Nos. 19-1434, 19-1452, 19-1458

IN THE
Supreme Court of the United States

UNITED STATES OF AMERICA, *Petitioner,*

v.

ARTHREX, INC., ET AL., *Respondents.*

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

AMICUS CURIAE BRIEF OF ECOMP CONSULTANTS IN SUPPORT OF PETITIONER

CHARLES R. MACEDO
Counsel of Record
DAVID P. GOLDBERG
CHANDLER E. STURM
AMSTER, ROTHSTEIN & EBENSTEIN LLP
90 Park Avenue
New York, NY 10016
(212) 336-8000
cmacedo@arelaw.com

Counsel for Amicus Curiae
eComp Consultants

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QUESTIONS PRESENTED

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

2. Whether, if administrative patent judges are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

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INTEREST OF AMICUS CURIAE

Amicus Curiae eComp Consultants ("eComp") respectfully submits this amicus curiae brief in support of petitioner.[1]

eComp is a technology consulting firm providing professional services in the areas of internet, telecommunications, and information technology, as well as intellectual property ("IP") consulting and litigation support. eComp consists of a collaborative staff of senior industry experts and executives who provide technology research, expert reports, deposition, and trial testimony, including in various proceedings before the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office ("PTO"). eComp specializes in advising attorneys and their clients on the technical aspects of patent infringement and portfolio valuation. eComp therefore has a vested interest in protecting the value of intellectual property and

[1] Pursuant to Sup. Ct. R. 37.6, eComp 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 eComp, its members, or its counsel made a monetary contribution to its preparation or submission. Pursuant to Sup. Ct. R. 37.3(a), eComp states that all of the parties have consented in writing to the filing of the brief.

ensuring that patent law is forward looking and promotes innovation in all areas.

eComp actively participates as an expert, serving both patent owners and accused infringers/petitioners, in inter partes review ("IPR") and other post-issuance proceedings before PTAB, and other patent infringement litigations in other courts. For example, eComp has been retained to provide expert testimony in over 60 PTAB proceedings, including over 50 IPRs and 11 CBMs. eComp represented Patent Owners in 40 proceedings and Petitioners in 24 proceedings. eComp thus brings an informed perspective of various stakeholders to the issues presented. eComp, its staff, and its clients share a strong interest in the issues presented in this case.

SUMMARY OF ARGUMENTS

On October 31, 2019, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140 (Fed. Cir. Oct. 31, 2019) (Pet. App. A[2], "*Arthrex I*") declared that administrative patent judges ("APJs") of the Patent Trial and Appeal Board are "principal" officers under the Patent Act (Title 35), as currently constituted. Therefore, the Federal Circuit held that APJs were appointed in violation of the Appointments Clause of the U.S. Constitution, U.S. CONST. art. II, § 2, cl. 2, since they were not appointed by the President, with the advice and

[2] Citations to Appendix A of the United States' Petition for a Writ of Certiorari are designated "Pet. App.".

consent of the Senate, but instead were appointed by the Secretary of Commerce in consultation with the Director of the PTO. *See* Pet. App. at 1a–2a.

However, for at least the following reasons, eComp respectfully submits that this Court should reverse the decision of the Federal Circuit and confirm that APJs of the PTAB are merely inferior officers of the U.S. and were, therefore, constitutionally appointed.

I. This Court's precedent, relied upon by the Federal Circuit panel, has repeatedly held that the officers in question were inferior officers.

This Court's precedent makes clear, and there is no dispute, that PTAB APJs are "officers" of the U.S. because they "exercise[e] significant authority." *Buckley v. Valeo*, 424 U.S. 1, 125-26 (1976). However, none of the decisions of this Court relied upon by the Federal Circuit panel in *Arthrex I* found an administrative judge to be a "principal" officer. Rather, each of the cases, in what could be characterized as analogous statutory frameworks, concluded that the official in question was an "inferior" officer.

