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.

SMITH & NEPHEW, INC., ET AL., Petitioners,
v.
ARTHREX, INC., ET AL., Respondents.

ARTHREX, INC., Petitioner,
v.
SMITH & NEPHEW, INC., ET AL., Respondents.

On Writs of Certiorari to the
United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE*, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, IN SUPPORT OF REVERSAL

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INTEREST OF THE AMICUS CURIAE

The American Intellectual Property Law Association (AIPLA)[1] is a national bar association representing the interests of approximately 8,500 members engaged in private and corporate practice, governmental service, and academia. AIPLA's members represent a diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. AIPLA's mission includes providing courts with

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[1] In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that: (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter; (ii) no representative of any party to this litigation participated in the authorship of this brief; and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

Pursuant to Rule 37.3(a), AIPLA has obtained the parties' consent to file this amicus brief, based on letters filed with this Court on October 28, 2020 by Smith & Nephew, Inc. and ArthroCare Corp., October 29, 2020 by Arthrex, Inc., and November 3, 2020 by the United States.

objective analyses to promote an intellectual property system that stimulates and rewards invention, creativity, and investment while accommodating the public's interest in healthy competition, reasonable costs, and basic fairness. AIPLA has no stake in any of the parties to this litigation or in the result of the case. AIPLA's only interest is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues.

SUMMARY OF ARGUMENT

The Court should reverse the Federal Circuit's holding that the appointment of Administrative Patent Judges (APJs) of the Patent Trial and Appeal Board (PTAB) violated the Appointments Clause of Article II of the U.S. Constitution. Reversal would restore the balance between political accountability and efficiency intended by the Appointments Clause and by Congress in creating the PTAB, avoid the far-reaching effects of the *Arthrex* remedy of severance and rehearing, and maintain the integrity, predictability, and transparency of APJ decision-making for patent owners and challengers alike.

The Federal Circuit determined that APJs are principal officers based on the application of a three-factor test that looks for the presence of unfettered review, supervision, and removal powers. *See Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019). This Court in *Edmond v. United States*, however, expressly rejected an exclusive, factor-specific approach to determining the line between

"principal" and "inferior" officer, instead favoring a flexible analysis to assess whether an officer is "directed and supervised at some level" by a presidentially appointed superior. 520 U.S. 651, 663 (1997). Thus, while the question is a close one, the totality of the circumstances under the flexible *Edmond* approach supports finding that APJs are inferior officers subject to substantial direction and supervision by a presidential appointee—the Director of the United States Patent and Trademark Office (USPTO). Reversal of the Federal Circuit's decision is therefore appropriate and consistent with this Court's Appointments Clause jurisprudence.

Reversal would also moot the need for any remedy and provide the least disruption to the patent system as a whole. The Federal Circuit sought to cure the constitutional defect it observed by severing application of Title 5's standard, federal employment removal protections to APJs and ordering the rehearing of each affected case before a new panel. This remedy, while seemingly straightforward, risks creating significant uncertainty, delay, and lack of transparency and accountability in the patent system. Such an outcome would be contrary to Congress' intent in establishing the PTAB to provide a cost-effective, expeditious, and impartial alternative for patent challenges. For at least these reasons, the Court should reverse the decision below.

ARGUMENT

I. CONGRESS INTENDED THAT APJS BE INFERIOR OFFICERS UNDER THE APPOINTMENTS CLAUSE TO MAINTAIN THE BALANCE BETWEEN EFFICIENCY AND POLITICAL ACCOUNTABILITY.

The Appointments Clause provides the exclusive means for appointing "Officers of the United States." U.S. Const. art. II, § 2, cl. 2. As this Court has recognized, the Appointments Clause has a number of purposes, including to prevent "congressional encroachment upon the Executive and Judicial Branches," "to assure a higher quality of appointments," and "to ensure public accountability for both the making of a bad appointment and the rejection of a good one." *Edmond*, 520 U.S. at 659–60.

The Appointments Clause prescribes different processes for appointing different classes of officers: (1) "principal" officers, who must be appointed by the President with the advice and consent of the Senate, and (2) "inferior" officers, who may be appointed by the President, the head of an executive department, or a court of law without Senate input. Art. II, § 2, cl. 2. This dual-appointment approach was born of practicality:

> The Constitution for purposes of appointment very clearly divides all its officers into two classes. The primary class requires a nomination by the President and confirmation by the Senate. But foreseeing that when offices became numerous, and sudden removals

> necessary, this mode might be inconvenient, it was provided that, in regard to officers inferior to those specially mentioned, Congress might by law vest their appointment in the President alone, in the courts of law, or in the heads of departments.

United States v. Germaine, 99 U.S. 508, 509–10 (1878). Thus, while the Appointments Clause "is among the significant structural safeguards of the constitutional scheme," this Court has given proper deference to this "Excepting Clause," whose "obvious purpose is administrative convenience." *Edmond*, 520 U.S. at 659–60. *See also Lucia v. SEC*, 138 S.Ct. 2044, 2056 (2018) (Thomas, J., concurring) ("This alternative process for appointing inferior officers strikes a balance between efficiency and accountability. Given the sheer number of inferior officers, it would be too burdensome to require each of them to run the gauntlet of Senate confirmation.").

Inherent to the two processes permitted by the Appointments Clause is a certain deference to the judgment of the political branches in determining the appropriate classification of "Officers of the United States." *See, e.g.*, *United States v. Eaton*, 169 U.S. 331, 343 (1898); *Ex parte Hennen,* 38 U.S. 230, 258 (1839) ("that a clerk is one of the inferior officers . . . *cannot be questioned*[,]" because "[C]ongress, *in the exercise of the power here given* . . . declare[d] that the Supreme Court, and the District Courts shall have power to appoint clerks of their respective Courts") (emphasis added). *See also Lucia*, 138 S.Ct. at 2062 (Breyer, J., dissenting) ("Congress' intent on the question matters").

