The Federal Circuit's approach plainly conflicts with this Court's decisions and practice. As this Court has explained time and again, there are sound reasons for the exercise of discretion in the context of otherwise forfeited Appointments Clause challenges. Once a court has declared that the members of a tribunal have been appointed in violation of the Constitution, that determination affects the integrity of the tribunal's authority no less in other pending appeals. The decision below also allows the court to deny similarly situated litigants the core structural protections of the Constitution based on the mere happenstance of whether their opening appellate brief was due before or after *Arthrex*. Certiorari is warranted to bring the Federal Circuit in line with this Court's precedents and protect the vital constitutional protections they preserve.

II. THE COURT SHOULD GRANT CERTIORARI TO RESOLVE CONFUSION IN THE LOWER COURTS AND PROVIDE GUIDANCE ON THIS IMPORTANT QUESTION.

A. As Justice Scalia Predicted, the Lower Courts Lack a Workable Standard to Apply

In *Freytag*, Justice Scalia predicted that the absence of guidance on how a lower court should exercise its discretion in considering otherwise

forfeited Appointments Clause challenges would lead to confusion in the lower courts. With remarkable prescience he wrote:

Thus, when there occurs a similar forfeiture of an Appointments Clause objection—or of some other allegedly structural constitutional deficiency—the courts of appeals will remain without guidance as to whether the forfeiture must, or even may, be disregarded. (The Court refers to this case as “one of th[e] rare” ones in which forfeiture will be ignored, *ibid.*—but since all forfeitures of Appointments Clause rights, and arguably even all forfeitures of structural constitutional rights, can be considered ‘rare,’ this is hardly useful guidance.) Having asked for this point to be briefed and argued, and having expended our time in considering it, we should provide an answer.

Freytag, 501 U.S. at 893 (Scalia, J., concurring).

Justice Scalia’s prognostication has proved all too accurate. As successful Appointments Clause challenges have become more frequent, there has been a proliferation of litigation over the extent to which a follow-on challenge is forfeited after a change in the law, with the courts of appeal taking different approaches to the question. *Compare Customedia*, 941 F.3d at 1173-74 (Fed. Cir. 2019) (summary application of forfeiture based on bright line “opening brief” rule) *with Cirko ex rel. Cirko v. Comm’r of Soc. Sec.*, 948 F.3d 148 (3d Cir. 2020) (applying detailed

balancing of private and public interests to evaluate forfeiture of right to assert challenge to SEC ALJ's appointment following *Lucia v. SEC*, 585 U.S. ___, 138 S. Ct. 2044 (2018)); *David Stanley Consultants v. Dir., Office of Workers' Comp. Programs*, 800 F. App'x 123, 127-28 (3d Cir. 2020) (refusing to hear Appointments Clause challenge in the absence of "extraordinary circumstances" that excused the appellant's forfeiture); *Island Creek Coal Co. v. Wilkerson*, 910 F.3d 254, 256-57 (6th Cir. 2018) (refusing to hear challenge to appointment of Benefits Review Board members on grounds that *Lucia* made theory of Appointments Clause violation obvious and appellant failed to raise issue in its opening brief on appeal); *Jones Bros. v. Sec'y of Labor*, 898 F.3d 669, 677 (6th Cir. 2018) (holding that "the absence of legal authority addressing [appellant's Appointments Clause challenge]" excused forfeiture); *see also Bahlul v. United States*, 840 F.3d 757, 760 n.1 (D.C. Cir. 2016) (en banc) (Kavanaugh, J., concurring) (recognizing that the court "has discretion to hear even a forfeited claim de novo" in rare and extraordinarily important cases and concluding that the structural constitutional claim should be heard even if forfeited).

The lower courts do not have a workable standard to apply, even in the narrow set of cases at issue here—when a successful Appointments Clause challenge has matured to the point that it carries the authority of intervening law. The Court need not address the entire class of nonjurisdictional constitutional structural objections or even all Appointments Clause challenges per se, but it *should* speak to the impact of a successful Appointments Clause challenge on pending cases where, as here, the

issues is raised promptly. That is a discrete and narrow question that focuses the issue in a thoroughly manageable way, given the Court's existing Appointments Clause precedents. Moreover, there are strong public interests at play involving the credibility of the affected tribunal and the court system more generally; framing the question as the court below did in this case as one of private forfeiture or a judicial foot-fault trivializes a significant constitutional problem. It is passing strange (and arguably unconstitutional) for a court to declare a federal official's appointment unconstitutional one day and then insist on enforcing his or her actions the next. If that is ever the right result, then this Court should say when.

B. Recent Cases Demonstrate This Issue Is Likely to Recur

The issue presented is also likely to recur in connection with pending and future decisions of the Federal Circuit. The reach of *Arthrex* continues to grow. The Federal Circuit has recently expanded the class of cases affected by the *Customedia* forfeiture rule. In *VirnetX Inc. v. Cisco Systems, Inc.*, No. 2019-1671, 2020 WL 2511116 (Fed. Cir. Jan. 24, 2020), the court granted a motion to vacate and remand, under *Arthrex*, in an appeal from an inter partes reexamination.⁷ As the court subsequently explained, *Arthrex* “compels that we reach the same conclusion

⁷ An inter partes reexamination is an adversarial proceeding within the Patent Office to determine patent validity. It is the predecessor to inter partes review and remains available for certain patents. 35 U.S.C. §§ 311-18 (2006).

in the context of inter partes reexaminations [as in inter partes reviews].” *VirnetX Inc. v. Cisco Sys., Inc.*, 958 F.3d 1333, 1336-37 (Fed. Cir. 2020). In so holding, the court noted, in dictum, that “it would appear that under *Freytag* vacatur would be appropriate for all agency actions rendered by those APJs regardless of the specific type of review proceeding on appeal.” *Id.* at 1335. Thus, the appeals affected by the *Customedia* waiver rule include at least appeals from decisions in ex parte reexaminations, and may—depending on future Federal Circuit rulings—include appeals from other types of Board proceedings. Yet the issue will not be any more clearly drawn in these subsequent cases. Rather, without this Court’s guidance now, the confusion and damage is only likely to accumulate.