II. The Federal Circuit panel misapplied this Court's decision in *Edmond v. United States*, 520 U.S. 651 (1997).

This Court has recognized that an "inferior" officer is characterized as an "officer[] whose work is directed and supervised at some level by others who were appointed by presidential nomination with the advice and consent of the Senate." *Id.* at 663. While

this Court has "not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes," *id.* at 661, *Arthrex I* distilled the facts from *Edmond* to evaluate three factors to be tallied and mechanically applied, Pet. App. at 9a, finding the remainder to be not applicable, *id.* at 20a. The Federal Circuit erred. An official's status as a principal or inferior officer should turn on "whether, ***when all of the existing control mechanisms are considered together***, the officer's 'work is directed and supervised' by superiors to a sufficient degree." Pet. for Cert. at 23, *United States v. Arthrex, Inc.*, No. 19-1434 (U.S. filed June 25, 2020) (quoting *Edmond*, 520 U.S. at 663) (emphasis added); *see also* Brief for the United States at 33-35, *United States v. Arthrex, Inc.*, No. 19-1434, 19-1452, 19-1458 (U.S. filed Nov. 25, 2020); Opening Brief of Smith & Nephew, Inc. and Arthrocare Corp. at 30-33, *United States v. Arthrex, Inc.*, No. 19-1434, 19-1452, 19-1458 (U.S. filed Nov. 25, 2020).

III. The Secretary of Commerce and Director of the PTO have substantial directorial and supervisory powers over APJs.

Although the Federal Circuit panel properly noted that the Director of the PTO "exercises a broad policy-direction and supervisory authority over the APJs" (Pet. App. at 14a), the panel's analysis failed to give due weight to the directorial and supervisory powers the Secretary and Director—both of whom are principal officers—have over the PTAB APJs.

IV. Congress made the deliberate decision to make APJs inferior officers.

There is no dispute that Congress properly set forth a procedure under Section 6 of the Patent Act to have enumerated superior officers appoint PTAB APJs assuming that PTAB APJs are inferior officers.

In view of the arguments presented, eComp respectfully submits that the Federal Circuit panel erred in characterizing APJs as "principal" officers, as it is clear, based on this Court's precedent, the direction and supervision of the Secretary of Commerce and Director, and congressional intent, that APJs are, indeed, inferior officers. Thus, the appointment of APJs was not in violation of the Appointments Clause, and the second question presented does not need to be addressed by this Court.

ARGUMENT

On October 31, 2019, in *Arthrex I*, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit declared that the Patent Act "as currently constructed makes the APJs principal officers" who were appointed in violation of the Appointments Clause of the U.S. Constitution, which states:

> [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 Court of Law, or in the Heads of Departments.

U.S. CONST. art. II, § 2, cl. 2; *see also* Pet. App. at 1a–2a.

There is no dispute that PTAB APJs "exercise significant authority rendering them Officers of the United States." Pet. App. at 8a; *Buckley*, 424 U.S. at 125-26 ("We think it's fair import is that any appointee exercising significant authority pursuant to the laws of the United States is an 'Officer of the United States.'"); *see also Edmond*, 520 U.S. at 662 ("The exercise of 'significant authority pursuant to the laws of the United States' marks, not the line between principal and inferior officer for Appointments Clause purposes, but rather, as we said in *Buckley*, the line between officer and non-officer.").

The issue is whether APJs 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. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

I. This Court's Precedents, Relied upon by the Federal Circuit Panel, Establish That APJs Are Inferior Officers

This Court has addressed the characterization of "officers" on multiple occasions. Significantly, while each of this Court's cases on which the Federal Circuit panel relied supported the proposition that APJs are "officers" of the United States, ***every single one*** of those cases, in what could be characterized as analogous statutory frameworks, concluded that the officers in question were inferior officers. *See 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*, 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 in Government Act of 1978 are inferior officers); *Myers v. United States*, 272 U.S. 52 (1926) (post-master first class is an inferior officer); *Ex parte Hennen*, 38 U.S. 230 (1839) (clerks of district courts are inferior officers).