For example, in *Morrison v. Olson*, this Court considered multiple "factors relating to the ideas of tenure, duration . . . and duties of the independent counsel," as established by Congress in the Ethics in Government Act of 1978. 487 U.S. 654, 672 (1988) (quotations and citations omitted). The Court further noted that the Appointments Clause's "inclusion of 'as they think proper' seems clearly to give Congress significant discretion to determine whether it is 'proper' to vest the appointment of, for example, executive officials in the 'courts of Law.'" *Id.* at 673. *See id.* at 674 (noting further that "the selection of the appointing power, as between the functionaries named, *is a matter resting in the discretion of Congress*") (quoting *Ex parte Siebold*, 100 U.S. 371, 397–98 (1879)) (emphasis added). *See also In re Sealed Case*, 838 F.2d 476, 532 (D.C. Cir. 1988) (Ginsburg, J., dissenting) ("[T]he present question . . . concerns the legitimacy of a classification made by Congress pursuant to its constitutionally-assigned role in vesting appointment authority. That constitutional assignment to Congress counsels judicial deference. The chosen mode of appointment here indicates that Congress meant to create an inferior office.") (citation omitted), *rev'd sub nom. Morrison*, 487 U.S. 654.

This Court consistently has upheld the appointments of a wide range of inferior officers, established by Congress, having varying and often substantial jurisdiction and discretion. *See, e.g.*, *Lucia*, 138 S.Ct. 2044 (SEC Administrative Law Judges); *Free Enter. Fund. v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477 (2010) (Public Accounting Oversight Board Members); *Edmond*, 520 U.S. 651 (Appellate Military Judges); *Freytag v. Commissioner*, 501 U.S. 868 (1991)

(Tax Court Special Trial Judges); *Morrison*, 487 U.S. 654 (Independent Counsel); *Go-Bart Importing Co. v. United States*, 282 U.S. 344 (1931) (United States Commissioners); *Myers v. United States*, 272 U.S. 52 (1926) (Postmaster First Class); *Eaton*, 169 U.S. 331 (temporary Vice Consul); *Ex parte Hennen,* 38 U.S. 230 (District Court Clerks). As Justice Breyer noted in *Lucia*, "[n]o case from this Court holds that Congress lacks this sort of constitutional leeway in determining whether a particular Government position will be filled by an 'Office[r] of the United States.'" 138 S.Ct. at 2063 (Breyer, J., dissenting).[2]

Here, Congress specifically created the separate roles of the Director, APJs, and the PTAB in part to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs[,]" while ensuring that no party's access to court is denied. H.R. Rep. No. 112-98, pt. 1, at 40 (2011). There is no question that Congress chose to vest "the powers and duties" of the USPTO in the Director, a principal officer who is appointed by the President with the advice and consent of the Senate and subject to removal by the President. 35 U.S.C. §§ 3(a)(1), 3(a)(4). The Director is a political appointee who supervises and pays the APJs responsible for deciding patentability challenges. 35 U.S.C. §§ 1(a), 3(b)(6), 6(a). Further, the Director may select which APJs, and how many of them, will preside over any proceeding. *Id.* § 6(c). He can also add more members to any given panel—including himself—and order the

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[2] The only exception is *Buckley v. Valeo*, 424 U.S. 1 (1976), which concerned the classification of "Officers" as compared with mere "employees."

case reheard if he chooses. *Id.* §§ 6(a), (c); Patent Trial and Appeal Board, *Standard Operating Procedure 2 (Revision 10)* (Sept. 20, 2018) ("SOP2"). *See also In re Alappat*, 33 F. 3d 1526, 1535 (Fed. Cir. 1994) (en banc). Importantly, the Director is also "responsible for providing policy direction and management supervision" for the entire USPTO, including the PTAB. 35 U.S.C. §§ 3(a)(2)(A), 6(a).

In contrast, Congress chose to vest certain functions of the PTAB, a subpart of the USPTO, in numerous inferior officers—APJs—who are duly appointed by the Secretary of Commerce in consultation with the Director. *Id.* § 6(a). APJs review appeals of adverse decisions of examiners arising from patent applications and reexaminations, conduct derivation proceedings, and preside over America Invents Act (AIA) trial proceedings (e.g., *inter partes* review (IPR) and post-grant review (PGR) proceedings). *Id.* § 6(b). Indeed, in enacting the AIA, Congress specifically recognized that a "large number[3] of APJs will need to be recruited, trained, and retained to adjudicate PGR and new IPR" proceedings. 157 Cong. Rec. S1367 (daily ed. Mar. 8, 2011). Accordingly, Congress gave the Director "greater flexibility in paying and compensating the travel of APJs." *Id. See also* 35 U.S.C. § 3(b)(6) ("The Director may fix the rate of

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[3] Following the passage of the AIA, the number of APJs has significantly increased. *See* USPTO FY2020 Performance and Accountability Report, at 17, *available at* https://www.uspto.gov/sites/default/files/documents/USPTOFY20PAR.pdf (221 APJs in 2020); USPTO Board of Patent Appeals and Interferences Update, Patent Public Advisory Committee Meeting (June 14, 2012), *available at* https://www.uspto.gov/sites/default/files/about/advisory/ppac/20120614_bpai_update.pdf (80 APJs in 2010, but nearly 140 APJs in 2012).

basic pay for the administrative patent judges[.]"). Thus, by separating and defining the roles and powers of the Director and APJs, Congress created a politically accountable officer at the head of the USPTO with plenary powers over agency direction and supervision, while simultaneously providing the public with efficient, expedient, and impartial decision-makers in the limited context of patentability challenges and appeals.

