No. 19-1434, 19-1459

IN THE

Supreme Court of the United States

UNITED STATES OF AMERICA,

Petitioner,

v.

ARTHREX, INC., *et al.*

Respondents.

POLARIS INNOVATIONS LIMITED,

Petitioner,

v.

KINGSTON TECHNOLOGY COMPANY, INC., *et al.*

Respondents.

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

AMICUS CURIAE BRIEF OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF THE UNITED STATES' PETITION FOR WRIT OF CERTIORARI

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I. INTEREST OF *AMICUS* CURIAE

The New York Intellectual Property Law Association ("NYIPLA") respectfully submits this *amicus curiae* brief in support of the petition for certiorari filed by the United States.[1] The arguments set forth herein were approved on July 17, 2020 by an absolute majority of the officers and members of the Board of Directors of the NYIPLA (including any officers or directors who did not vote for any reason, including recusal), but do not necessarily reflect the views of a majority of the members of the NYIPLA, or of the law or corporate firms with which those members are associated.

After reasonable investigation, the NYIPLA believes that no officer or director or member of the Committee on Amicus Briefs who voted in favor of filing this brief, nor any attorney associated with any such officer, director or committee member in any law or corporate firm, represents a party in this litigation.

The NYIPLA is a ninety-eight-year-old professional association with hundreds of attorneys whose interests and practices lie in the area of patent, copyright, trademark,

1. Pursuant to Sup. Ct. R. 37.6, NYIPLA states that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than NYIPLA, its members, or its counsel made a monetary contribution to its preparation or submission. Pursuant to Sup. Ct. R. 37.2(a) NYIPLA states that all of the parties have consented in writing to the filing of the brief. Further, the counsel of record for all parties receive noticed of NYIPLA's intention to file an amicus curiae brief at least 10 days prior to the due date for the amicus curiae brief as extended by Sup. Ct. R. 30.1

data privacy and other intellectual property ("IP") law. It is one of the largest regional IP bar associations in the United States. The NYIPLA's members include a diverse array of attorneys specializing in patent law, including in-house counsel for businesses that own, enforce, and challenge patents, as well as attorneys in private practice who prosecute patents and represent entities in various proceedings before the U.S. Patent and Trademark Office ("PTO").

Many of the NYIPLA's member attorneys actively participate in patent litigation, representing both patent owners and accused infringers, as well as in *inter partes* review ("IPR") and other post-issuance proceedings before the Patent Trial and Appeal Board ("PTAB"), and their appeals to the Federal Circuit Court of Appeals and even to this Court. The NYIPLA thus brings an informed perspective of stakeholders to the issues presented. The NYIPLA, its members, and their respective clients share a strong interest in the issues presented in this case.

II. SUMMARY OF THE ARGUMENT

A Federal Circuit panel in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) addressed whether administrative patent judges ("APJs") serving on the Patent Trial and Appeal Board (PTAB) of the U.S. Patent Office were appointed in violation of the Appointments Clause, U.S. Const., Art. II, § 2, cl. 2. The panel held that APJs are "principal officers" under the Patent Act (Title 35) as it has been enacted and structured. *Id.* at 1327. As such, the appointment of APJs by the Secretary of Commerce was held to be a constitutional violation. *Id.*

In *Polaris Innovations Ltd. v. Kingston Tech. Co.,* 792 Fed. Appx. 820 (Fed. Cir. 2020) the same issue was raised, and another panel of the Federal Circuit issued a *per curiam* order remanding the case to the PTAB for proceedings consistent with *Arthrex*.

Consistent with the concurring opinion in *Polaris* by Judge Hughes, in which Judge Wallach joined, the NYIPLA believes that the Federal Circuit erred in *Arthrex* and that, "viewed in light of the Director's significant control over the activities of the Patent Trial and Appeal Board and its Administrative Patent Judges (APJs), APJs are inferior officers already properly appointed by the Secretary of Commerce." *Id*. at 821.

The *Arthrex* panel properly relied upon *Edmond v. United States,* 520 U.S. 651 (1997) for guidance in reaching its decision. *Edmond* holds that "there is no exclusive criterion for distinguishing between principal and inferior officers." *Id*. at 662–63. However, the *Arthrex* panel found that *Edmond* emphasized three factors: "(1) whether an appointed official has the power to review and reverse the officers' decisions; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." *Arthrex,* 941 F.3d at 1329. By reducing the broad and flexible guidance in *Edmond* to these three criteria and basing its decision on a numerical counting of the *pro* and *con* factors, the *Arthrex* panel failed to follow the broad concepts in *Edmond* and committed error.

