Nos. 19-1434; 19-1452; 19-1458

In The Supreme Court of the United States

UNITED STATES,

Petitioner,

v.

ARTHREX, INC., et al.,

SMITH & NEPHEW, INC., et al.,

Petitioners,

v.

ARTHREX, INC., et al.,

ARTHREX, INC.,

Petitioner,

v.

SMITH & NEPHEW, INC., et al.

On Writs Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF AMICUS CURIAE PROFESSOR ANDREW MICHAELS SUPPORTING NO PARTY

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STATEMENT OF AMICUS CURIAE

Amicus is a member of this Court's bar, and a law professor who teaches and writes in the areas of patent law, statutory interpretation, and administrative law. He is interested in seeing the law of retroactivity continue to develop in a manner that is coherent and leaves courts the discretion to avoid wasteful duplicative administrative actions in appropriate circumstances.[1]

SUMMARY OF ARGUMENT

If this Court affirms the Federal Circuit's as applied severance of removal protections on Administrative Patent Judges (APJs), or applies a different judicial severance or fix to the relevant statutes, it should clarify that any such judicial fix applies retroactively, in accord with foundational principles of judicial retroactivity, such that vacatur and rehearing are discretionary and necessary only upon a showing that the prior statutory misrepresentation of law actually made some difference.

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[1] Amicus has no financial interest in the outcome of this case. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution. No person other than amicus made a monetary contribution to the preparation and submission of this brief. All parties have consented to the filing of this brief. The arguments presented in this brief find further support and elaboration in the author's forthcoming law review article, which is available for download on SSRN. *See* Andrew C. Michaels, *Retroactivity and Appointments*, 52 LOY. UNIV. CHI. L. J. ___ (forthcoming 2021).

Because it misunderstood this Court's retroactivity jurisprudence, the Federal Circuit's decision in this case has resulted in roughly one hundred matters being unnecessarily vacated and remanded for rehearing before the United States Patent and Trademark Office (USPTO). These matters are currently stayed before the agency. By correcting the Federal Circuit's error, this Court could eliminate this wasteful and legally improper multiplication of hearings, which will otherwise create unnecessary delays and likely cost in total tens of millions of dollars.

The Federal Circuit mistakenly viewed these remands as required by law (rather than discretionary) because it erroneously held that the APJs were "not constitutionally appointed at the time" when they issued the prior final written decisions on appeal, as those decisions were issued before Halloween 2019, which happened to be the day when the panel decision in this case was released. This reflects a fundamental failure to grasp the foundational principle of judicial retroactivity. The Federal Circuit's decision to treat the panel decision release date as the "effective date" of its as applied severance was simply wrong under this Court's jurisprudence, and the consequences of this error are not insignificant.

One of the primary benefits of the judicial principle of retroactivity is that it allows courts to avoid confronting the question of the "effective date" of judicial decisions, a confrontation which smacks of the legislative process. There is no effective date because the court's statement of the law was always the law. This

is a partial legal fiction, but it is a useful one; although it might seem strange, the alternative is worse. When exactly would the effective date of a judicial decision be? The court below apparently chose the panel decision release date, but the arbitrariness of that choice is highlighted by the fact the case remained subject to petitions for rehearing, and ultimately now review in this Court. If this Court applies a different judicial fix, does the date of that decision release then become the new effective date, requiring additional remands for any agency cases decided up until then? The Federal Circuit's faulty reasoning would seem to say yes.

The APJs did not spookily change from unconstitutional to constitutional on Halloween of last year. This Court's jurisprudence makes clear that judicial decisions generally operate retroactively. This general principle holds for statutory invalidations, including judicial severance. So assuming that the Federal Circuit was correct to strike the removal restrictions, that as applied severance must under this Court's precedent be viewed as operating retroactively, such that the APJs were always in fact removable at will.

To be sure, the APJs may have been under a misimpression that the unconstitutional statutory removal restrictions created. Where such a misimpression actually affects the case, this Court's jurisprudence provides that courts have the discretion to vacate and remand for rehearing. For example, if taxes were collected under an invalid tax statute, those taxes could not have been collected under the law as properly

understood, so the case should be remanded for consideration of a refund.

But in this case, there is almost certainly no such actual harm caused by prior statutory mirage of removal restrictions, and this Court has stated that the decision on whether to remand in a situation like this is subject to principles of harmless error. The agency proceedings at issue here generally turn on the technical issues of whether certain patent claims are anticipated or rendered obvious by certain prior art references; political influence in these cases would be extremely rare, especially because the decisions are subject to Federal Circuit review on the merits. There is no reason to think that any of the roughly one hundred remanded matters would have been decided any differently if the relevant APJs had known at the time they made the decision that they were in fact removable at will – indeed Amicus has seen hardly an allegation of any such harm in any of the Federal Circuit opinions or briefing relevant to this matter. But the Federal Circuit did not consider the probable lack of harm relevant because it improperly viewed the remands as required by law rather than as discretionary. When properly viewed as discretionary, at least most of the remands were clearly wasteful and imprudent, and could be avoided by a straightforward application of this Court's retroactivity jurisprudence.