Congress made clear its intent that APJs be inferior officers. *See Weiss v. United States*, 510 U.S. 163, 194 (1994) (Souter, J., concurring) ("in the presence of doubt deference to the political branches' judgment is appropriate"). Accordingly, holding that APJs are in fact principal officers upends the balance intended by Congress and provided for by the Appointments Clause and is inconsistent with this Court's precedent. The decision below should be reversed.

II. THE TOTALITY OF CIRCUMSTANCES SUPPORTS FINDING THAT APJS ARE INFERIOR OFFICERS BECAUSE THEY ARE DIRECTED AND SUPERVISED AT SOME LEVEL BY THE DIRECTOR OF THE USPTO.

This Court has considered a wide range of non-exclusive factors in determining whether officers are inferior or principal for Appointments Clause purposes. *See, e.g.*, *Free Enter. Fund.*, 561 U.S. at 485–87; *Edmond*, 520 U.S. at 661–66; *Freytag*, 501 U.S. at 880–82; *Morrison*, 487 U.S. at 671–73; *Go-Bart Importing Co.*, 282 U.S. at 352–53; *Myers*, 272 U.S. at 163; *Eaton*, 169 U.S. at 343; *Ex parte Hennen,* 38 U.S. at 258. These factors include, but are not limited to, whether the officers: (1) may be removed from their duties by a senior official; (2) are empowered to

perform only limited duties; (3) are limited in jurisdiction; (4) are limited in tenure or hold temporary offices; (5) are subject to general administrative oversight; (6) are subject to policy or regulations promulgated by a superior; (7) may make final factual or legal decisions that are not subject to further review; or (8) are intended by Congress to fall within the Excepting Clause. The appropriate Appointments Clause analysis under this Court's precedent therefore requires consideration of the totality of the circumstances, in contrast to the limiting, three-factor test articulated in *Arthrex*. Such a flexible approach supports finding that APJs of the PTAB are inferior officers.

A. *Edmond* Supports a Flexible Approach to Appointments Clause Cases.

In *Edmond*, this Court considered whether "judges of the military Courts of Criminal Appeals [are] 'inferior officers' under the Appointments Clause even though, as a practical matter, their decisions are almost always the final word on criminal convictions in the military." Pet. Br. at 1, *Edmond*, 520 U.S. 651 (No. 96-262). This Court held that appellate military judges (AMJs) are inferior officers. *Edmond*, 520 U.S. at 666.

In its brief, Edmond specifically sought to distinguish AMJs from the independent counsel in *Morrison v. Olson* and the special trial judges of the Tax Court in *Freytag v. Commissioner*—both of whom this Court had found to be inferior officers. In particular, Edmond argued that *Morrison* set forth specific criteria for classifying inferior officers. Pet. Br. at 45, *Edmond*. Edmond further argued that AMJs did not

meet these criteria because: (1) AMJ appointments "are for indefinite terms"; (2) there is "no one who is 'superior' to [AMJs] since there is no appeal as of right to a higher court from their decisions" because "[t]he only further review is discretionary"; and (3) "[m]ost significantly, the [AMJs] have a wide-ranging power of review of both convictions and sentences in courts-martial." *Id.* at 17–18, 45–48. Edmond highlighted that "*the greatest contrast* with independent counsels *is the total lack of supervision by anyone*, including the appointing officers, *over the daily work* of the [AMJs]." *Id.* at 48 (emphasis added). Edmond also argued that AMJs are distinguishable from the special trial judges of the Tax Court primarily because "decisions of the Courts of Criminal Appeals are reviewable only by permission, which is not often granted." *Id.* at 19, 55. *See also* Tr. of Oral Arg. at 7, *Edmond*, 520 U.S. 651 (No. 96-262) (arguing that AMJ decisions "have practical finality").

This Court rejected each of Edmond's arguments. *See Edmond*, 520 U.S. at 659–66. Specifically, the Court emphasized that its prior decisions "have not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes." *Id.* at 661. While the Court acknowledged Edmond's argument that its decision in *Morrison* had relied on "several factors," the Court expressly rejected this interpretation of *Morrison*:

> *Morrison did not purport to set forth a definitive test for whether an office is "inferior" under the Appointments Clause.* To the contrary, it explicitly stated: "We need not attempt here to decide exactly where the line falls between the two types of officers,

> because in our view the independent counsel clearly falls on the 'inferior officer' side of the line."

Id. at 661–62 (quoting *Morrison*, 487 U.S. at 671) (emphasis added). Instead, the Court made clear that "in the context of a clause designed to preserve political accountability relative to important government assignments," it was "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." *Id.* at 663 (emphasis added). Thus, the Court expressly declined to set a bright line, multifactor test to distinguish between inferior and principal officers, instead adopting a context-specific analysis focused on whether there is "direction and supervision" at some level by a presidentially appointed superior. *Id.* at 661–63.

The Court's decision in *Edmond* to eschew a test based on a limited number of exclusive factors is evidenced both in its embrace of the principles stated in *Morrison* and in its refusal to view certain factors in *Morrison* as dispositive. In particular, the Court agreed with Edmond that there were four factors that rendered the independent counsel in *Morrison* an inferior officer: (1) she was subject to removal by a higher officer; (2) she performed only limited duties; (3) her jurisdiction was narrow; and (4) her tenure was limited. *Id.* at 661 (citing *Morrison,* 487 U.S. at 671–72). The Court also agreed that the third and fourth *Morrison* factors did not apply to the AMJs. *Id.* But consistent with its totality-of-the-circumstances approach, the Court nonetheless concluded that AMJs,

like the independent counsel in *Morrison*, are inferior officers. *Id.* at 666.