Not only was the *Arthrex* decision in error, but the opinion also raised broad and critically important issues at the heart of practice before the PTAB. It has the

potential to affect numerous PTAB decisions and the Federal Circuit's determinations of appeals therefrom. As of November 2019, over 10,000 trials in post-grant proceedings had been held by the PTAB.[2] The outcomes of all of these PTAB trials are put in jeopardy by the *Arthrex* decision. Thus, prompt, efficient resolution of the issues presented by the Government's petition is warranted and requires an analysis by this Court—since no other court of appeals would have jurisdiction, and the Federal Circuit has denied rehearing *en banc* in *Arthrex*. 953 F.3d 760 (Fed. Cir. 2020).

Significantly, all parties to this action seek review by this Court in three separate petitions.

III. ARGUMENT

The NYIPLA believes that the Court should grant *certiorari* in this case and adopt the formulation of the first issue presented by the United States in its Petition, namely:

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

2. *Trial Statistics: IPR, PGR, CBM*, United States Patent and Trademark Office, at 3 (Nov. 2019), https://www.uspto.gov/sites/default/files/documents/fy20_nov_trial_stats.pdf.

United States Pet. for a Writ of Certiorari, *Arthrex, Inc. v. Smith & Nephew, Inc.*

The NYIPLA submits this *amicus curiae* brief in support of the Court accepting the United States' petition. The NYIPLA takes no position on which party should ultimately prevail on the merits of the underlying dispute.

A. The Issues Raised by the United States Are the Subject of Substantial Debate and Should be Addressed by This Court

The issues raised by the United States in its Petition are the subject of substantial and ongoing debate, which has to be resolved by the Court. There is no dispute that APJs are "officers of the United States" because they "exercise significant authority." *Arthrex* at 1328. However, whether they are principal officers, requiring appointment by the President with the advice and consent of the Senate, or inferior officers who may be appointed by the Secretary of Commerce in accordance with the America Invents Act ("AIA"), a law passed by Congress, is subject to significant debate.

Basing its analysis on *Edmond v. United States*, 520 U.S. 651 (1997), the *Arthrex* panel noted that, as clearly stated in *Edmond,* there is no "exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1328–29. However, the panel went on to hold that *Edmond* emphasized three factors: "(1) whether an appointed official has the power to review and reverse the officers' decisions; (2) the level of supervision and oversight an appointed official has

over the officers; and (3) the appointed official's power to remove the officers." *Id.* at 1329. The panel determined that factors (1) and (3) weighed in favor of APJs being found principal officers, and factor (2) weighed in favor of APJs being found inferior officers. *Id.* On this basis it determined that APJs are principal officers. In doing so, the *Arthrex* court ignored the statement in *Edmond* that "we think it evident that 'inferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate," which corresponds only to factor (2). *Edmond,* 520 U.S. at 663.

The *Arthrex* panel relied heavily on factor (3), *i.e.*, "the appointed official's power to remove the officers." 941 F.3d at 1329. It noted that the "only actual removal authority the Director or Secretary have over APJs is subject to limitations by Title 5. Title 35 [§3(c)] does not provide statutory authority for removal of the APJs." *Id.* at 1333. Title 5 permits removal of agency employees "only for such cause as will promote the efficiency of the service." 5 U.S.C. §7513(a). Therefore, the *Arthrex* court held that the perceived constitutional infirmity could be overcome by "partial invalidation of the statutory limitations on the removal of APJs." *Id.*at 1338. On the issue of the power to remove APJs, the government disagreed, arguing that "the Director can remove an APJ based on the authority to designate which members of the Board will sit on any given panel, … exclude any APJ from a case who he expects would approach the case in a way inconsistent with his views, … potentially remove all judicial function of an APJ by refusing to assign the APJ to any panel, … [and] remove an APJ from an *inter partes* review mid-case if he does not want that particular APJ to continue on the

case." *Id.* at 1332. Also, Judge Hughes, in his concurrence in *Polaris Innovations Ltd. v. Kingston Tech. Co.*, 792 Fed. Appx. 820 (Fed. Cir. 2020) opined that removal under the "efficiency of service" standard is sufficient, together with the Director's supervision, to make the APJs inferior officers. *Id.* at 827. Thus, the Arthrex panels weighing of factor (3) in favor of finding the APJs "principal officers" turns on the *degree* to which an APJ can be removed, not the absence of removal power *per se*. As a consequence, the status of APJs is currently disputed.