This issue is far from limited to the Federal Circuit. Other circuit courts have similarly shown confusion in these sorts of situations. Amicus respectfully submits that this Court should directly address the

issue, so as to eliminate the waste that will ensue if the stayed remanded matters proceed before the USPTO, and also to clarify the law so as to prevent similar blunders from occurring in the future.

ARGUMENT

This Court has stated: "The principle that statutes operate only prospectively, while judicial decisions operate retrospectively, is familiar to every law student." *Rivers v. Roadway Express, Inc.*, 511 U.S. 298, 311-12 (1994) (quoting *United States v. Security Industrial Bank*, 459 U.S. 70, 79 (1982)).

While this principle might be familiar to most law students (and Amicus does his best to ensure that it is at least familiar to his), the principle was overlooked by the Federal Circuit. All of that court's errors on this issue and the attendant unnecessary wasteful multiplication of hearings flow from an apparent failure to fully grasp this one fundamental principle of law.

I. The Federal Circuit Failed To Properly Apply Its Decision Retroactively, Causing Significant Delay And Waste

The Federal Circuit incorrectly viewed the date of the release of the panel opinion in this case, which happened to be Halloween 2019, as the "effective date" of its curing judicial severance, stating: "Because the

Board's decision in this case was made by a panel of APJs that were *not constitutionally appointed at the time* the decision was rendered, we vacate and remand the Board's decision without reaching the merits." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. Oct. 31, 2019) (emphasis added).

This was error, less treat than trick, for a statement of law in a judicial opinion is a statement of "what the law *is*," not "what it is today *changed to*, or what it will *tomorrow* be." *James B. Beam Distilling Co. v. Georgia*, 501 U.S. 529, 549 (1991) (Scalia, J., concurring in the judgment). The Federal Circuit's decision to treat the panel opinion release date as the "effective date" of its as applied severance was inappropriately more legislative than judicial in character. *See* Paul J. Mishkin, *Forward: The High Court, The Great Writ, and the Due Process of Time and Law*, 79 HARV. L. REV. 56, 65-66 (1965) ("the question of an effective date . . . smacks of the legislative process; for it is ordinarily taken for granted . . . that judicial decisions operate with inevitable retroactive effect").

The *Arthrex* panel's retroactivity blunder was pointed out just one week later in a concurrence by Judge Dyk in *Bedgear*, who would not have granted a remand in that case but for the fact that the panel was bound by the prior *Arthrex* panel. *Bedgear, LLC v. Fredman Bros. Furniture Co.*, 783 Fed. Appx. 1029, 1031 (Fed. Cir. Nov. 7, 2019) (Dyk, J., concurring in the judgment, joined by Newman, J.).

There is no question that under this Court's jurisprudence, the Federal Circuit's as applied severance should have been viewed as retroactive, such that the APJs did not magically *become* constitutional on Halloween 2019 as the Federal Circuit thought. *See Harper v. Va. Dep't of Taxation*, 509 U.S. 86 (1993). When a court interprets a statute, the newly announced statutory construction is properly considered to have been the law all along. *See*, *e.g.*, *DIRECTV, Inc. v. Imburgia*, 136 S. Ct. 463, 469 (2015) ("judicial construction of a statute ordinarily applies retroactively"); *Rivers*, 511 U.S. at 312-13 ("A judicial construction of a statute is an authoritative statement of what the statute meant before as well as after the decision of the case giving rise to that construction.").

The fundamental judicial retroactivity principal is rooted in Article III, and holds for statutory invalidations. When a court invalidates a statute, courts generally should treat the invalid statute as though it never existed in the first place. *See Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 759-60 (1995) (Scalia, J., concurring) ("In fact, what a court does with regard to unconstitutional law is simply to ignore it. It decides the case 'disregarding the unconstitutional law,' . . . because a law repugnant to the Constitution 'is void, and is as no law.' ") (quoting *Marbury v. Madison*, 5 U.S. 137 (1803), and *Ex parte Siebold*, 100 U.S. 371, 376 (1880)).

Concurring in the court's denial of rehearing en banc, Judge O'Malley appeared to suggest that judicial severance is an exception to these general retroactivity principals, stating that judicial severance is "by

necessity, only applicable prospectively," and claiming that this Court's decision in *Booker* makes clear that severance is "necessarily a prospective act." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 768 (Fed. Cir. Mar. 23, 2020) (O'Malley, J., concurring in denial of rehearing en banc) (citing *United States v. Booker*, 543 U.S. 220, 268 (2005)).