Specifically, the Court in *Edmond* was satisfied that AMJs were sufficiently "directed and supervised at some level" by both the Judge Advocate General and the United States Court of Appeals for the Armed Forces (CAAF). *Id.* at 663–65. The Court found that AMJs were subject to substantial "administrative oversight" by the Judge Advocate General, who could prescribe uniform rules of procedure for the court and formulate policies and procedure for review of cases. *Id.* at 664. Similarly, the Court highlighted that the Judge Advocate General could remove AMJs from their judicial assignment without cause. However, the Court made a point to note that "the Judge Advocate General's control over Court of Criminal Appeals judges [wa]s, to be sure, not complete." *Id.* The Judge Advocate General could not influence the outcome of individual proceedings, nor could he reverse decisions of the AMJs. *Id.* at 664–66. The Court likewise did not require that the Judge Advocate General be able to remove AMJs at will from *their employment* in order for them to qualify as inferior. *See id.* at 667 (Souter, J., concurring in part and in the judgment) (noting the majority's focus on the Judge Advocate General's "power to control [AMJs] by *removal from a case*" in deciding inferior officer status) (emphasis added). Indeed, because AMJs may be civilians *or* commissioned officers, the Judge Advocate General does not have absolute removal power over them. *See* 10 U.S.C. § 866(a); *id.* § 1161(a).

Finally, while the Court noted that the CAAF could review decisions of AMJs, critically, the Court

acknowledged that the CAAF's review power was also not unlimited. *Id.* at 664–65. First, the Court noted that the CAAF may only review decisions of the AMJs in certain circumstances. *Id.* at 665 (citing 10 U.S.C. § 867(a)). In fact, as Edmond argued to the Court, in the majority of cases, there is "no other court to which an appeal *of right* can be taken by military personnel who are convicted by a court-martial," notwithstanding the CAAF's role. Pet. Br. at 50, *Edmond* (emphasis added). Indeed, "from FY 1991 through FY 1994 [the CAAF] decided between 2 and 4% of the number of cases decided by the [AMJs]."[4] *Id.* (citations omitted). Moreover, in cases where the accused does not petition the CAAF for review, and the case does not fall into any of the other categories authorized in Section 867(a), the CAAF does not have jurisdiction to review the decisions of AMJs. *Id.*

Additionally, the Court recognized that the CAAF's "scope of review" was also "narrower than that exercised" by the AMJs: "so long as there is some competent evidence in the record to establish each element of the offence beyond a reasonable doubt, the [CAAF]

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[4] Recent statistics similarly support the fact that the CAAF only reviews a fraction of cases decided by AMJs. For example, in 2019 for the Navy and Marine Corps, approximately 18.84% of cases reviewed by AMJs were forwarded to the CAAF for review, and only approximately 6.52% of all cases reviewed by AMJs were reviewed by the CAAF (i.e., petitions were granted). *See* U.S. Navy Report on Military Justice for Fiscal Year 2019, at 22, *available at* https://jsc.defense.gov/Annual-Reports/. Similarly, the CAAF reported for 2019 that out of 438 total filed petitions, only 52 were granted, i.e., 11.9%. Report of the U.S.C.A.A.F., FY 2019, at 8, *available at* https://www.armfor.uscourts.gov/ann_reports.htm.

will not reevaluate the facts." *Edmond*, 520 U.S. at 665 (citing 10 U.S.C. § 867(c)); *United States v. Wilson*, 6 M.J. 214, 215 (C.M.A. 1979) (citations omitted). Accordingly, while the Court did note that AMJ decisions are reviewable by principal officers, the Court did not *mandate* that absolute review is necessary for inferior officer status. *Edmond*, 520 U.S. at 665 ("This limitation upon review does not in our opinion render the judges of the Court of Criminal Appeals principal officers."). Put another way, *Edmond* established that AMJs were inferior officers even though the review power of their supervisors was limited.

Thus, the Court in *Edmond* rejected a strict test for Appointments Clause purposes based on the presence or absence of the particular factors in *Morrison*, opting instead for a context-specific analysis as to whether the totality of the circumstances demonstrates that an officer is "directed and supervised at some level" by a superior. *Id.* at 663. *See NLRB v. SW Gen. Inc.*, 137 S.Ct. 929, 947 n.4 (2017) (Thomas, J., concurring) ("In *Morrison*, the Court used a multifactor test to determine whether an independent counsel . . . was an 'Inferior officer.' . . . Although we did not explicitly overrule *Morrison* in *Edmond*, it is difficult to see how *Morrison*'s nebulous approach survived our opinion in *Edmond*.") (citations omitted).

B. The Federal Circuit's Three-Factor Test Does Not Take into Consideration All Relevant Facts.

In finding APJs to be principal officers, the Federal Circuit articulated a three-factor test: "(1) whether an appointed official has the power to review

and reverse the officers' decision; (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. The court found that because the Director does not have unlimited power under two of the three factors, his undisputed "control and supervision of the APJs"—the linchpin of the *Edmond* totality-of-circumstances analysis—was "not sufficient to render them inferior officers." *Id.* at 1335. "Control and supervision," however, is not merely a factor; rather, it is the framework of the analysis under this Court's precedent.

As an initial matter, the Federal Circuit appeared to base its test on its view that "the Court in *Edmond* emphasized three factors." *Id.* at 1329. But the Court's decision merely responded to the facts raised by the parties in that case and in the Court's prior *Morrison* and *Freytag* decisions. *See, e.g.*, *Edmond*, 520 U.S. at 661 (discussing *Morrison* factors); Pet. Br. at 45, 48, 50–51, 55, *Edmond*. As discussed above, this Court's Appointments Clause jurisprudence does not support a limiting, three-factor test. Indeed, because the evidence for determining officer classification is necessarily fact intensive and may vary greatly in different circumstances and statutory schemes, it will not always fit neatly into the three categories articulated by the Federal Circuit.

