

No. 20-74

IN THE
Supreme Court of the United States

UNITED STATES OF AMERICA, ET AL.,
PETITIONERS,

v.

IMAGE PROCESSING TECHNOLOGIES LLC, *ET AL.*,
RESPONDENTS.

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

**MEMORANDUM IN RESPONSE FOR
RESPONDENT VIRNETX INC.**

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PARTIES TO THE PROCEEDING

Petitioners are the United States of America and Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director, U.S. Patent and Trademark Office. Petitioner Iancu intervened in the court of appeals in Nos. 2017-2593, 2017-2594, and 2019-1671 pursuant to 35 U.S.C. 143. Respondents are VirnetX Inc., which was the appellant in the court of appeals in Nos. 2017-2593, 2017-2594, and 2019-1671, and Cisco Systems, Inc., which was the appellee in the court of appeals in No. 2019-1671.

TABLE OF CONTENTS

	Page
PARTIES TO THE PROCEEDING	i
TABLE OF AUTHORITIES.....	iii
OPINIONS BELOW	1
STATEMENT OF THE CASE.....	2
ARGUMENT.....	3
CONCLUSION	6

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019).....	<i>passim</i>
<i>Lucia v. S.E.C.</i> , 138 S. Ct. 2044 (2018)	3
CONSTITUTIONAL PROVISIONS	
U.S. Const. Art. II, § 2, Cl. 2	1, 2, 3, 4
STATUTES	
35 U.S.C.	
1(a)	2
2(a)(1)	2
6(a)	2
6(b)	2
Patent Act of 1952.....	2

Respondent VirnetX Inc. (“VirnetX”) respectfully files this response to the United States’ petition for a writ of certiorari from the decisions of the United States Court of Appeals for the Federal Circuit in Nos. 2017-2593, 2017-2594, and 2019-1671. In those cases, the Federal Circuit granted VirnetX’s motions to vacate the underlying decisions of the Patent Trial and Appeal Board (“the Board”) on the basis of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), and remanded for further proceedings.

VirnetX believes the Federal Circuit in *Arthrex* correctly held that the Board’s administrative patent judges are principal officers appointed in violation of the Appointments Clause, *see* 941 F.3d at 1327-35—a holding that required vacatur and remand in these cases as well. Certiorari review, therefore, is not warranted. Nor does the Government request plenary review in these cases. VirnetX nevertheless agrees with the Acting Solicitor General that, because the Federal Circuit’s decision in these cases was controlled by *Arthrex*, it would be appropriate to hold the Government’s petition for certiorari pending the disposition of the Government’s separate petition in *United States v. Arthrex, Inc.*, No. 19-1434 (filed June 25, 2020).

OPINIONS BELOW

The order of the court of appeals in *VirnetX Inc. v. Cisco Systems, Inc.*, No. 2019-1671 (App. 16a-17a), is not published in the Federal Reporter but is available at 2020 WL 2511116. The orders denying petitions for panel rehearing and rehearing en banc (App. 115a-124a) are reported at 957 F.3d 1383 and 958 F.3d 1333.

The order of the court of appeals in *VirnetX Inc. v. Iancu*, Nos. 2017-2593 and 2017-2594 (App. 32a-33a), is unreported.

STATEMENT OF THE CASE

The Patent Act of 1952 establishes the United States Patent and Trademark Office (“the Patent Office”) as an executive agency within the United States Department of Commerce “responsible for the granting and issuing of patents and the registration of trademarks.” 35 U.S.C. 2(a)(1); *see also* 35 U.S.C. 1(a). The Board is an administrative tribunal within the Patent Office that conducts a variety of patent-related adjudications. 35 U.S.C. 6(a), (b). The Board consists of the Director of the Patent Office, the Deputy Director, the Commissioners for Patents and Trademarks, and “administrative patent judges.” 35 U.S.C. 6(a). The Secretary of Commerce appoints the administrative patent judges. *See* 35 U.S.C. 6(a). The Board typically renders its decisions in panels of three administrative patent judges.