Finally, this Court should take this case irrespective of whether it grants certiorari in *Arthrex*. The government and both parties in that case have filed petitions for certiorari seeking review of the Federal Circuit’s determination that APJs are principal officers and thus unconstitutionally appointed and of the severance remedy imposed. Petition for Writ of Certiorari, *United States v. Arthrex, Inc.* (June 25, 2020) (No. 19-1434); Petition for Writ of Certiorari, *Smith & Nephew, Inc. v. Arthrex, Inc.* (June 29, 2020) (No. 19-1452); Petition for Writ of Certiorari, *Arthrex, Inc. v. Smith & Nephew, Inc.* (June 30, 2020) (No. 19-1458).⁸ If the

⁸ Several other related petitions are pending. See Petition for Writ of Certiorari, *Sanofi-Aventis Deutschland GmbH v. Mylan Pharms. Inc.* (June 26, 2020) (No. 19-1451); Petition for Writ of Certiorari, *Duke Univ. v. BioMarin Pharm. Inc.* (July 2, 2020) (No. 19-1475); Petition for Writ of Certiorari, *Arthrex, Inc. v. Smith & Nephew, Inc.* (Apr. 6, 2020) (No. 19-1204). Many

Court grants certiorari in any of those matters, this case would certainly be a suitable companion. But even if it does not grant certiorari in those matters, the Court should still grant certiorari here because this case involves a separate and discrete issue that is important in its own right.

III. THIS CASE PRESENTS AN IDEAL VEHICLE TO ADDRESS THIS ISSUE.

This case presents an ideal and clean vehicle for review of the question presented. There is no dispute that *Arthrex* represented a significant change in the law. There is also no dispute that, following *Arthrex*, Essity proceeded with diligence to raise the issue, and did so before briefing had been completed and before the case was submitted for decision. There are no confounding factors as might arise had the appeal already been submitted or decided, and substantial judicial resources employed before Essity raised its challenge. Indeed, according to Federal Circuit Internal Operation Procedures, the merits panel had not even been selected at the time Essity filed its remand motion. *See* Court of Appeals for the Federal Circuit, Internal Operating Procedure No. 3 (Nov. 14, 2008), <http://www.cafc.uscourts.gov/sites/default/files/rules-of-practice/IOPs/IOPsMaster2.pdf> (cases are assigned

others still have the opportunity to seek review. See, e.g., *Huawei Techs. Co. v. Iancu*, No. 2019-1493, 2020 WL 2488644, at *6 n. 1 (Fed. Cir. May 14, 2020) (relying on *Customedia*); *Boston Sci. Neuromodulation Corp. v. Nevro Corp.*, No. 2019-1582, Dkt. No. 56 (Fed. Cir. Nov. 22, 2019) (same); *id.*, Dkt. No. 73 (Fed. Cir. Jan. 23, 2020) (denying reconsideration of forfeiture order).

to merits panels when they are “calendar ready,” *i.e.*, when “all briefs and the joint appendix have been filed.”). Thus, rather than needing to wade into any complicating considerations of finality, this case permits the Court to address the square question of whether and when the judiciary should excuse ordinary forfeiture rules to enforce an intervening Appointments Clause precedent.

CONCLUSION

For the foregoing reasons, the Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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Dated: July 24, 2020

APPENDIX

1a

**APPENDIX A — OPINION OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, FILED MAY 8, 2020**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2019-1736, 2019-1741

ESSITY HYGIENE AND HEALTH AB,

Appellant,

v.

CASCADES CANADA ULC, TARZANA
ENTERPRISES, LLC,

Appellees.

Appeals from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in Nos. IPR2017-
01902, IPR2017-01921.

May 8, 2020, Decided

Before PROST, *Chief Judge*, MAYER and DYK,
Circuit Judges.

PROST, Chief Judge.

In this consolidated appeal, Essity Hygiene and Health
AB appeals two final written decisions in inter partes

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review proceedings before the Patent Trial and Appeal Board (“Board”). These proceedings challenged two related patents, U.S. Patent Nos. 8,597,761 and 9,320,372 (respectively, “the ’761 patent” and “the ’372 patent”). The Board determined that petitioners Cascades Canada ULC and Tarzana Enterprises LLC (collectively “Cascades”) met their burden of showing that all challenged claims are unpatentable as either anticipated under 35 U.S.C. § 102(b)¹ or rendered obvious under 35 U.S.C. § 103(a) by the cited prior art. We affirm.

I

A

The ’761 and ’372 patents share a common specification and are directed to stacks of interfolded absorbent sheet products commonly known as “napkins.” The napkins of the claimed invention “comprise a first fold that is deliberately offset from a parallel line bisecting the sheet, and a second fold that preferably bisects the sheet in the perpendicular direction.” ’761 patent col. 2 ll. 8-11.² The offset fold causes a napkin’s panels to be asymmetrical such that the dimensions of certain panels are smaller than the dimensions of other panels. *See, e.g.*, ’761 patent col. 3 ll. 11-17; *see also id.* at Fig. 3. The folded napkins

1. The claims at issue in this case have effective filing dates prior to March 16, 2013. We therefore apply pre-AIA § 102(b).