These repeated assertions are contrary not only to retroactivity doctrine in general but also even to *Booker* itself, which in fact held that its judicial severance *did* have to be considered retroactive. *See Booker*, 543 U.S. at 268 ("we must apply . . . our remedial interpretation of the Sentencing Act – to all cases on direct review") (citing *Reynoldsville*, 514 U.S. at 752; *Harper*, 509 U.S. 86). Nothing in *Booker* carves out a judicial severance exception to foundational principles of judicial retroactivity.

Remands did occur in *Booker* and *Harper*, but those cases are distinguishable from this one in an important way that the Federal Circuit failed to notice. The reason that a remand for rehearing was appropriate in *Booker* (despite the retroactivity of the severance) was that the prior statutory misrepresentation of law clearly made a difference, in that it led to Mr. Booker receiving a longer criminal sentence than he properly could have under the corrected statute. *See Booker*, 543 U.S. at 227, 245-46. Similarly in *Harper*, taxes had been collected under an invalid tax statute, so the Court remanded for state courts to consider refunding the taxes. *See Harper*, 509 U.S. at 102. In both of these cases, governmental action had been taken

that adversely affected a party and could not have been taken under the law as correctly understood. Retroactivity doctrine provides for judicial discretion to remedy these situations. *See*, *e.g.*, *James B. Beam Distilling Co. v. Georgia*, 501 U.S. 529, 543-44 (1991) (opinion of Souter, J.) ("nothing we say here precludes consideration of individual equities when deciding remedial issues in particular cases").

The key difference though is that in this case, the prior misrepresentation of law almost certainly had no such effect. There is no apparent reason to think that any of the remanded cases would have been decided differently if the relevant APJs had known that they were in fact removable at will, and any argument that actual harm is present would seem to be tenuous. Indeed, hardly an allegation of any such actual harm is present in any of the briefing on this matter. Absent some showing of actual harm, a discretionary remand was at most prudent in the *Arthrex* case itself as an incentive creating reward for first winning the Appointments Clause challenge (and even that is questionable), but not in the dozens of other remanded matters. The Federal Circuit should have at least recognized that remands are discretionary given the retroactivity of the severance, and considered whether actual harm is present, rather than automatically remanding roughly one hundred cases for rehearing based on the fact that the final written decision at issue was decided before the rather arbitrary panel release date in this case.

Concurring in the denial of rehearing en banc, both Judge O'Malley and Judge Moore pointed to a government brief as having "rejected" Judge Dyk's retroactivity argument. *See Arthrex*, 953 F.3d at 764 and n.3, 767 (citing Supp. Br. of United States, *Polaris v. Kingston*, Nos. 2018-1768, -1831, at 13-14). That brief asserts that the court's as applied severance was not "sufficient to eliminate the impact of the asserted constitutional violation on the original agency decision," but tellingly provides essentially no suggestion of what that impact might have been. In any event, the requirement of at least presumptive judicial retroactivity is rooted in Article III and this Court's jurisprudence, and cannot be overridden or waived by an executive branch brief. *See James B. Beam*, 501 U.S. at 549 (Scalia, J., concurring in the judgment) ("'the judicial Power of the United States' . . . Art. III, § 1, must be deemed to be . . . the power to say what the law is . . . not the power to change it").

Apart from the lack of even an assertion of any actual harm caused by the prior statutory representation of removal restrictions, such harm should not simply be presumed because this Court has applied standing (specifically traceability) requirements rather loosely in the Appointments Clause context. *See Free Enterprise Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 511-12 n.12 (2010). It is one thing to allow litigants to raise Appointments Clause challenges without a showing that these challenges would make a likely difference to their case, but it is another to retrospectively vacate prior agency actions that were

almost certainly unaffected by those issues, especially where doing so is not required by and in fact runs counter to this Court's retroactivity jurisprudence.

Finally, concurring in the denial of rehearing en banc, Judge Moore downplayed the disruption of the unnecessary rehearings, stating that the *Arthrex* decision would result in at most eighty-one remands. *See Arthrex*, 953 F.3d at 764 n.4 (Moore, J., concurring in denial of rehearing en banc). Squaring this statement with the Patent Trial and Appeal Board (PTAB) general order issued on the first of May staying over one-hundred remanded matters (and expecting more to come) pending certiorari petitions would seem to be more than trivial. *General Order in Cases Remanded Under Arthrex, Inc. v. Smith & Nephew, Inc.*, at *1 (PTAB May 1, 2020) ("These Orders have already vacated more than 100 decisions by the Patent Trial and Appeal Board ("Board"), and more such Orders are expected."). Ninety-four of the 103 remanded matters stayed in the PTAB's May 1 order were in the particularly expensive and contested Inter Partes Review (IPR) proceedings. *See id.* at *1-6.