For example, the Court in *Morrison* considered the limits in the independent counsel's jurisdiction, duties, and tenure as factors relevant to her status as an inferior officer. *See* 487 U.S. at 672. The Federal Circuit believed that these facts fell outside of its three-factor test and gave them short shrift, simply

stating that "[u]nlike the Independent Counsel, the APJs do not have limited tenure, limited duties, or limited jurisdiction." *Arthrex*, 941 F.3d at 1334. Yet, consideration of these facts in view of the totality of the circumstances, and unencumbered by efforts to wedge them into the three-factor test, would have revealed more support for finding APJs to be inferior officers. Specifically, like the independent counsel in *Morrison*, APJs are "empowered by the Act to perform only certain, limited duties" because the statute's "grant of authority does not include any authority to formulate policy for the Government or the Executive Branch, nor does it give [APJs] any administrative duties outside of those necessary to operate [their] office." 487 U.S. at 672. *Compare* 35 U.S.C. § 3(a) (Director has authority to provide policy direction, management supervision, and issue patents), *and id.* § 6(c) (Director has authority to assign APJs to panels), *with id.* § 6(a)–(b) (APJs only able to participate on panels designated by the Director to review specific types of proceedings). In fact, as in *Morrison*, "in policy matters [APJs are] to comply to the extent possible with the policies of the Department." *Morrison*, 487 U.S. at 672 (citing 28 U.S.C. § 594(f)); 35 U.S.C. § 3(a); SOP2. Thus, while these facts do not fit neatly into a three-factor test, the totality of the circumstances suggests that APJs, as was the independent counsel in *Morrison*, are inferior officers.

Likewise, the weight to be given the evidence supporting any particular factor may also vary widely depending on the context of the officer in question. Thus, the many administrative regimes that may raise Appointments Clause questions militates in favor of a flexible approach comprised of non-exhaustive

factors. *See Edmond*, 520 U.S. at 668 (Souter, J., concurring in part and in the judgment) ("I would not try to derive a single rule of sufficiency. What is needed, instead, is a detailed look at the powers and duties of these judges to see whether reasons favoring their inferior officer status within the constitutional scheme weigh more heavily than those to the contrary.").

The Federal Circuit's decision appears heavily influenced by the D.C. Circuit's similar interpretation of *Edmond* in *Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012). *See Arthrex*, 941 F. 3d at 1329, 1334–39. But *Intercollegiate*, unlike *Edmond*, is not binding. Moreover, the D.C. Circuit in *Intercollegiate* unnecessarily narrowed the *Edmond* analysis into a definitive three-factor checklist (supervision, removal, and review) in finding that Copyright Royalty Judges (CRJs) were principal officers. 684 F.3d at 1338. The D.C. Circuit also appeared to conflate different Appointments Clause standards by giving improper weight to the "significance of authority" of the CRJs, which this Court has consistently stated "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." *Edmond*, 520 U.S. at 662 (citing *Buckley*, 424 U.S. at 126). *But see Intercollegiate*, 684 F.3d at 1337–39 ("levels of significance may play some role in the divide between principal and inferior," and "significance of authority" is "a metric on which the CRJs score high"). *Intercollegiate* therefore does not compel restricting the Appointments Clause analysis to a three-factor test. This Court should thus reverse the Federal

Circuit's decision and clarify for the courts below the correct approach for resolving whether an officer is inferior for Appointments Clause purposes.

C. The Director's Lack of "Unfettered" Review and Removal Power Does Not Outweigh His Substantial Direction and Supervision over APJs.

Under the flexible *Edmond* approach, the Director's substantial direction and supervision over the work of APJs cannot be discounted simply because he does not also possess unfettered review and removal authority. *Arthrex*, 941 F.3d at 1329–32. Such an exacting standard is not supported by this Court's Appointments Clause jurisprudence.

With respect to review, this Court's precedent does not require the Director to possess unlimited review power over every decision of the APJs in order for them to qualify as inferior officers. As discussed above, in *Edmond*, the Judge Advocate General was not empowered "to influence (by threat of removal or otherwise) the outcome of individual proceedings," and "ha[d] no power to reverse decisions of the court." *Edmond*, 520 U.S. at 664. The most the Judge Advocate General could do was order particular cases to be reviewed by the CAAF, which, while exercising some review power, was still limited in scope and jurisdiction. *Id.* at 664–65 (citing 10 U.S.C. § 867(a)). Nevertheless, the Court found that AMJs were inferior officers. *Id.*

Here, like the Judge Advocate General, the Director of the USPTO may convene a Precedential Opinion Panel to review and reverse any decision by the APJs and to issue binding decisions on all future APJ panels. *Arthrex*, 941 F.3d at 1330 (citing SOP2).

That the Director is only one of the members of the Panel does not significantly limit his authority to *order* review. And, unlike the Judge Advocate General, the Director is able to exert significant influence over the outcome of individual proceedings through his statutory power to institute IPRs and PGRs; his ability to assign APJs to, and remove them from, particular panels, and to expand panels as he chooses; and his ability to issue binding guidance that all must follow. *See, e.g.*, 35 U.S.C. §§ 3(a), 6(c), 314(a)–(d). Thus, although there may be "no provision or procedure providing the Director the power *to single-handedly* review, nullify or reverse a final written decision issued by a panel of APJs," *Arthrex*, 941 F.3d at 1329 (emphasis added), given the Director's direction and control over APJs and their judicial assignments, and his ability to order review of their decisions, APJs are inferior officers. *See also* John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 PATENTLY-O PATENT L.J. 21, 25 (2007).

Likewise, the fact that "both the Secretary of Commerce and the Director lack *unfettered* removal authority" is not dispositive. *Arthrex*, 941 F.3d at 1332 (emphasis added). "Unfettered removal authority" is not necessary under this Court's precedent for inferior officer status. Although the Court stated in *Morrison* that the fact that the independent counsel "can be removed by the Attorney General indicates that she is to some degree 'inferior' in rank and authority," 487 U.S. at 671, importantly, this removal authority was not unlimited or at will. Indeed, by statute, the independent counsel was removable "only for 'good cause' or physical or mental incapacity." *Id.* at 716 (Scalia, J., dissenting) (citing 28 U.S.C.