The *Arthrex* panel's decision that APJs are "principal officers" of the United States relies upon several cases from this Court that could be characterized as having analogous statutory frameworks. However, in every single one of those cases, this Court concluded that the officers in question were "inferior officers" under the Appointments Clause, to wit:

- *Lucia v. SEC*, 138 S. Ct. 2044 (2018) (SEC Administrative Law Judges are inferior officers);

- *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477 (2010) (Public Company Accounting Oversight Board members are inferior officers);

- *Edmond v. United States*, 520 U.S. 651 (judges of the Coast Guard Court of Criminal Appeal are inferior officers);

- *Freytag v. Commissioner*, 501 U.S. 868 (1991) (Special Trial Judges for the Tax Court are inferior officers);

- *Morrison v. Olson*, 487 U.S. 654 (1988) (independent counsel created by provisions of the Ethics of Government Act of 1978 are inferior officers);

- *Myers v. United States*, 272 U.S. 51 (1926) (post-master first class is an inferior officer); and

- *In re Hennen*, 38 U.S. 230 (1839) (clerks of district courts are inferior officers).

Furthermore, a decision by a three-judge panel of the D.C. Circuit, holding that Copyright Royalty Judges are principal officers, is the sole authority relied upon by the *Arthrex* panel to support its conclusion that APJs are principal officers. *See Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1340 (D.C. Cir. 2012).

The existence of a split of opinion in the Federal Circuit is demonstrated by the present cases: three Federal Circuit judges have held one way in *Arthrex,* and two others have suggested in *Polaris* that they would reach the opposite conclusion.[3]

Thus, respectfully, in view of the dearth of on-point supporting authority from this Court, and the unlikely event the issue will be considered by a lower court, the issue should be addressed by this Court now.

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3. Judges Moore, Reyna and Chen in *Arthrex,* and Judges Hughes and Wallach in *Polaris*.

B. The Important Issues Raised by This Case Require Prompt Resolution by this Court

The issues raised in the petitions here exist in many cases pending before the Federal Circuit and will impact more cases going forward. As of November 2019, over 10,000 trials had been held by the PTAB.[4] The outcomes of all of these PTAB trials are put in jeopardy by the decision in *Arthrex*.

Also, forty-three percent of the Federal Circuit's caseload (over 600 appeals) in 2019 were appeals from the PTO.[5] In addition to the three petitions filed here, the Federal Circuit is seeing analogous petitions filed in other cases, including:

- *Uniloc 2017 LLC v. Facebook, Inc.*, No. 18-2251 (Fed. Cir. Oct. 31, 2019) (petition for rehearing and rehearing *en banc* filed on December 2, 2019 and currently pending);

- *Customedia Techs., LLC. v. DISH Network Corp.*, No. 19-1001 (Fed. Cir. Dec. 23, 2019) (per curiam) (denying petition for rehearing and rehearing *en banc*) (Newman, J., dissenting).

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4. *Trial Statistics: IPR, PGR, CBM*, United States Patent and Trademark Office, at 3 (Nov. 2019), https://www.uspto.gov/sites/default/files/documents/fy20_nov_trial_stats.pdf (last visited July 23, 2020).

5. *United States Court of Appeals for the Federal Circuit: Appeals Filed, By Category*, United States Court of Appeals for the Federal Circuit (2019), http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/YTD-Activity-June-2020.pdf (last visited July 23, 2020).

Importantly, the government has not only intervened in this case, but also in numerous other cases where these issues are being raised, opposing appellants' motions to vacate and remand pending resolution of this petition. *See, e.g.*, Intervenor's Opp'n to Appellant's Mot. to Remand, *Steuben Foods, Inc. v. Nestle USA, Inc.*, No. 20-1082 (Fed. Cir. Dec. 18, 2019); Intervenor's Opp'n to Appellant's Mot. to Remand, *Virnetx Inc. v. Cisco Sys., Inc.*, No. 19-1671 (Fed. Cir. Dec. 18, 2019).

These proceedings, and proceedings in other pending cases, indicate the existence of significant uncertainty and debate amongst the stakeholders as to the panel's decision in *Arthrex*, buttressing the importance of review by this Court.

The *Arthrex* panel itself stated that:

> The issue presented today has a wide-ranging effect on property rights and the nation's economy. Timely resolution is critical to providing certainty to rights holders and competitors alike who rely upon the *inter partes* review scheme to resolve concerns over patent rights. … This is an issue of exceptional importance."

Id. at 1327.

The damage caused by continuing uncertainty cannot be overstated. Respectfully, this Court needs to act quickly and decisively.

IV. CONCLUSION

For the foregoing reasons, the NYIPLA respectfully urges the Court to grant the United States' petition for a *writ of certiorari*.

Dated: July 29, 2020

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