Regardless of the precise number of remands, even if the PTAB chooses not to reopen briefing or the record, a new hearing before a new panel of APJs plus a new final written decision subject to a new appeal, in each of the dozens of remanded matters, is not without significant delay, disruption, and waste. The remanded PTAB proceedings are lengthy and expensive, often costing in the six figures per party. *See*, *e.g.*, *e-Watch Inc. v. Avigilon Corp.*, 2013 U.S. Dist. LEXIS 176807, at

*5 n.3 (S.D. Tex. Dec. 17, 2013) (Atlas, J.) ("Avigilon's counsel explained during the hearing that it is expensive to pursue inter partes review. The filing fee for the IPR petition is $25,000.00. Additionally, the petitioner incurs very substantial attorneys' fees for the petition, discovery, trial before the PTAB, and all associated briefing."); RPX, 2015 REPORT: NPE LITIGATION, PATENT MARKETPLACE, AND NPE COST 5 (2016) ("IPR petition costs are generally in the six figures: $200 thousand on the low end, and $700 thousand on the high end, for those that reach a final decision.").

This Kafkaesque multiplication of administrative hearings is not only unnecessary but also is legally improper; it does not cast the patent system, or the legal system in general, in a positive light. This Court has an opportunity to put a stop to these wasteful rehearings, while also clarifying the law of retroactivity.

II. *Lucia* Does Not Support The Federal Circuit's Remands Because Any Fix In *Lucia* Was Administrative Rather Than Judicial

The Federal Circuit apparently viewed the remands as required by this Court's decision in *Lucia*. *See Arthrex*, 941 F.3d at 1325, 1340 (citing *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2055 n.5 (2018)); *Arthrex*, 953 F.3d at 764 n.3 (Moore, J., concurring in denial of rehearing en banc) ("Per the Supreme Court's decision in *Lucia*, *Arthrex*, and the other appeals with preserved Appointments Clause challenges, were vacated and remanded for hearings before new panels of APJs, *who*

are now properly appointed.") (emphasis added). But the Federal Circuit failed to recognize the key difference between that case and this one: the fix came from a different branch of government.

In *Lucia*, if there was a fix to the Appointments Clause issue, the fix came from the agency itself, in that the agency ratified the prior appointments after the case at issue had been heard before the agency. *See Lucia*, 138 S. Ct. at 2055 n.6 ("While this case was on judicial review, the SEC issued an order ratifying the prior appointments of its ALJs."). This agency fix is properly considered prospective only, for the executive branch, unlike the judicial branch, generally acts prospectively rather than retroactively. *See*, *e.g.*, *FCC v. Fox TV Stations, Inc.*, 556 U.S. 502, 517 (2008) ("There is no doubt that the Commission knew it was making a change."); *FCC v. Fox TV Stations, Inc.*, 567 U.S. 239, 258 (2012).

But in this case, the Federal Circuit's "fix," i.e., the striking of the removal protections on APJs, came from the judiciary rather than the agency, and so under this Court's jurisprudence, it must at least presumptively be considered retroactive rather than prospective only. That is, assuming the Federal Circuit was correct to declare the removal restrictions as applied to APJs unconstitutional and to sever them, the APJs were in effect *always* removable at will. One way to think about it is: if an APJ had in fact been fired and tried to invoke the statutory removal restrictions as protection, that attempt would have been unsuccessful because the restrictions would have ultimately been

found unconstitutional (if this Court agrees that they are).[2] Thus the statutory removal restrictions were always a mirage-like misrepresentation of law.

The retroactivity doctrine is rooted in the "declaratory theory of law . . . according to which the courts are understood only to find the law, not to make it." *James B. Beam*, 501 U.S. at 535-36 (opinion of Souter, J.). Although it might initially seem strange to say that the APJs were always without removal restrictions and thus were always constitutional, the alternative of an effective date on which they suddenly became constitutional is even worse. When exactly would that date be? The Federal Circuit seemed to treat it as Halloween 2019, the date the panel decision happened to be released. *See Arthrex*, 953 F.3d at 764 n.4 (Moore, J.,