2. For ease of reference, all citations to the common specification are made to the ’761 patent. These citations likewise support the ’372 patent.

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are arranged in a stack by interfolding sheets of adjacent napkins such that a panel of an upper napkin in a stack is placed between the panels of a lower napkin. *See, e.g.*, '761 patent col. 6 ll. 21-25, 33-39; *see also id.* at Figs. 4a & 4b.

Claim 1 of '761 patent is the sole independent claim and is representative of the issues on appeal. Claim 1 of the '761 patent recites:

1. A stack of interfolded absorbent sheet products, comprising:

a plurality of absorbent sheets

wherein each sheet comprises a first fold that is offset from a line bisecting said sheet substantially parallel to said first fold, and an interfolding fold that is substantially perpendicular to said first fold,

wherein the first fold is unidirectionally peaked,

wherein panels defined by the first fold of each sheet directly contact each other, and

wherein at least one of the panels defined by the interfolding fold of each sheet is inserted between two panels defined by the interfolding fold of another sheet in the stack.

'761 patent claim 1.

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Claim 1 of the '372 patent is the sole independent claim and is representative of the issues on appeal. Claim 1 of the '372 patent recites:

1. A stack of interfolded absorbent sheet products, comprising

a plurality of absorbent sheets,

wherein each sheet comprises a first fold that is offset from a line bisecting said sheet substantially parallel to said first fold, and an interfolding fold intersecting said first fold,

wherein said first fold, said intersecting fold, and the outer edges of each of the absorbent sheets define boundaries for four panels,

with the panels on opposing sides of the first fold having different lengths and contacting each other in the stack, and

wherein each of said absorbent sheets within said stack comprises at least one pair of panels sandwiched between a pair of adjacent panels of another of said absorbent sheets within said stack.

'372 patent claim 1.

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B

Cascades's petitions asserted several grounds of unpatentability based, in relevant part, on U.S. Patent No. 6,602,575 ("Grosriez"), J.A. 344-53, and U.S. Patent Publication No. 2005/0058807 ("Hochtritt"), J.A. 152-61.

Grosriez describes stacks of interleaved, absorbent sheets for use in dispensers. The napkins in Grosriez each have "a longitudinal fold line forming a longitudinal border and at least one transverse fold line perpendicular to the longitudinal fold line." Grosriez col. 1 ll. 7-11. Grosriez describes two alternative embodiments of its absorbent sheets, one "folded into four equal parts" and another wherein "the longitudinal fold line delimits two sections, the transverse dimension one of which differs from the transverse dimension of the other." *See* Grosriez col. 4 ll. 42-45, ll. 51-54. Grosriez further describes "[i]ntertwining the folded sheets" and explains that intertwining "makes it possible . . . for the lower panel of the upper sheet to carry (by virtue of the friction forces) the upper panel of the intermediate folded sheet out of the opening [of a dispenser]." Grosriez col. 5 ll. 60-65 (internal references to element numbers omitted).

Hochtritt relates to a stack of interfolded sheet products that "comprises a plurality of absorbent sheets each of which is itself folded at least twice about axes that are perpendicular to one another," wherein "[e]ach of the absorbent sheets within the stack comprises at least one pair of panels sandwiched between a pair of adjacent panels of another of the absorbent sheets in the stack." Hochtritt Abstract.

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C

Cascades filed IPR2017-01902 and IPR2017-01921, respectively challenging claims 1-26 of the '761 patent and claims 1-20 of the '372 patent. Following the Supreme Court's decision in *SAS Institute Inc. v Iancu*, 138 S. Ct. 1348, 200 L. Ed. 2d 695 (2018), the Board instituted review on all grounds in both proceedings. Relevant to this appeal, the Board issued final written decisions finding that Cascades had met its burden of proving unpatentability with respect to the following grounds: (1) claims 1-3, 8, 9, 12, 13 and 23 of the '761 patent and claims 1-3, 8, 9, 12 and 13 of the '372 patent are anticipated by Grosriez; (2) claims 1-3, 6-23, and 26 of the '761 patent and claims 1-3 and 6-20 of the '372 patent are rendered obvious by Hochtritt; and (3) claims 1-26 of the '761 patent and claims 1-20 of the '372 patent are rendered obvious by Hochtritt in combination with Grosriez. *See Cascades Can. ULC v. Essity Hygiene & Health AB*, No. IPR2017-01902, Paper 51 (PTAB Feb. 1, 2019) ("*902 Decision*"); *Cascades Can. ULC v. Essity Hygiene & Health AB*, No. IPR2017-01921, Paper 51 (PTAB Feb. 1, 2019) ("*921 Decision*").

Essity timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II

Anticipation is a question of fact and obviousness is a question of law based on underlying facts. *Microsoft Corp. v. Biscotti, Inc.*, 878 F.3d 1052, 1068 (Fed. Cir. 2017); *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000). We review

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the Board’s factual findings for substantial evidence and the Board’s legal conclusions de novo. *IPCom GmbH & Co. v. HTC Corp.*, 861 F.3d 1362, 1369 (Fed. Cir. 2017). “Substantial evidence . . . means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229, 59 S. Ct. 206, 83 L. Ed. 126 (1938).

On appeal, Essity argues that the Board’s finding that the claims of the ’761 and ’372 patents are unpatentable should be reversed for two reasons. First, Essity argues that there is no substantial evidence to support the Board’s finding that certain claims of the ’761 and ’372 patents are anticipated by Grosriez. Second, Essity argues that the Board’s misreading of Grosriez infected its obviousness analysis and led the Board to erroneously disregard evidence of non-obviousness. We find Essity’s arguments unpersuasive and affirm the Board’s final written decisions for the reasons below.