This Court has always recognized that first-line administrative adjudicators, even though they exercise significant federal authority, are inferior officers because they are under direction and supervision of a principal officer. *See Lucia*, 138 S. Ct. at 2054 (administrative law judges of the Securities and Exchange Commission are inferior officers,

despite their "last-word capacity"); *Freytag*, 501 U.S. at 881-82 (special trial judges of the U.S. Tax Court are inferior officers, even though they may render final decisions in certain cases).

II. The Federal Circuit Panel Misapplied This Court's Decision in *Edmond v. United States*

This Court has recognized that there is no "exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes." *Edmond*, 520 U.S. at 661.

The panel's analysis misses the key point of *Edmond*. This Court did not create a pre-determined list of factors that could simply be tallied and weighed in all future cases. Rather, this Court has made it clear that "whether one is an 'inferior' officer depends on whether he has a superior." *Edmond*, 520 U.S. at 662. Although this Court has "not set forth an exclusive criterion for distinguishing between principal and inferior officers," the Court has examined factors "such as the nature, scope, and duration of an officer's duties." *Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2199 n.3 (2020).

While the Federal Circuit panel correctly acknowledged such precedent, it nevertheless plucked from *Edmond* three factors to evaluate that it found applicable: "(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." Pet. App. at 9a. (citing *Edmond,* 520 U.S. at 664–65). In a quantitative

fashion, the panel ruled that APJs were principal officers after deciding that two of these factors weighed in favor of APJs being found principal officers, while only one factor weighed in favor of APJs being found inferior officers. Pet. App. at 22a.

The Federal Circuit panel's narrowing analysis of *Edmond*, and its rigid and mechanical application of a balancing test based on those factors selected, is incorrect. Instead, the determination of an "inferior" officer should turn on "whether, ***when all of the existing control mechanisms are considered together***, the officer's 'work is directed and supervised' by superiors to a sufficient degree." Pet. for Cert. at 23, *United States v. Arthrex, Inc.*, No. 19-1434 (U.S. filed June 25, 2020) (quoting *Edmond*, 520 U.S. at 663) (emphasis added); *see also* Brief for the United States at 33-35, *United States v. Arthrex, Inc.*, No. 19-1434, 19-1452, 19-1458 (U.S. filed Nov. 25, 2020); Opening Brief of Smith & Nephew, Inc. and Arthrocare Corp. at 30-33, *United States v. Arthrex, Inc.*, No. 19-1434, 19-1452, 19-1458 (U.S. filed Nov. 25, 2020).

III. The Secretary of Commerce and Director of the PTO Have Substantial Directorial and Supervisory Powers over APJs

The Secretary of Commerce and the Director of the PTO—both of whom are principal officers appointed by the President and confirmed by the Senate (*see* 15 U.S.C. § 1501; 35 U.S.C. § 3(a))—have substantial supervisory authority over PTAB APJs and their work. *See* 35 U.S.C. §§ 1(a), 3(b)(6), 6(a); *Oil States Energy Servs., LLC v. Greene's Energy Grp. LLC*, 138 S. Ct. 1365, 1380–81 (2018) (Gorsuch, J.,

dissenting) ("The Director of the Patent Office is a political appointee who serves at the pleasure of the President. 35 U.S.C. § 3(a)(1), (a)(4). He supervises and pays the Board members responsible for deciding patent disputes. §§ 1(a), 3(b)(6), 6(a).").

To begin with, the PTO, which includes the PTAB, is in general "subject to the policy direction of the Secretary of Commerce." 35 U.S.C. § 2(a). In turn, the Director is "responsible for providing policy direction and management supervision for the [PTO]" (35 U.S.C. § 3(a)(2)(A)), which, again, includes the PTAB.