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[2] Admittedly, this approach could be called inherently formalistic in that it seems to presuppose that there is a single right answer to legal questions. *Cf. Harper*, 509 U.S. at 105 (Scalia, J., concurring) (stating that prospective decisionmaking "was formulated in the heyday of legal realism"). Nevertheless, although retroactivity may be based on the partial legal fiction of a single right answer, it is a fiction that is thought to be useful. *Cf.* Mishkin, 79 HARV. L. REV. at 63 n.29 ("Though I know that judges are human and quite distinct individuals, I am not in favor of their doffing their robes, for I think there is value in stressing, for themselves and for others, the quite real striving for an impersonality I know can never be fully achieved."); *James B. Beam*, 501 U.S. at 549 (Scalia, J., concurring in the judgment) ("I am not so naïve (nor do I think our forebears were) as to be unaware that judges in a real sense 'make' law. But they make it *as judges make it*, which is to say *as though* they were 'finding' it – discerning what the law *is*, rather than decreeing what it is today *changed to*, or what it will *tomorrow* be.").

concurring in denial of rehearing en banc). But the arbitrariness of that choice is highlighted by the fact the case remained subject to petitions for rehearing en banc, and petitions for certiorari, and ultimately now review in this Court. One of the primary benefits of the retroactivity doctrine is that it allows courts to avoid confronting the question of the effective date of their decisions, a confrontation that "smacks of the legislative process." Mishkin, 79 HARV. L. REV. at 65.

As this Court has repeatedly recognized, another primary benefit of the retroactivity doctrine is that it strengthens *stare decisis* – by forcing judges to write under the fiction that their current statement of the law was always the law, retroactivity requires that judges adhere closely enough to precedent that they may plausibly do so. *See*, *e.g.*, *Flood v. Kuhn*, 407 U.S. 258, 278-79 (1972) (adhering to precedent in part because of the "flood of litigation that would follow its repudiation, the harassment that would ensue, and the retroactive effect of such a decision"); *Harper*, 509 U.S. at 105 (Scalia, J., concurring) ("Prospective decisionmaking is the handmaid of judicial activism, and the born enemy of *stare decisis*.").

Where the fix comes from the judiciary as it did in this case (unlike in *Lucia*), it must at least presumptively be considered retroactive. One example of such a case is *Free Enterprise Fund*, where this Court fixed a constitutional problem with the structure of the Security and Exchange Commission's Public Company Accounting Oversight Board, by striking removal protections on the Board members, leaving them

removable by the Commission at will. *Free Enter. Fund*, 561 U.S. at 492, 509 (severing 15 U.S.C. §§ 7211(e)(6), and 7217(d)(3)). The Court clarified that, with the tenure restrictions excised, the Act remained "fully operative as law." *Id.* at 509.

The petitioners (Free Enterprise) had also argued that the Board members are "principal officers requiring Presidential appointment with the Senate's advice and consent," but the Court found instead that the "Board members are inferior officers," given that the Board's removal restrictions had been found "unconstitutional and void," such that the Commission was "properly viewed, under the Constitution, as possessing the power to remove Board members at will." *Id.* at 510. This Court's language here suggests that it viewed its statutory excisions as operating retroactively: it did not say that the Board members were inferior officers "going forward" – language it had just used in referring to what Congress could do – rather, it said that the Board members "properly viewed, under the Constitution" were inferior officers, because the removal protections were "unconstitutional and void." *Id.* at 510; *see also id.* at 513 ("We conclude that the Board members *have been* validly appointed by the full Commission.") (emphasis added).

The fact that a judicial fix must at least presumptively be viewed as retroactive under this Court's precedent does not mean remands are never appropriate. As Justice Souter explained in *James B. Beam*, although retroactivity doctrine applies to the "choice-of-law" aspect, courts retain their discretion to

consider the equities of each individual case in fashioning the appropriate remedy. *James B. Beam*, 501 U.S. at 543-44 (opinion of Souter, J.). Where there has been some reliance on the prior statutory misrepresentation of law, a remand for rehearing would generally be appropriate. *See* Mishkin, 79 HARV. L. REV. at 66 n.39. But it strains credulity to suggest that any such reliance is present in this case to justify the dozens of duplicative remands that will cause unnecessary delay and in total wastefully cost parties and the government tens of millions of dollars, and this Court has noted that the decision on whether the remand in a situation like this is subject to principles of harmless error. *See Booker*, 543 U.S. at 268.

To the extent that APJs were even aware of the statutory removal protections, any misimpression created by those statutes could easily be called harmless. Indeed, the Federal Circuit did not even suggest that any of the relevant cases would in any likelihood have been decided differently if the APJs had known for sure at the time that they were actually removable at will. Rather, the court suggested that remands were necessary "to incentivize Appointments Clause challenges." *Arthrex*, 941 F.3d at 1340 (citing *Lucia*, 138 S. Ct. at 2055 n.5); *see also Arthrex*, 953 F.3d at 764 n.3 (Moore, J., concurring in denial of rehearing en banc) ("To forgo vacatur as Judge Dyk suggests would be in direct contrast with *Lucia* and would undermine any incentive a party may have to raise an Appointments Clause challenge.").