A

Essity first argues that there is no substantial evidence to support the Board’s findings that Grosriez anticipates claims 1-3, 8, 9, 12, 13, and 23 of the ’761 patent and claim 1-3, 8, 9, 12 and 13 of the ’372 patent. More specifically, Essity argues that the Board misread separate disclosures in Grosriez to disclose an embodiment including “a stack of intertwined, offset-folded napkins” that is not actually taught. Appellant’s Br. 18. We disagree and conclude the Board’s decisions are supported by substantial evidence.

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The Board correctly found that Grosriez describes two alternative napkins, including one wherein the dimensions differ between the transverse sections of the folded sheet. *902 Decision* at 19-20 (quoting Grosriez col. 4 ll. 51-54); *921 Decision* at 19 (same). The Board then correctly found that Grosriez explains that the folded sheets “can be intertwined[.]” *902 Decision* at 20 (quoting Grosriez col. 5 ll. 54-59); *921 Decision* at 20 (same). Based on these disclosures, and the supporting evidence offered by both parties, the Board reasonably concluded that Grosriez teaches each of the disputed limitations of claim 1. *902 Decision* at 20-23; *921 Decision* at 20-23. The Board further concluded that Cascades had met its burden of proving anticipation by Grosriez with respect to claims 1-3, 8, 9, 12, 13, and 23 of the ’761 patent and claim 1-3, 8, 9, 12 and 13 of the ’372 patent. *See 902 Decision* at 23-25; *921 Decision* at 23-25.

We reject Essity’s argument that the Board incorrectly combined Grosriez’s disclosure based on a misreading of Grosriez. Essity bases its argument on Grosriez’s statement that “[t]he remainder of the description will relate, non-limitingly, to a supple sheet 36 folded in four.” Appellant’s Br. 16 (quoting Grosriez col. 4 ll. 60-61). According to Essity, the reference to supple sheet 36, which is an embodiment with four equal parts, means that the remaining disclosure, including that the napkins may be intertwined in a stack, is limited to an embodiment with four equal parts. But, as Cascades argues in response, Essity ignores that Grosriez expressly states that its reference to supple sheet 36 is “non-limiting[.]” Appellee’s Br. 21, 43 (quoting Grosriez col. 4 ll. 60-61).

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Further, we conclude that the Board carefully considered and reasonably rejected Essity's evidence that a person of ordinary skill reading Grosriez would not intertwine napkins having panels of differing dimensions. We therefore determine the Board's decisions are supported by substantial evidence.

Accordingly, we affirm the Board's decisions that claims 1-3, 8, 9, 12, 13, and 23 of the '761 patent and claim 1-3, 8, 9, 12 and 13 of the '372 patent are anticipated by Grosriez.

B

Essity next argues that the Board erroneously held that claims 1-3, 6-23, and 26 of the '761 patent and claims 1-3 and 6-20 of the '372 patent are obvious over Hochtritt alone, and that claims 1-26 of the '761 patent and claims 1-20 of the '372 patent are obvious over Hochtritt in combination with Grosriez.

In its final written decisions, the Board found that Hochtritt does not expressly disclose a "first fold that is offset," but also found that it would have been obvious to modify Hochtritt's interfolded sheets to have an offset first fold, including the offset fold disclosed by Grosriez. *902 Decision* at 16-18, 25-32; *921 Decision* at 15-18. The Board found that the record, including Essity's own evidence, showed that offset folds were well-known in the art. And after reviewing the parties' arguments and evidence, it concluded that Cascades had shown by a preponderance of the evidence that Hochtritt teaches or suggests all

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of the limitations of claims 1-3, 6-23, and 26 of the '761 patent and claims 1-3 and 6-20 of the '372 patent. *See 902 Decision at 25-36; 921 Decision at 25-35.* The Board further concluded that Cascades had met its burden of proving obviousness with respect to claims challenged over Hochtritt and Grosriez. *See 902 Decision at 36-42; 921 Decision at 35-41.*

On appeal, Essity argues that the Board's misreading of Grosriez infected its obviousness analysis, causing it to improperly discount or ignore Essity's evidence of non-obviousness. Essity argues that it showed that Grosriez's disclosure would have discouraged the combination of Hochtritt's interfolded sheets with Grosriez's alternative, offset embodiment, and that such a combination would have been expected to create difficulties in manufacturing, packaging, and dispensing the resulting product.

As stated above, we do not agree that the Board misread Grosriez. *See supra* § II(A). We also do not find that the Board erred in considering whether the prior art rendered the challenged claims obvious. With respect to Essity's additional arguments, we find that Essity's arguments lack merit and detect no error in the Board's obviousness analysis.

Accordingly, we affirm the Board's decisions that the challenged claims of the '761 and '372 patents are rendered obvious by Hochtritt, either alone or in combination with Grosriez.

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III

We have considered each of Essity's arguments on appeal and find them unpersuasive. We therefore affirm the Board's decision that Cascades met its burden of proving that claims 1-26 of the '761 patent and claims 1-20 of the '372 patent are unpatentable.

AFFIRMED

**APPENDIX B — OPINION OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, FILED MAY 8, 2020**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2019-1742

ESSITY PROFESSIONAL HYGIENE
NORTH AMERICA LLC,

Appellant,

v.

CASCADES CANADA ULC,

Appellee.

May 8, 2020, Decided

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
02198.