In relation to IPR proceedings, the Director "shall prescribe regulations" governing substantive and procedural conduct of IPRs, by which the PTAB APJs must abide. 35 U.S.C. § 316(a). Indeed, the Director not only exercised the power to prescribe regulations when the PTAB was first established under the AIA, but has also since continued to exercise this power in changing those regulations by, for example:

- Instituting a pilot program concerning motions to amend in PTAB proceedings and related trial procedure. 84 Fed. Reg. 9497 (Mar. 15, 2019);
- Replacing the broadest reasonable interpretation claim construction standard with the standard used by Article III federal courts—the standard applied in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). 83 Fed. Reg. 51340 (Oct. 11, 2018);
- Updating trial practice guide with guidance on the timelines, procedures, and trial practice for

post-issuance patent challenges, originally issued as 77 Fed. Reg. 48612 (Aug. 14, 2012), 77 Fed. Reg. 48756 (Aug. 14, 2012). *See* Consolidated Trial Practice Guide (Nov. 2019) https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf?MURL= (last visited Nov. 30, 2020).

- Most recently, promulgating requests for comments to codify in the Code of Federal Regulations its current policies on discretionary denials in parallel litigations and parallel serial proceedings. *See* Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502 (Oct. 20, 2020).

In addition, the Director (not the PTAB APJs, to whom he delegates his authority) has the unfettered authority to determine whether to institute an IPR proceeding. 35 U.S.C. § 314; *see Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020). The Director's complete authority extends beyond the institution decision and can be exercised to terminate a proceeding before a final written decision is reached, or on remand after a final written decision is reversed. *See BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019), *cert. denied*, No. 19-1381, 2020 U.S. LEXIS 3907 (U.S. Oct. 5, 2020).

"The Director is allowed to select which of these members, and how many of them, will hear any particular patent challenge. *See* § 6(c)." *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting). If properly motivated, the Director could cease assigning cases to

a particular APJ, turning that APJ into a ghost judge. Except for their right to a salary, it would be the same as terminating their employment.

Further, while PTAB APJs may participate in panels of three (which the Director controls and designates, *see* 35 U.S.C. § 6(c)) and issue orders in a particular proceeding that govern the parties to that proceeding, they have no ability to set policy for the PTO, or even designate a decision as precedential or informative "without the approval of the Director." Patent Trial and Appeal Board Standard Operating Procedure 2 (Revision 10) (SOP 2) at 1, 10–11, https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf (last visited Nov. 13, 2020). Therefore, without the approval of the Director, an APJ may not "render a final decision on behalf of the United States unless permitted to do so." *Edmond*, 520 U.S. at 665.

The Director also has the authority to issue binding guidance on the Board, and has in fact done so, for example, in issuing subject matter eligibility guidance. *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) ("Nor has the Director proven bashful about asserting these statutory powers to secure the 'policy judgments' he seeks."); *see also, e.g., 2019 Revised Patent Subject Matter Eligibility Guidance,* 84 Fed. Reg. 50, 51 (Jan. 7, 2019) (stating that all PTO personnel "are, as a matter of internal agency management, expected to follow the guidance").

In addition to the authority to define agency policy and guidance which binds PTAB APJs, the Secretary and the Director are authorized to select,

appoint and remove the PTAB APJs. The Patent Act provides that PTAB APJs are "appointed by the Secretary, in consultation with the Director," 35 U.S.C. § 6(a), in a manner consistent with other "inferior officers."[3] The Secretary also has the authority to remove PTAB APJs from federal service "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a); 35 U.S.C. § 3(c) (making USPTO "[o]fficers and employees … subject to the provisions of title 5, relating to Federal employees"); *see also Free Enter. Fund*, 561 U.S. at 509 ("Under the traditional default rule, removal is incident to the power of appointment."). While this removal is generally considered "for cause," as noted by the panel in *Arthrex I*, the failure or refusal to follow binding agency policy or guidance would be an example of such "cause." Thus, in effect, the Director can set policy and guidance which, if not followed, can be a reason for the removal of a PTAB APJ, even without severing Title 5 protection.