But incentive concerns cannot render the Federal Circuit's wasteful discretionary remands prudent. Incentives would at most justify a remand in the *Arthrex* case itself, but not in the dozens of other remanded matters, for there is no reason to continue incentivizing a challenge after the issue has already been decided. Remanding in all pending cases as the Federal Circuit did could actually counterproductively dilute the relevant incentives, potentially encouraging parties to nominally raise a structural challenge so as to preserve it without devoting valuable resources to the issue, but then allowing them to free ride off of the work of the party that actually argued the issue sufficiently to persuade a court. Moreover, the incentive justification is not as salient in civil litigation, where repeat players will have incentives to raise structural concerns regardless. *See James B. Beam*, 501 U.S. at 540 (opinion of Souter, J.) ("Nor is selective prospectivity necessary to maintain incentives to litigate in the civil context. . . .").

It has recently been persuasively argued that even in a situation like *Lucia* where there is no judicial fix, courts should balance the disruption to the agency that would be caused by requiring remands against any unfairness or harm to incentives that might result from not granting remands under the *de facto* validity doctrine. *See* Elisabeth Earle Beske, *Backdoor Balancing and the Consequences of Legal Change*, 94 WASH. L. REV. 645 (2019). But in a situation like this case where there was a judicial fix, such balancing is *a fortiori*

appropriate, as no grant of *de facto* validity is necessary given that the fix must at least presumptively be viewed as retroactive, and any further remedial action is discretionary.

Because the Federal Circuit erroneously viewed the remands as required by law rather than discretionary, it wastefully remanded in all open cases without engaging in any such balancing. And given the complete lack of any alleged plausible actual harm, and the not insignificant cost and delay caused by the remands, such a balancing would seem to counsel against at least most of the remands.

III. Although Rare Prospective Judicial Making May Still Be Permissible Under *Chevron Oil*, That Doctrine Does Not Support The Federal Circuit's Remands

This Court has allowed that in rare cases courts may make judicial decisions prospective only in effect. *See Chevron Oil Co. v. Huson*, 404 U.S. 97 (1971). But *Chevron Oil* cannot justify the remands at issue here, because the Federal Circuit did not purport to invoke that doctrine, and because the doctrine (assuming it remains valid) would not counsel in favor of a prospective only decision here.

Normally, when a court states what the law is, it goes without saying that the court's statement is what the law was before and what it will continue to be after. Indeed, the practice of judicial retroactivity traces back

many years. *See Kuhn v. Fairmont Coal Co.*, 215 U.S. 349, 372 (1910) (Holmes, J., dissenting) ("Judicial decisions have had retrospective operation for near a thousand years."); *Linkletter v. Walker*, 381 U.S. 618, 623 n.7 (1965) ("While Blackstone is always cited as the foremost exponent of the declaratory theory, a very similar view was stated by Sir Matthew Hale in his History of the Common Law which was published 13 years before the birth of Blackstone.") (citing GRAY, NATURE AND SOURCES OF THE LAW 206 (1909)).

But in the relatively rare case where the court's decision states the law in a manner contrary to prior reasonable understandings, this Court has allowed that such decisions may in exceptional cases be applied prospectively only. *See*, *e.g.*, *Quicken Loans, Inc. v. Jolly*, 2010 U.S. Dist. LEXIS 150634, at *4 (E.D. Mich. 2010) ("While prospective application of a ruling is rare, it is permissible."); *Mauget v. Kaiser Engineers, Inc.*, 546 F. Supp. 486, 489 (S.D. Ohio 1982) ("The instances where noncriminal and nonconstitutional decisions are applied prospectively only are extremely rare."); Michael P. Healy, *Communis Opinio and the Methods of Statutory Interpretation: Interpreting Law or Changing Law*, 43 WM. & MARY L. REV. 539, 608 (2001) ("[P]rospective judicial decisions are rare.").

In the civil context, the primary case from this Court explaining when a prospective only decision may be appropriate is *Chevron Oil*, where the Court distilled from caselaw the following three factors for consideration: (1) whether the decision changed the law in an unforeseeable manner; (2) the purpose and

history of the rule in question; and (3) whether retroactive application would create inequity, injustice, or hardship. *Chevron Oil*, 404 U.S. at 106.

The decision below did not cite *Chevron Oil* or acknowledge that it was making its fix, the as applied severance of removal protections, prospective only. But by holding that remands were required because the APJs were not constitutionally appointed at the time of the prior decisions, but now are constitutionally appointed, the Federal Circuit effectively made its fix prospective only in effect. To be more precise, the Federal Circuit made its declaration of unconstitutionality both retroactive and prospective, but made its fix prospective only (such that the APJs switched from unconstitutional to constitutional as of the panel decision release date), without acknowledging or attempting to justify this differential treatment.