§ 596(a)(1)). Similarly, as discussed above, the AMJs in *Edmond* were only removable *from their judicial assignment*, and, because they could be commissioned officers, they were not necessarily terminable at will by the Judge Advocate General. *Edmond*, 520 U.S. at 664–66; 10 U.S.C. § 866(a); *id.* § 1161(a). Thus, these removal powers in *Morrison* and *Edmond* were arguably even more restricted than the Director's ability to remove APJs from their judicial assignments or from employment under Title 5. Yet the Court found them sufficiently supportive of inferior officer status. *See also Myers*, 272 U.S. at 160 ("We have no doubt that when Congress by law vests the appointment of inferior officers in the heads of departments, it may limit and restrict the power of removal as it deems best for the public interest").

Likewise, that the Director may remove, at will, any APJ from a given panel, or decide broadly that, for example, an APJ may not preside over certain types of proceedings altogether (e.g., IPR or PGR), is precisely the type of removal authority highlighted in this Court's precedent that supports finding inferior officer status. Put simply, the ability to control the assignments of APJs in the performance of their duties fulfills the purpose of the Appointments Clause to ensure political accountability to a principal officer, i.e., the Director. No more is required.

Ultimately, while "[t]he line between 'inferior' and 'principal' officers is one that is far from clear," *Morrison*, 487 U.S. at 671, application of the *Edmond* framework to assess the total effect of the Director's direction and supervision over APJs supports finding that APJs are inferior officers and thus constitutionally appointed. Notably, the Federal Circuit agreed that

"[t]he Director's administrative oversight authority is similar to the supervisory authority that was present in both *Edmond* and *Intercollegiate*" and thus "the Director's supervisory powers weigh in favor of a conclusion that APJs are inferior officers." *Arthrex*, 941 F. 3d at 1331–32.

The Federal Circuit further acknowledged that the Director: is "responsible for providing policy direction and management supervision for the USPTO"; possesses the "authority to promulgate regulations governing the conduct of *inter partes* review"; has the "power to issue policy directives and management supervision of the Office"; may "provide instructions that include exemplary applications of patent laws to fact patterns"; and has the authority to designate or de-designate any decision as precedential and thus bind future APJ decisions. *Id.* at 1331 (quotation and citation omitted). The Federal Circuit also agreed that "the Director has administrative authority that can affect the procedure of individual cases," *id.*, which includes the sole authority to decide whether to institute an IPR and to designate or de-designate judges to decide each IPR.

Not only does the Director possess the aforementioned authority, he regularly exercises it. To date, the Director has approved the designations of nearly 100 precedential decisions that are binding on APJ decision-making in IPRs and PGRs, interferences, *ex parte* appeals, and other proceedings. *See* Alphabetical Listing of Precedential Decisions, Patent Trial and Appeal Board, *available at* https://www.uspto.gov/patents-application-process/appealing-patent-decisions/decisions-and-opinions/precedential. These decisions control not only issues relating to USPTO practice

and procedure but also important substantive determinations such as: patent eligibility (*Ex parte Mewherter*, 2012-007692 (P.T.A.B. May 8, 2013)); objective indicia of non-obviousness (*Lectrosonics, Inc. v. Zaxcom, Inc.*, IPR2018-01129, Paper 33 (P.T.A.B. Jan. 24, 2020)); claim construction (*Ex parte McAward*, 2015-006416 (P.T.A.B. Aug. 25, 2017)); estoppel (*Westlake Servs., LLC v. Credit Acceptance Corp.*, CBM2014-00176, Paper 28 (P.T.A.B. May 14, 2015)); and qualifications for printed publications as prior art (*Hulu, LLC v. Sound View Innovations, LLC*, IPR2018-01039, Paper 29 (P.T.A.B. Dec. 20, 2019)).

The Director has also issued binding guidance in other forms. For example, the Director recently issued a Memorandum which expressly "set[] forth the USPTO's interpretation of § 311(b) in relation to statements of the applicant," i.e., "applicant admitted prior art." Aug. 18, 2020 USPTO Mem., Treatment of Statements of the Applicant in the Challenged Patent in *Inter Partes* Reviews Under § 311, at 1. The Memorandum dictates that "admissions by the applicant in the specification of the challenged patent standing alone cannot be used as the basis for instituting an IPR, under either § 102 or § 103." *Id.* at 4. The Memorandum was expressly "issued under the Director's authority to issue binding agency guidance to govern the Board's implementation of various statutory provisions, including directions regarding how the statutory provisions shall be applied to sample fact patterns." *Id.* at 2 (citing 35 U.S.C. § 3(a)(2)(A); SOP2 at 1–2). Similarly, on April 26, 2018, following the Court's ruling in *SAS Institute Inc. v. Iancu*, 138 S.Ct. 1348 (2018), the Director issued a binding "Guidance on the Impact of SAS on AIA Trial Proceed-

ings," which expanded the Court's ruling in *SAS Institute* as a policy matter to require the PTAB to institute trial on all challenged claims *and* all asserted grounds, or none at all.

The Director has also issued many other policy directives, regulations, and other instructions to examiners and APJs that include exemplary applications of patent laws to particular fact patterns. Most notably, the Director has promulgated a series of guidance documents regarding how patent examiners and APJs should evaluate claims for patent subject matter eligibility under 35 U.S.C. § 101, including by providing examples that demonstrate the application of Section 101 to hypothetical inventions. *See, e.g.*, Appendix 1 to Oct. 2019 Update to 2019 Revised Patent Subject Matter Eligibility Guidance (Oct. 2019), *available at* https://www.uspto.gov/sites/default/files/documents/peg_oct_2019_app1.pdf.