PROST, *Chief Judge.*

Essity Professional Hygiene North America LLC
appeals a final written decision in an inter partes review
from the Patent Trial and Appeal Board. The Board held
that petitioner Cascades Canada ULC had met its burden
to show that the claims of U.S. Patent No. 8,273,443 (“the
'443 patent”) are rendered obvious by the prior art of

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record. On appeal, Essity argues that the Board erred in finding claims 2, 7, and 11 of the '443 patent obvious by placing the burden on it to negate a motivation to combine and by failing to consider objective evidence of nonobviousness. For the below-described reasons, we affirm.

I**A**

The '443 patent is directed to a “stack of interfolded absorbent sheet products,” otherwise known as “napkins.” '443 patent Abstract. The only claims on appeal are dependent claims 2, 7, and 11. Each of these claims recite a single limitation, requiring that “each napkin within [a] stack is oriented oppositely from each preceding and succeeding napkin within said stack.” *See, e.g., id.* at claim 2. The interleaving of napkins with opposite orientation is shown by Figure 2(b). *See id.* at col. 4 ll. 50-55.

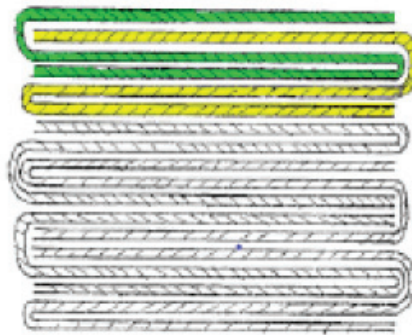


Fig 2(b)

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Appellant's Br. 4 (annotating '443 patent Fig 2(b) to show one napkin in green and the succeeding napkin in yellow oppositely oriented).

B

Cascades petitioned for review of claims 1-15 of the '443 patent. Following the Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 200 L. Ed. 2d 695 (2018), the Board instituted review on all grounds. In its final written decision, the Board determined that Cascades had met its burden of proving that all challenged claims are unpatentable as obvious over the prior art of record. *Cascades Can. ULC v. Essity Prof'l Hygiene N.A. LLC*, No. IPR2017-02198, Paper 40 (PTAB Feb. 25, 2019) ("*Board Decision*").

With respect to claims 2, 7, and 11, the Board determined that Cascades had met its burden to prove the claims are obvious based on the combination of Teall¹ in view of Heath² or ASTM-D4560,³ and Wheeler.⁴ Relevant to this appeal, the Board found that Teall does not teach

1. U.S. Patent No. 1,290,801, issued Jan. 7, 1919 (J.A. 549-555).

2. U.S. Patent No. 6,699,360 B2, issued Mar. 2, 2004 (J.A. 575-635).

3. ASTM-D4560, Standard Specification for Paper Napkins for Industrial and Institutional Use, *Am. Soc. for Testing & Materials* (Dec. 1992) (J.A. 570-72).

4. U.S. Patent No. 1,430,709, issued Oct. 3, 1922 (J.A. 142-45).

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oppositely oriented interleaving but that such interleaving was taught by Wheeler. *See Board Decision* at 27-30, 40-41. More particularly, the Board found that Wheeler demonstrates that there are only two possible orientations for interleaving napkins, i.e., same or opposite orientation. *Id.* at 30. After reviewing the parties' evidence, the Board concluded that based on the knowledge in the art, Cascades had "persuasively demonstrate[d] that oppositely orienting the napkins of Teall would have provided a known, predictable result." *Id.*; *see also id.* at 28 (citing *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 416, 127 S. Ct. 1727, 167 L. Ed. 2d 705 (2007)). Accordingly, the Board concluded that Cascades had met its burden of proving that claims 2, 7, and 11, are rendered obvious by the cited prior art. *See id.* at 30, 40-41.

Essity timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II

Obviousness is a question of law based on underlying facts. *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000). The presence or absence of a motivation to combine references in an obviousness determination is a question of fact. *Id.* We review the Board's factual findings for substantial evidence and the Board's legal conclusions de novo. *IPCom GmbH & Co. v. HTC Corp.*, 861 F.3d 1362, 1369 (Fed. Cir. 2017). "Substantial evidence . . . means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229, 59 S. Ct. 206, 83 L. Ed. 126 (1938).

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On appeal, Essity does not dispute that each of the limitations in claims 2, 7, and 11 are disclosed by the prior art. *See* Appellant’s Br. 7-9. Rather, Essity argues that the Board’s obviousness determination must be reversed because the Board erroneously shifted the burden to Essity, requiring it to disprove a motivation to combine the prior art, and because the Board failed to consider objective evidence of nonobviousness. We find Essity’s arguments unpersuasive and, for the reasons described below, affirm the Board’s decision.

A

Essity first argues that the Board erred in its obviousness analysis by shifting the burden to Essity to disprove a motivation to combine the cited prior art. Appellant’s Br. 19 (citing 35 U.S.C. § 316(e) and *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015)). Though we agree that the burden of proving unpatentability lies with the petitioner in an inter partes review proceeding, *see* 35 U.S.C. § 316(e), we do not find the Board improperly shifted the burden in this case.

In conducting its obviousness analysis of claims 2, 7, and 11, the Board correctly kept the burden of proving unpatentability on Cascades and reasonably found that Cascades had met that burden. The Board found that Cascades presented evidence showing it would have been obvious to a person of ordinary skill in the art to form a stack of napkins by interleaving napkins in either the same or opposite orientation. *Board Decision* at 28-29. And the Board correctly considered the Supreme Court’s guidance in *KSR* that “[t]he combination of familiar elements

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according to known methods is likely to be obvious when it does no more than yield predictable results. *Id.* at 28 (citing *KSR*, 550 U.S. at 416). After reviewing the arguments and evidence presented by both parties, the Board determined that Cascades had persuasively shown that the combination of Teall and Wheeler would have “provided a known, predictable result” and therefore concluded that Cascades had met its burden of proving unpatentability. *Id.* at 30.