Indeed, if the PTAB APJs sitting on a particular panel "reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard." *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) (citing 35 U.S.C. § 6(a), (c); *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (*en banc*); *Nidec Motor*

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[3] Section 6 was modified in 2011 as part of the AIA when the Board of Patent Appeals and Interferences was reconstituted into the PTAB. Thus, as is discussed infra in Section IV, the constitutional "fix" adopted in response to a 2007 article was again ratified by the amendments.

Corp. v. Zhongshan Broad Ocean Motor Co. Ltd., 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring), *cert. denied*, 138 S. Ct. 1695 (Apr. 30, 2018)).

Given the Director's power to define and enforce such binding agency policy and guidance, and ability to out-vote any particular APJ, the Director's power over an PTAB APJ is sufficiently substantial to meet this Court's test. *See, e.g., Edmond*, 520 U.S. at 664-66 (intermediate appellate military judges are inferior officers "by reason of [their] supervision" as the Judge Advocate General has the power to "determine [the court's] procedural rules, to remove any judge without cause, and to order any decision submitted for review.").

IV. Congress Made the Deliberate Decision to Make APJs Inferior Officers

Congress properly established a procedure under Section 6 of the Patent Act to appoint PTAB APJs assuming, as Congress and everyone else did, that PTAB APJs are inferior officers.

After the appointment issue was first raised in a 2007 article by Professor Duffy, with respect to APJs of the Board of Patent Appeals and Interferences ("BPAI", the predecessor of the PTAB), Congress sought to resolve the issue by treating such APJs as inferior officers, as opposed to mere employees, and established an appropriate appointment procedure. *See* John F. Duffy, *Are Administrative Patent Judges Constitutional?*, 2007 PATENTLY-O PATENT L.J. 21 (2007); *see also* Patent and Trademark Administrative Judges Appointment Authority

Revision, Pub. L. No. 110-313, sec. 1, § 6, 122 Stat. 3014, 3014 (2008) (codified as amended at 35 U.S.C. § 6(a) (2012) (providing for appointments of APJs by the "Secretary [of Commerce], in consultation with the Director" instead of solely by the Director).

This choice made by Congress to treat APJs as inferior officers, and require their appointment by the Head of Department, was reaffirmed when Section 6 was amended in 2011, to replace the BPAI with the newly constituted PTAB.

Thus, the fact Congress expressly changed the method of appointment of PTAB APJs to be consistent with inferior officers in response to the objection raised by Professor Duffy, and then ratified that change three years later in the AIA, reflects a clear congressional intent that PTAB APJs should be considered inferior officers.

CONCLUSION

In short, eComp respectfully submits that the Federal Circuit panel below erred in rigidly applying the three factors it plucked from *Edmond*, in addition to improperly evaluating whether PTAB APJs' work is sufficiently "directed and supervised" by principal officers. Instead, in view of Congress's intent and when all of the existing control mechanisms are considered together, it is clear that the work of APJs is sufficiently directed and supervised by superior officers to characterize them as inferior officers. Moreover, the sum of its parts, rather than the Federal Circuit's dissection of the parts of the sum total of supervision and authority over the APJs, properly informs the inferior/principal officer analysis

and yields the conclusion that PTAB APJs are inferior officers. Therefore, the appointment of such APJs was not in violation of the U.S. Constitution's Appointments Clause, and the second question presented does not need to be addressed.

In view of the foregoing, eComp respectfully submits that this Court should reverse the Court of Appeals for the Federal Circuit's holding that administrative patent judges of the PTAB are "principal" officers.

Respectfully submitted,

CHARLES R. MACEDO
Counsel of Record
DAVID P. GOLDBERG
CHANDLER E. STURM
AMSTER, ROTHSTEIN &
EBENSTEIN LLP
90 Park Avenue
New York, NY 10016
(212) 336-8000
cmacedo@arelaw.com

Counsel for Amicus Curiae
eComp Consultants