If the court had conducted a *Chevron Oil* analysis (which it didn't), it is unlikely that it would have supported prospective only application of the fix. On the first factor, the *Arthrex* as applied severance was based on existing Court precedent on the Appointments Clause and severability, so in that sense it did not change the law and was not particularly unforeseeable. Retroactive application of the fix would not likely create inequity or hardship, because as discussed above there is no allegation that the removal restrictions had any actual effect on the PTAB final written decisions at issue. If anything, it is inequitable to the parties that prevailed in the administrative final written

decisions to require them to relitigate those complex patent validity issues for no good reason.

Furthermore, the purpose of the America Invents Act was in part to create an efficient, faster, cheaper forum in which to challenge the validity of patents, and the Federal Circuit's wasteful and unnecessary remands causing additional administrative expense and delay to parties attempting to gain some certainty as to the existence *vel non* of patent rights are contrary to that purpose. *See*, *e.g.*, *SAS Inst., Inc. v. Complement Soft, LLC*, 825 F.3d 1341, 1353 (Fed. Cir. 2016) (Newman, J., dissenting) ("The America Invents Act created a new expert tribunal, charged to act with expedition and economy."); *Intellectual Ventures II LLC v. JP Morgan Chase & Co.*, 781 F.3d 1372, 1380 (Fed. Cir. 2015) (Hughes, J., dissenting) ("The AIA was 'designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.' ") (quoting H.R. Rep. No. 112-98 at 40 (2011)).

It is not even entirely clear that *Chevron Oil* is still good law, as this Court has narrowed and chipped away at that precedent in a series of subsequent decisions, emphasizing further that retroactivity is the general rule and prospectivity is at most the uncommon exception. *See Ryder v. United States*, 515 U.S. 177, 185 (1995) ("[W]hatever the continuing validity of [*Chevron Oil*] after [*Harper*] and [*Reynoldsville*], there is not the sort of grave disruption or inequity involved in awarding retrospective relief to this petitioner that would bring that doctrine into play."). But regardless,

even if prospective judicial decision-making remains appropriate in rare circumstances, this case does not present such circumstances.

IV. Other Circuit Courts Have Similarly Shown Confusion Surrounding Retroactivity Doctrine In Recent Cases

This issue is far from limited to patent law or the Federal Circuit. For example, in *Seila Law*, this Court recently severed removal restrictions to fix a constitutional problem with the Consumer Financial Protection Bureau (CFPB), raising questions about the extent to which prior CFPB actions remained valid. *See Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183 (2020); Evan Weinberg, *High Court Ruling Leaves CFPB Enforcement Actions in Doubt*, BLOOMBERG NEWS (June 30, 2020) (speculating that if the CFPB's past actions are not quickly ratified, "companies could run to court seeking to overturn them on the grounds that the CFPB was unconstitutional at the time the decisions were made").[3]

[3] Although the CFPB did immediately "ratify" most of its prior actions, such ratification should not actually have been necessary absent some reason to think that the statutory misrepresentation of removal restrictions made a difference, because the Court's severance should be considered retroactive. *Cf.* Bureau of Consumer Financial Protection, *Ratification of Bureau Actions*, 12 C.F.R. Chapter X, at *2 (July 7, 2020) ("[T]his ratification is not a statement that the Ratified Actions would have been invalid absent this ratification.").

Like the Federal Circuit, other circuit courts have been confused about how retroactivity doctrine applies in these sorts of situations. For example, in *Collins v. Mnuchin*, the en banc Fifth Circuit recently struck for cause removal restrictions on the director of the Federal Housing Finance Agency (FHFA) to cure an Appointments Clause violation, and correctly declined to vacate prior actions of the agency, but a dissent joined by seven of the sixteen judges would have vacated the prior actions. *See Collins v. Mnuchin*, 938 F.3d 553 (5th Cir. 2019) (en banc).

The D.C. Circuit decision in *Intercollegiate* provides another recent example of confusion, wherein the court vacated a prior decision of the Copyright Royalty Judges (CRJs) even though the court had fixed the constitutional issue by invalidating and severing removal restrictions on the CRJs. *Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1342 (D.C. Cir. 2012) ("Because the Board's structure was unconstitutional at the time it issued its determination, we vacate and remand the determination and do not address Intercollegiate's arguments regarding the merits of the rates set therein."). It was not necessarily improper for the D.C. Circuit to vacate and remand as a matter of remedial discretion, but it was not required to do so, because the fix – the striking of the statutory removal restrictions – should have been viewed as operating retroactively, such that the CRJs were inferior officers at the time they issued the decision.