Thus, although the Director's power to review APJ decisions and remove APJs from employment is not absolute, absolute power is not necessary in view of the totality of the Director's direction and supervision over the APJs' work, and the Director's "political accountability relative to important government assignments." *Edmond*, 520 U.S. at 663. APJs are inferior officers whose work is "directed and supervised at some level" by the Director of the USPTO. Accordingly, they are constitutionally appointed, and the Federal Circuit decision should be reversed.

III. A FINDING OF CONSTITUTIONALITY WILL MOOT THE QUESTION OF REMEDY AND MINIMIZE DISRUPTION TO THE PATENT SYSTEM.

The questions of constitutionality and remedy are inextricably linked; reversal as to the former would moot the need to address the latter. Thus, the Federal Circuit's choice to sever application of Title 5's removal protections to APJs is only appropriate if this Court agrees that there is both a constitutional defect and the remainder of the severed statute is: "(1) constitutionally valid, (2) capable of functioning independently, and (3) consistent with Congress' basic objectives in enacting the statute." *Arthrex*, 941 F.3d at 1335 (citation omitted). As discussed above, should this Court reaffirm the flexible approach of *Edmond* and hold that APJs are constitutionally appointed inferior officers, the Court need go no further to restore the balance set forth by the Appointments Clause and by Congress. This outcome is not only correct as a matter of law, but it also preferably results in the least disruption to the patent system and other potentially implicated regimes.

Indeed, severing application of Title 5's removal protections to APJs and requiring that a new panel of APJs be designated and a new hearing be granted in each of the pending cases is inconsistent with Congress' basic objectives in enacting the AIA to (1) maintain the speedy, efficient, and cost-effective administrative scheme set forth by Congress; (2) serve the needs of the USPTO, including by not undermining the agency's ability to attract, hire, and retain quality APJs; and (3) serve the needs of those who use the patent system, including patent challengers

and owners alike, by maintaining the impartiality, legal correctness, and transparency of APJ decisions.

As an initial matter, more than 100 cases involving patented inventions spanning technological, pharmaceutical, and other important industries are awaiting resolution in view of *Arthrex*. These cases impact intellectual property rights pertaining to vaccine and drug development, medical devices, and more. *See, e.g.*, *Moderna Therapeutics, Inc. v. Protiva Biotherapeutics, Inc.*, IPR2018-00680, Paper 46 (P.T.A.B. Sept. 10, 2019) (patent involving stable nucleic acid-lipid particles for RNAi based therapies); *Merck Sharp & Dohme Corp. v. Pfizer Inc.*, IPR2017-02131, Paper 59 (P.T.A.B. Mar. 13, 2019) (patent involving "vaccination of human subjects, in particular infants and elderly, against pneumococcal infections"); *Apotex Inc. v. Amgen Inc.*, IPR2016-01542, Paper 60 (P.T.A.B. Feb. 15, 2018) (patent directed to refolding proteins). Many of these proceedings have been languishing long past the AIA's statutory deadlines. Under the *Arthrex* remedy, each of these cases will need to be reheard by a new panel, potentially adding more cost and months, if not years, before certainty can be obtained. Such delay and financial burden are not only disruptive to the parties involved and to the public, but are contrary to the intent of the AIA to provide speedy and cost-effective patentability resolutions.

Severance of Title 5's removal protections to APJs also threatens the ability of the USPTO to recruit and retain quality APJs, and the ability of APJs to provide fair and transparent decisions. APJs have unique qualifications—virtually all APJs have specialized technical degrees and are registered patent attorneys, and many have patent litigation experience

as well. *See, e.g.*, Janet Gongola, *The Patent Trial and Appeal Board: Who are they and what do they do?* (Summer 2019), *available at* https://www.uspto.gov/learning-and-resources/newsletter/inventors-eye/patent-trial-and-appeal-board-who-are-they-and-what ("Many APJs also have had distinguished engineering or scientific careers in addition to their extensive legal experience."); Michael Goodman, *What's So Special About Patent Law*?, 26 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 797, 842 (2016) ("Whereas creating a trial court with at least as many specialties and sub-specialties as the Patent and Trademark Office may have been impossible within the judiciary, that is precisely what Congress created in the PTAB within the PTO itself") (quotations and citations omitted). Many APJs specifically chose to leave private practice to become APJs.

Stripping APJs of Title 5's removal protections and transforming them instead to at-will employees who operate under threat of removal impairs the USPTO's ability to recruit and retain APJs. This is particularly concerning where all APJs appear to be impacted by the removal of Title 5 protections, but not all APJs handle IPR and PGR proceedings, as compared with appeals from examination and reexamination. Only a fraction of the work performed by APJs consists of AIA trial proceedings, i.e., IPR or PGR. *See* USPTO FY2020 Performance and Accountability Report, at 208–09 (approximately 1400 AIA proceedings pending, in contrast to *over 7500 ex parte* appeals, reexamination appeals, and interferences). In the absence of removal protections, and without any additional legislative adjustments, there is no way to ensure that APJ decisions in all of the different

proceedings over which they preside are not unduly influenced by the fear of removal and pressure to appease their superiors. For at least these reasons, the *Arthrex* remedy runs contrary to Congress's intent to create a "clearer, fairer, more transparent, and more objective" patent system. 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011).