In *Arthrex*, the Federal Circuit held that the administrative patent judges are principal officers of the United States for purposes of the Appointments Clause. 941 F.3d at 1327-35. The Appointments Clause requires that the principal officers be appointed by the President with the advice and consent of the Senate. *See* U.S. Const. Art. II, § 2, Cl. 2. The Federal Circuit therefore held that the method of appointing the administrative patent judges—which lacks presidential nomination and Senate confirmation—violates the Appointments Clause. *Arthrex*, 941 F.3d at 1335. To remedy this constitutional defect, the Federal Circuit severed statutory restrictions on the removal of

administrative patent judges. *Id.* at 1335-38. Because the Board's decision on review was made by a panel of administrative patent judges who were not constitutionally appointed at the time of the decision, the court of appeals vacated the Board's decision and remanded for a new hearing before a new panel. *Id.* at 1338-40 (citing *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2055 (2018)). The Federal Circuit also held that a party need not raise an Appointments Clause challenge during the agency proceedings because the agency cannot provide any meaningful relief in response to that structural constitutional challenge. *Arthrex*, 941 F.3d at 1339-40.

In the three proceedings involving VirnetX that are the subject of the Government's present certiorari petition (Court of Appeals Nos. 2017-2593, 2017-2594, 2019-1671), the Board rendered its final decisions prior to the Federal Circuit's decision in *Arthrex*. VirnetX accordingly sought vacatur and remand under *Arthrex*. The court of appeals granted those requests, vacated the Board's decisions, and remanded for further proceeding consistent with *Arthrex*. App. 16a-17a; App. 32a-33a. The Board then issued an order staying those proceedings (alongside other proceedings remanded by the Federal Circuit) pending this Court's disposition of the Government's petition for a writ of certiorari in *Arthrex*. *See* Pet. 23-24.

ARGUMENT

The Federal Circuit's decisions to vacate the Board's decisions in the three proceedings involving VirnetX, and to remand those cases for a new hearing before a new Board panel, were based on its prior holding in *Arthrex*. *See* App. 16a-17a; App. 32a-33a;

115a-121a. The Government's pending certiorari petition in *Arthrex* (No. 19-1434) challenges both the Federal Circuit's holding that the Board's administrative patent judges are principal officers and its holding that an Appointments Clause challenge may be raised for the first time on appeal. *See* Pet. 22-23. If this Court grants review in No. 19-1434, its decision may impact the Federal Circuit's subsequent rulings (including those at issue here) applying the circuit precedent of *Arthrex*. Accordingly, VirnetX agrees with the Acting Solicitor General that it would be appropriate to hold the Government's petition seeking certiorari in cases involving VirnetX (Court of Appeals Nos. 2017-2593, 2017-2594, 2019-1671) pending the disposition of the Government's petition in *Arthrex* and (if review in *Arthrex* is granted) any further proceedings in this Court.*

* The private parties in *Arthrex* have also filed certiorari petitions, which this Court docketed as Nos. 19-1452 and 19-1458. Petitioners Smith & Nephew, Inc. and ArthroCare Corp. in No. 19-1452 seeks review of the same question as the first question presented by the Government in No. 19-1434—whether administrative patent judges are principal or inferior officers under the Appointments Clause. Petitioner Arthrex, Inc. in No. 19-1458 seeks review of the Federal Circuit's remedial holding—whether the elimination of administrative patent judges' statutory tenure protections is sufficient to render them inferior officers under the Appointments Clause and to cure the constitutional violation. The Acting Solicitor General urged the Court that, if the Government's petition in No. 19-1434 is granted, the petitions filed by the private parties also be granted and the cases be consolidated. Therefore, a hold pending this Court's resolution of the petitions filed in Nos. 19-1452 and 19-1458 is appropriate as well.

A hold is also appropriate given that the Board has administratively stayed its proceedings implicating *Arthrex* (including the cases involving VirnetX) pending this Court's decision on whether to grant review in that case. *See* Pet. 23-24. Thus, the agency proceedings are not expected to resume until this Court disposes of the certiorari petitions filed in *Arthrex* and concludes its proceedings if review is granted.

The Government does not request plenary certiorari review in these cases, and VirnetX agrees that such review is not warranted. The Federal Circuit's decisions in cases involving VirnetX (Court of Appeals Nos. 2017-2593, 2017-2594, 2019-1671) were based on a straightforward application of its circuit precedent of *Arthrex*, and do not raise any independent certworthy issues. If this Court does not hold the Government's certiorari petition pending its disposition in No. 19-1434, the Court should deny review.

CONCLUSION

The petition for a writ of certiorari from the Federal Circuit's judgments in Court of Appeals Nos. 2017-2593, 2017-2594, 2019-1671 should be held pending the disposition of the Government's petition for a writ of certiorari in *Arthrex*, No. 19-1434 (and related petitions filed by private parties in Nos. 19-1452 and 19-1458), and any further proceedings in this Court. If the Court does not hold the petition pending its disposition in No. 19-1434, it should deny review.

Respectfully submitted,

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