We reject Essity’s suggestion that the Board’s statements refuting Essity’s evidence amount to shifting the burden to Essity to disprove a motivation to combine. *See* Appellant’s Br. 17-19. It was proper for the Board to identify the failures in Essity’s arguments. *See Ignite USA, LLC v. CamelBak Prods., LLC*, 709 F. App’x 1010, 1016 (Fed. Cir. 2017) (“[E]xplaining why a party’s arguments are not persuasive does not constitute improper burden shifting.”). To be sure, the Board is required to provide a reasoned basis for its decision in order to permit this court to exercise our duty to review the Board’s decision. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94, 63 S. Ct. 454, 87 L. Ed. 626 (1943); *In re Nuvasive, Inc.*, 842 F.3d 1376, 1382 (Fed. Cir. 2016).

Accordingly, we affirm the Board’s conclusion that Cascades met its burden of proving claims 2, 7, and 11 are obvious over the cited prior art.

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Essity next argues that the Board erred by failing to consider objective evidence of nonobviousness. Specifically, Essity argues that the Board failed to account for the fact that both Teall and Wheeler have been available in the prior art for almost a century. Essity asserts that the Board erroneously “ignored the age of the references” and “used age as a motivation to combine.” Appellant’s Br. 28. We disagree.

Notwithstanding the contradiction between Essity’s position that the Board both ignored and relied on the age of the references, we find the Board reasonably considered the arguments and evidence presented. As an initial matter, it is not clear from the record that Essity plainly advanced to the Board the same arguments based on objective evidence of nonobviousness that Essity now argues the Board ignored. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1296 (Fed. Cir. 2009) (“If a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal.”). But even assuming Essity’s argument was appropriately preserved, the age of the Teall and Wheeler is insufficient to prove the challenged claims are not obvious. *See, e.g., In re Ethicon, Inc.*, 844 F.3d 1344, 1352 (Fed. Cir. 2017) (“The mere age of the references is not persuasive of the unobviousness of the combination of their teachings, absent evidence that, notwithstanding knowledge of the references, the art tried and failed to solve the problem.” (internal citation omitted)).

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Essity admits that the age of the references alone does “not suffice to show nonobviousness,” but argues that “in the proper context,” the age constitutes objective evidence of nonobviousness. Appellant’s Br. 25. Essity, however, fails to identify any evidence purporting to show that this is such a context. The record instead shows that the Board accounted for the age of the references and found that in this case, the age showed that that “orienting napkins oppositely in a stack has been known for 100 years,” not that the claimed invention is nonobvious. *Board Decision* at 27-28.

Accordingly, based on the record in this case, we find no error in the Board’s obviousness analysis.

III

We have considered each of Essity’s arguments and find them unpersuasive. We therefore affirm the Board’s decision that Cascades met its burden of proving that claims 2, 7, and 11 of the ’443 patent are unpatentable as obvious over the prior art of record.

AFFIRMED

**APPENDIX C — ORDER OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, FILED NOVEMBER 25, 2019**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ESSITY HYGIENE AND HEALTH AB,

Appellant,

v.

CASCADES CANADA ULC, TARZANA
ENTERPRISES, LLC,

Appellees.

2019-1736, -1741

Appeals from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in Nos. IPR2017-
01902 and IPR2017-01921.

ON MOTION

Before LOURIE, *Circuit Judge.*

O R D E R

Essity Hygiene and Health AB move to vacate the de-
cision of the Patent Trial and Appeal Board and remand
for a new hearing before a differently constituted panel

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in light of this court's recent decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019). The government moves to stay proceedings or alternatively for an extension of time to intervene and respond to Essity's motion.

The court concludes that the Appointments Clause challenge in this case was forfeited. *See Customedia Techs., LLC v. Dish Network Corp.*, No. 2018-2239 et al., 2019 WL 5677703 (Fed. Cir. Nov. 1, 2019). Essity's motion is therefore denied. The government's motion for a stay or extension is likewise denied.

Accordingly,

IT IS ORDERED THAT:

(1) The motions are denied.

(2) The stay is lifted. The appellees' response brief is due no later than 40 days of the date of filing of this order.

FOR THE COURT

November 25, 2019

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

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**APPENDIX D — ORDER OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, FILED NOVEMBER 25, 2019**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2019-1742

ESSITY PROFESSIONAL HYGIENE
NORTH AMERICA LLC,

Appellant,

v.

CASCADES CANADA ULC,

Appellee.

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
02198.

IN MOTION

Before LOURIE, *Circuit Judge.*

ORDER

Essity Professional Hygiene North America LLC
moves to vacate the decision of the Patent Trial and Appeal
Board and remand for a new hearing before a differently
constituted panel in light of this court's recent decision

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in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019).

The government moves to stay proceedings or alternatively for an extension of time to intervene and respond to Essity's motion.

The court concludes that the Appointments Clause challenge in this case was forfeited. *See Customedia Techs., LLC v. Dish Network Corp.*, No. 2018-2239 et al., 2019 WL 5677703 (Fed. Cir. Nov. 1, 2019). Essity's motion is therefore denied. The government's motion for a stay or extension is likewise denied.

Accordingly,

IT IS ORDERED THAT:

(1) The motions are denied.

(2) The stay is lifted. The joint appendix is due no later than 7 days from the date of filing of this order.