Further, contrary to the positions of Arthrex and other *amici* below, the *Arthrex* decision and remedy have the potential to have far-reaching consequences. The Federal Circuit has already extended its *Arthrex* rationale and remedy to other USPTO proceedings such as *inter partes* reexaminations, *ex parte* appeals, and *ex parte* reexaminations. *See, e.g.*, *In re Boloro Global*, No. 19-2349 (Fed. Cir. July 7, 2020) (applying to *ex parte* appeals); *In re JHO Intell. Prop. Holdings, LLC*, No. 19-2330 (Fed. Cir. June 18, 2020) (applying to *ex parte* reexaminations); *Luoma v. GT Water Prods., Inc.*, No. 19-2315 (Fed. Cir. Jan. 17, 2020) (applying to *inter partes* reexaminations); *VirnetX Inc. v. Cisco Sys., Inc.*, No. 19-1671 (Fed. Cir. Jan. 24, 2020) (same). The Federal Circuit has expressly stated that in view of its *Arthrex* decision finding APJ appointments unconstitutional in the context of IPR proceedings, "vacatur would be appropriate for *all agency actions rendered by those APJs* regardless of the specific type of review proceeding on appeal." *VirnetX Inc. v. Cisco Sys., Inc.*, 958 F.3d 1333, 1335 (Fed. Cir. 2020) (emphasis added). Thus, if the *Arthrex* decision and remedy stand, *all* agency actions rendered by the unconstitutionally appointed APJs may require rehearing by a new panel. This could impose a substantial burden upon the USPTO, as IPR and PGR proceedings are a relatively small fraction of the total agency

actions rendered by APJs. *See* USPTO FY2020 Performance and Accountability Report, at 208–09. The potential delay, cost, and uncertainty associated with rehearing these expanded proceedings—which were not at issue in *Arthrex* and therefore not carefully analyzed for Appointments Clause purposes—is yet unknown.

Finally, a rigid, factor-specific approach, devoid of proper context and consideration for the particular administrative regime at issue, leaves open an avenue to challenge the constitutionality of the appointment of other officers of both the USPTO and other agencies. Indeed, parties have already raised whether the *Arthrex* holding should also apply to Administrative Trademark Judges (ATJs) of the USPTO and, by extension, potentially other administrative adjudicators from other agencies. *See, e.g.*, *Soler-Somohano v. Coca-Cola Co.*, No. 19-2414 (Fed. Cir. Sept. 19, 2019) (challenging appointment of ATJs under *Arthrex*); *Piano Factory Grp., Inc. v. Schiedmayer Celesta GmbH*, No. 20-1196 (Fed. Cir. Oct. 26, 2020) (TTAB cancellation proceeding stayed pending resolution of *Arthrex*). These challenges are particularly problematic as ATJs were not created by the AIA, perform substantially different duties, and operate under a different statutory regime than APJs. *See* Lanham (Trademark) Act, 15 U.S.C. § 1051 *et seq.*; USPTO FY2020 Performance and Accountability Report, at 17 (at the end of FY2020, there were 221 APJs but only 24 ATJs). Indeed, the Lanham Act provides a number of different ways in which the Director possesses greater control over the decisions of ATJs than the Federal Circuit determined he wielded over APJs. *Compare, e.g.*, 15 U.S.C § 1067(a) (providing the

Director unrestricted authority to decide trademark registration rights), *with Arthrex*, 941 F.3d at 1329 (noting that rehearings can only be heard by a three-member panel, thus restricting the Director's ability to "single-handedly review, nullify or reverse" APJ decisions). Thus, while the Federal Circuit's analysis in *Arthrex* was cabined to the particular facts surrounding APJs in IPR proceedings, its decision and chosen remedy may impact all USPTO proceedings involving administrative judges.

The limiting, three-factor *Arthrex* test, whereby inferior officer status may be conditioned upon the existence of unfettered removal and review power, would have potentially serious implications for administrative adjudicators from numerous other federal agencies. In contrast to the 250 total APJs and ATJs of the USPTO, there are nearly 2,000 Administrative Law Judges (ALJs) throughout the Federal Government who are appointed directly by agency heads rather than the President. *See, e.g.*, Office of Personnel Mgmt., ALJs by Agency, *available at* https://www.opm.gov/services-for-agencies/administrative-law-judges#url=ALJs-by-Agency (1931 ALJs employed); Exec. Order No. 13,843, 83 Fed. Reg. 32755 (July 10, 2018) (following *Lucia*, exempting all ALJs from the competitive service to allow federal agencies direct ability to appoint ALJs). These officers include, for example, over 1,500 ALJs of the Social Security Administration, who conduct hearings and make decisions on appealed determinations involving retirement, survivors, disability insurance, and supplemental security income benefits; six ALJs of the International Trade Commission, who adjudicate Section 337 investigations and issue findings of fact and legal deter-

minations regarding, among other things, claim construction and other patent issues; 126 ALJs of the Department of Health and Human Services, who hear disputes involving Medicare and Medicaid eligibility, claims, fraud and abuse, and other claims; and more. *See* Hearings and Appeals, U.S. Social Security Administration, *available at* https://www.ssa.gov/appeals/about_us.html; 19 U.S.C. § 1337; Administrative Law Judge Bios, U.S. International Trade Commission, *available at* https://www.usitc.gov/alj_bios; Nancy J. Griswold & Constance B. Tobias, *Establishing a New Merit-Based Process for Appointing Administrative Law Judges at HHS*, U.S. Dept. of Health and Human Services (Jan. 8, 2019), *available at* https://www.hhs.gov/blog/2019/01/08/new-merit-based-process-for-appointing-administrative-law-judges.html. These ALJs exercise a wide variety of authority and discretion, are subject to differing levels of supervision and review, and are subject to different degrees of removal from office or employment. However, given the *Arthrex* three-factor test, it is unclear whether these ALJs, or numerous other types of officers across other agencies, are now vulnerable to Appointments Clause Challenges. And if they are found unconstitutionally appointed, it is also unclear whether they all must be re-appointed by the President with Senate approval, or whether similar severance of removal protections or rehearing may be necessary.

Reversal thus would not only comport with the Court's precedent in evaluating Appointments Clause questions, but it would also moot any need for a judicially created remedy and result in the least disruption to the patent system and other potentially implicated administrative regimes. Reversal is appropriate.

CONCLUSION

For these reasons, *Amicus* respectfully requests this Court reverse the *Arthrex* decision.

Respectfully submitted,

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