A recent First Circuit case provides an example of a grant of *de facto* validity in a situation where there

was no judicial fix to render the relevant officers retroactively constitutional. *Aurelius Inv., LLC v. Puerto Rico*, 915 F.3d 838 (1st Cir. 2019). In *Aurelius*, the court held that PROMESA (Puerto Rico Oversight Management And Economic Stability Act) Board Members who had been appointed without Senate confirmation were principal officers and thus in violation of the Appointments Clause. *Id.* at 861. The court severed a clause from the relevant statute that authorized the Board Members' appointment without Senate confirmation. *Id.* This severance served to prevent any future additional unconstitutional appointments, but since current Board Members had already been appointed without Senate confirmation, applying this judicial severance retroactively would not render the current members constitutional.

However, the court nevertheless conferred validity on the prior actions of the Board Members under the *de facto* officer doctrine, rather than "cast a specter of invalidity over all of the Board's actions until the present day." *Id.* at 861-62. The court explained that the doctrine is an "ancient tool of equity," and viewed the doctrine as "especially appropriate in this case," because invalidating all of the Board's prior actions would "have negative consequences for the many, if not thousands, of innocent parties who have relied on the Board's actions until now." *Id.* at 862 (citing *Waite v. Santa Cruz*, 184 U.S. 302, 323 (1902)). The court thus held that its ruling did "not eliminate any otherwise valid actions of the Board prior to the issuance of our

mandate in this case." *Id.* (citing *Buckley v. Valeo*, 424 U.S. 1 (1976)).[4]

This grant of *de facto* validity was reasonable given the high degree of disruption that would have been caused by not granting it, and the lack of any apparent unfairness caused by the grant. This Court reversed and held that the Board Members were not in fact "Officers of the United States," so there was no Appointments Clause problem after all. *See Financial Oversight & Mgmt. Bd. For Puerto Rico v. Aurelius Investment, LLC*, 140 S. Ct. 1649 (2020). As such, this Court did not need to consider the *de facto* officer doctrine. *Id.* at 1665. But the case illustrates how *de facto* validity might be granted as a way of avoiding mass disruption where a court finds an Appointment Clause or constitutional violation in an agency structure, but

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[4] There is arguably a distinction between granting "*de facto* validity" as this Court did in *Buckley*, and the "*de facto* officer doctrine." *See* Beske, 94 WASH. L. REV. at 696 n.355 ("*De facto* validity as used here is distinct from the '*de facto* officer doctrine.' "). This Court in *Ryder* seemed to imply that the "*de facto* officer" doctrine was inappropriate in the civil Appointments Clause context, *see Ryder*, 515 U.S. at 182-84, so this brief refers primarily to "*de facto* validity" or the "*de facto* validity doctrine." However, the First Circuit in *Aurelius* claimed to be using the *de facto* officer doctrine, though it also said: "In doing so, we follow the Supreme Court's exact approach in *Buckley*." *Aurelius*, 915 F.3d at 862. The extent to which there is such a distinction does not much matter for the purposes of this brief; the more important distinction here is between the *de facto* whatever doctrine (where there is no judicial statutory fix), and the retroactivity doctrine (where the fix is judicial).

does not provide a statutory severance to retroactively render officials properly appointed.

But where, as in this case, the fix comes from the judiciary as a matter of statutory interpretation or severance, stating what the correct interpretation of the statute has always been, no grant of *de facto* validity is necessary because the judicial fix must at least presumptively be viewed as retroactive.

One way to state it might be as a flipping of the presumption. Where the fix comes from the agency itself, vacatur of prior agency actions is required unless the court grants *de facto* validity. But where the fix comes from the judiciary, the fix presumptively applies retroactively, so no further action is required unless the court chooses to order further action as a matter of remedial discretion. This presumptive turnabout positively reflects foundational retroactivity principles, and normatively is consistent with the notion that a constitutional issue that can be fixed by the courts should generally tend to be less serious than one that cannot, and should thus in general tend to warrant a less disruptive remedy. *Cf. Seila Law*, 140 S. Ct. at 2210-11 ("We think it clear that Congress would prefer that we use a scalpel rather than a bulldozer in curing the constitutional defect we identify today.").

Regardless of the precise formulation or wording, the law in this area could use some clarification, and Amicus respectfully submits that this Court should not pass up this opportunity to provide such clarification while at the same time eliminating the unnecessary

delay and millions of dollars of waste that would ensue if the dozens of improperly remanded matters now stayed before the USPTO were to proceed.

CONCLUSION

In the event that this Court affirms the Federal Circuit's as applied severance of removal protections, or provides a different judicial fix, the Court should clarify that the judicial fix applies retroactively, such that although remands are permissible as a matter of judicial discretion, they are not required, and the remanded matters now stayed before the USPTO were likely imprudent and should not proceed.

Respectfully submitted,

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