For the Court

November 25, 2019
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

**APPENDIX E — RELEVANT
STATUTORY PROVISIONS**

35 U.S.C. § 3 (2012)

§ 3. Officers and employees

(a) Under Secretary and Director.--

(1) In general.--The powers and duties of the United States Patent and Trademark Office shall be vested in an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this title referred to as the “Director”), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Director shall be a person who has a professional background and experience in patent or trademark law.

(2) Duties.--

(A) In general.--The Director shall be responsible for providing policy direction and management supervision for the Office and for the issuance of patents and the registration of trademarks. The Director shall perform these duties in a fair, impartial, and equitable manner.

(B) Consulting with the public advisory committees.--The Director shall consult with the Patent Public Advisory Committee established in section 5 on a regular basis on matters relating to the patent operations of the Office, shall consult

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with the Trademark Public Advisory Committee established in section 5 on a regular basis on matters relating to the trademark operations of the Office, and shall consult with the respective Public Advisory Committee before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user fees or patent or trademark regulations which are subject to the requirement to provide notice and opportunity for public comment under section 553 of title 5, as the case may be.

(3) Oath.--The Director shall, before taking office, take an oath to discharge faithfully the duties of the Office.

(4) Removal.--The Director may be removed from office by the President. The President shall provide notification of any such removal to both Houses of Congress.

(b) Officers and Employees of the Office.--

(1) Deputy under secretary and deputy director.--The Secretary of Commerce, upon nomination by the Director, shall appoint a Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office who shall be vested with the authority to act in the capacity of the Director in the event of the absence or incapacity of the Director. The Deputy Director shall be a citizen of the United States who has a professional background and experience in patent or trademark law.

*Appendix E***(2) Commissioners.--**

(A) Appointment and duties.--The Secretary of Commerce shall appoint a Commissioner for Patents and a Commissioner for Trademarks, without regard to chapter 33, 51, or 53 of title 5. The Commissioner for Patents shall be a citizen of the United States with demonstrated management ability and professional background and experience in patent law and serve for a term of 5 years. The Commissioner for Trademarks shall be a citizen of the United States with demonstrated management ability and professional background and experience in trademark law and serve for a term of 5 years. The Commissioner for Patents and the Commissioner for Trademarks shall serve as the chief operating officers for the operations of the Office relating to patents and trademarks, respectively, and shall be responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively. The Secretary may reappoint a Commissioner to subsequent terms of 5 years as long as the performance of the Commissioner as set forth in the performance agreement in subparagraph (B) is satisfactory.

(B) Salary and performance agreement.--The Commissioners shall be paid an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service established under section 5382 of title 5, including any applicable locality-based comparability payment that may

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be authorized under section 5304(h)(2)(C) of title 5. The compensation of the Commissioners shall be considered, for purposes of section 207(c)(2)(A) of title 18, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of title 18. In addition, the Commissioners may receive a bonus in an amount of up to, but not in excess of, 50 percent of the Commissioners' annual rate of basic pay, based upon an evaluation by the Secretary of Commerce, acting through the Director, of the Commissioners' performance as defined in an annual performance agreement between the Commissioners and the Secretary. The annual performance agreements shall incorporate measurable organization and individual goals in key operational areas as delineated in an annual performance plan agreed to by the Commissioners and the Secretary. Payment of a bonus under this subparagraph may be made to the Commissioners only to the extent that such payment does not cause the Commissioners' total aggregate compensation in a calendar year to equal or exceed the amount of the salary of the Vice President under section 104 of title 3.

(C) Removal.--The Commissioners may be removed from office by the Secretary for misconduct or nonsatisfactory performance under the performance agreement described in subparagraph (B), without regard to the provisions of title 5. The Secretary shall provide notification of any such removal to both Houses of Congress.

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(3) Other officers and employees.--The Director shall--

(A) appoint such officers, employees (including attorneys), and agents of the Office as the Director considers necessary to carry out the functions of the Office; and

(B) define the title, authority, and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Director may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

(4) Training of examiners.--The Office shall submit to the Congress a proposal to provide an incentive program to retain as employees patent and trademark examiners of the primary examiner grade or higher who are eligible for retirement, for the sole purpose of training patent and trademark examiners.

(5) National security positions.--The Director, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances, in order to maintain the secrecy of certain inventions,

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as described in section 181, and to prevent disclosure of sensitive and strategic information in the interest of national security.

(6) Administrative patent judges and administrative trademark judges.--The Director may fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for level III of the Executive Schedule under section 5314 of title 5. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation under section 5306(e) or 5373 of title 5.

(c) Continued Applicability of Title 5.--Officers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees.

(d) Adoption of Existing Labor Agreements.--The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of the Patent and Trademark Office Efficiency Act, with respect to such Office (as then in effect).

(e) Carryover of Personnel.--

(1) From PTO.--Effective as of the effective date of the Patent and Trademark Office Efficiency Act, all officers and employees of the Patent and Trademark Office on the day before such effective date shall

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become officers and employees of the Office, without a break in service.

(2) Other personnel.--Any individual who, on the day before the effective date of the Patent and Trademark Office Efficiency Act, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office, as necessary to carry out the purposes of that Act, if--

(A) such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;

(B) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent's work time, as determined by the Secretary of Commerce; or

(C) such transfer would be in the interest of the Office, as determined by the Secretary of Commerce in consultation with the Director.

Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.

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(f) Transition Provisions.--

(1) Interim appointment of director.--On or after the effective date of the Patent and Trademark Office Efficiency Act, the President shall appoint an individual to serve as the Director until the date on which a Director qualifies under subsection (a). The President shall not make more than one such appointment under this subsection.

(2) Continuation in office of certain officers.--(A) The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Patents until the date on which a Commissioner for Patents is appointed under subsection (b).

(B) The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Trademarks until the date on which a Commissioner for Trademarks is appointed under subsection (b).

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35 U.S.C. § 311 (2012)

§ 311. Inter partes review

(a) In General.--Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) Scope.--A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) Filing Deadline.--A petition for inter partes review shall be filed after the later of either--

(1) the date that is 9 months after the grant of a patent;
or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

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35 U.S.C. § 312 (2012)

§ 312. Petitions

(a) Requirements of Petition.--A petition filed under section 311 may be considered only if--

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including--

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

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(b) Public Availability.--As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

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35 U.S.C. § 313 (2012)

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

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35 U.S.C. § 314 (2012)

§ 314. Institution of inter partes review

(a) Threshold.--The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) Timing.--The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after--

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) Notice.--The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) No Appeal.--The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

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35 U.S.C. § 315 (2012)

§ 315. Relation to other proceedings or actions

(a) Infringer's Civil Action.--

(1) Inter partes review barred by civil action.--An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.--If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either--

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim.--A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

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(b) Patent Owner's Action.--An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder.--If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) Multiple Proceedings.--Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel.--

(1) Proceedings before the Office.--The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision

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under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.--The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

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35 U.S.C. § 316 (2012)

§ 316. Conduct of inter partes review

(a) Regulations.--The Director shall prescribe regulations--

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to--

(A) the deposition of witnesses submitting affidavits or declarations; and

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- (B) what is otherwise necessary in the interest of justice;
- (6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;
- (7) providing for protective orders governing the exchange and submission of confidential information;
- (8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;
- (9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;
- (10) providing either party with the right to an oral hearing as part of the proceeding;
- (11) requiring that the final determination in an inter partes review be issued not later than 1 year after the

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date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) Considerations.--In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) Patent Trial and Appeal Board.--The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) Amendment of the Patent.--

(1) **In general.**--During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

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(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.--Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims.--An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) Evidentiary Standards.--In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

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35 U.S.C. § 317 (2012)

§ 317. Settlement

(a) In General.--An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) Agreements in Writing.--Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

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35 U.S.C. § 318 (2012)

§ 318. Decision of the Board

(a) Final Written Decision.--If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) Certificate.--If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights.--Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

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(d) Data on Length of Review.--The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

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35 U.S.C. § 319 (2012)

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

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35 U.S.C. § 311 (2006)

§ 311. Request for inter partes reexamination

(a) In general.--Any third-party requester at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301.

(b) Requirements.--The request shall--

(1) be in writing, include the identity of the real party in interest, and be accompanied by payment of an inter partes reexamination fee established by the Director under section 41; and

(2) set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.

(c) Copy.--The Director promptly shall send a copy of the request to the owner of record of the patent.

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35 U.S.C. § 312 (2006)

§ 312. Determination of issue by Director

(a) Reexamination.--Not later than 3 months after the filing of a request for inter partes reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) Record.--A record of the Director's determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester.

(c) Final decision.--A determination by the Director under subsection (a) shall be final and non-appealable. Upon a determination that no substantial new question of patentability has been raised, the Director may refund a portion of the inter partes reexamination fee required under section 311.

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35 U.S.C. § 313 (2006)

§ 313. Inter partes reexamination order by Director

If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for inter partes reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the inter partes reexamination conducted in accordance with section 314.

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35 U.S.C. § 314 (2006)

§ 314. Conduct of inter partes
reexamination proceedings

(a) In general.--Except as otherwise provided in this section, reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) Response.--(1) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the Office shall send to the third-party requester a copy of any communication sent by the Office to the patent owner concerning the patent subject to the inter partes reexamination proceeding.

(2) Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.

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(c) Special dispatch.--Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.

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35 U.S.C. § 315 (2006)

§ 315. Appeal

(a) Patent owner.--The patent owner involved in an inter partes reexamination proceeding under this chapter--

(1) may appeal under the provisions of section 134 and may appeal under the provisions of sections 141 through 144, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent; and

(2) may be a party to any appeal taken by a third-party requester under subsection (b).

(b) Third-party requester.--A third-party requester--

(1) may appeal under the provisions of section 134, and may appeal under the provisions of sections 141 through 144, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; and

(2) may, subject to subsection (c), be a party to any appeal taken by the patent owner under the provisions of section 134 or sections 141 through 144.

(c) Civil action.--A third-party requester whose request for an inter partes reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under

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section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the inter partes reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

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35 U.S.C. § 316 (2006)

§ 316. Certificate of patentability,
unpatentability, and claim cancellation

(a) In general.--In an inter partes reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

(b) Amended or new claim.--Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes reexamination proceeding shall have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, prior to issuance of a certificate under the provisions of subsection (a) of this section.

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35 U.S.C. § 317 (2006)

§ 317. Inter partes reexamination prohibited

(a) Order for reexamination.--Notwithstanding any provision of this chapter, once an order for inter partes reexamination of a patent has been issued under section 313, neither the third-party requester nor its privies, may file a subsequent request for inter partes reexamination of the patent until an inter partes reexamination certificate is issued and published under section 316, unless authorized by the Director.

(b) Final decision.--Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an inter partes reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and

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the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

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35 U.S.C. § 318 (2006)

§ 318. Stay of litigation

Once an order for inter partes reexamination of a patent has been issued under section 313, the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the inter partes reexamination order, unless the court before which such litigation is pending determines that a stay would not serve the interests of justice.