

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 FOR ASKELADDEN L.L.C.
AS AMICUS CURIAE IN SUPPORT OF
PETITIONERS IN NOS. 19-1434 & 19-1452**

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTEREST OF AMICUS CURIAE.....	1
SUMMARY OF ARGUMENT.....	2
ARGUMENT.....	4
I. CONGRESS PROPERLY AUTHORIZED APJS TO ADJUDICATE IPRs IN ORDER TO ADDRESS PERNICIOUS PROBLEMS ARISING FROM DUBIOUS PATENTS	4
A. Congress Established The PTAB And IPR To Fix A Broken Patent System.....	4
B. IPR Proceedings Have Repeatedly Survived Constitutional Challenges In This Court And Lower Courts.....	8
II. APJS ARE INFERIOR OFFICERS WHO MAY BE CONSTITUTIONALLY APPOINTED BY THE SECRETARY OF COMMERCE	11
A. The Secretary And PTO Director Are Empowered To Supervise APJs To Ensure Adherence To Their Policies And Consistent Review Of Patentability	11
B. This Court's Precedent Establishes That APJs Are Inferior Officers.....	16
C. The Federal Circuit's Decision Has Disrupted The Effective Regime That Congress Established.....	19
CONCLUSION	20

TABLE OF AUTHORITIES

CASES

	Page(s)
<i>Avalos v. Department of Housing & Urban Development</i> , 963 F.3d 1360 (Fed. Cir. 2020)	13
<i>Bilski v. Kappos</i> , 561 U.S. 593 (2010)	5
<i>Bowsher v. Synar</i> , 478 U.S. 714 (1986)	17
<i>Buckley v. Valeo</i> , 424 U.S. 1 (1976)	17
<i>Celgene Corp. v. Peter</i> , 931 F.3d 1342 (Fed. Cir. 2019)	10
<i>Collabo Innovations, Inc. v. Sony Corp.</i> , 778 F. App'x 954 (Fed. Cir. 2019)	10
<i>Cuozzo Speed Technologies, LLC v. Lee</i> , 136 S. Ct. 2131 (2016)	9
<i>Denver & Rio Grande Western Railroad Co. v. Brotherhood of Railroad Trainmen</i> , 387 U.S. 556 (1967)	10
<i>Edmond v. United States</i> , 520 U.S. 651 (1997)	3, 11-13, 17
<i>Free Enterprise Fund v. Public Company Accounting Oversight Board</i> , 561 U.S. 477 (2010)	18
<i>Freytag v. Commissioner</i> , 501 U.S. 868 (1991)	18
<i>Graham v. John Deere Co. of Kansas City</i> , 383 U.S. 1 (1966)	9
<i>Granfinanciera, S.A. v. Nordberg</i> , 492 U.S. 33 (1989)	9

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>In re Boloro Global Ltd.</i> , 963 F.3d 1380 (Fed. Cir. 2020).....	19
<i>In re Hennen</i> , 38 U.S. 230 (1839).....	18
<i>Lucia v. SEC</i> , 138 S. Ct. 2044 (2018)	17-18
<i>Microsoft Corp. v. i4i Ltd. Partnership</i> , 564 U.S. 91 (2011)	7
<i>Morrison v. Olson</i> , 487 U.S. 654 (1988).....	13, 18
<i>Motion Picture Patents Co. v. Universal Film Manufacturing Co.</i> , 243 U.S. 502 (1917).....	5
<i>Myers v. United States</i> , 272 U.S. 52 (1926).....	17-18
<i>Oil States Energy Services, LLC v. Greene’s Energy Group, LLC</i> , 138 S. Ct. 1365 (2018)	6-7, 9, 13-15
<i>Pope Manufacturing Co. v. Gormully</i> , 144 U.S. 224 (1892).....	5
<i>Return Mail, Inc. v. U.S. Postal Service</i> , 139 S. Ct. 1853 (2019).....	6-7
<i>State Street Bank & Trust Co. v. Signature Financial Group, Inc.</i> , 149 F.3d 1368 (Fed. Cir. 1998).....	5
<i>Thryv, Inc v. Click-To-Call Technologies, LP</i> , 140 S. Ct. 1367 (2020)	6
<i>Virnetx Inc. v. Cisco Systems, Inc.</i> , 958 F.3d 1333 (Fed. Cir. 2020)	19

DOCKETED CASES

<i>Celgene Corp. v. Peter</i> , No. 19-1074 (U.S.)	10
--	----

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Collabo Innovations, Inc. v. Sony Corp.</i> , No. 19-601 (U.S.).....	10
<i>Enzo Life Sciences v. Becton, Dickinson & Co.</i> , No. 19-1097 (U.S.).....	10

**CONSTITUTIONAL, STATUTORY, AND
REGULATORY PROVISIONS**

U.S. Const. art. II, § 2, cl. 2.....	11
5 U.S.C. § 7513	4, 13
35 U.S.C.	
§ 1.....	12
§ 2.....	14
§ 3.....	13-14
§ 6.....	7, 9, 13-15
§ 143.....	7
§ 282.....	7
§ 311.....	6
§ 314.....	6, 15
§ 316.....	7, 14
§ 318.....	7
§ 319.....	7
§ 326.....	14
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)	2, 9
37 C.F.R. pt. 42, subpts. A, B	14

LEGISLATIVE MATERIALS

H.R. Rep. No. 112-98, pt. 1 (2011)	4-6, 8, 16
157 Cong. Rec. S130 (daily ed. Jan 25, 2011)	3, 8

TABLE OF AUTHORITIES—Continued

	Page(s)
157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011)	6
157 Cong. Rec. S1360 (daily ed. Mar. 8, 2011)	5
157 Cong. Rec. H4420 (daily ed. June 22, 2011)	4
157 Cong. Rec. S7413 (daily ed. Nov. 14, 2011)	5

ADMINISTRATIVE MATERIALS

<i>General Order in Cases Remanded Under Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019), 2020 WL 2119932 (P.T.A.B. May 1, 2020)	19
PTO Standard Operating Procedure 1 (SOP-1) (rev. 15, Sept. 20, 2018), https://www.uspto.gov/sites/default/files/documents/SOP%20R15%20FINAL.pdf	13, 15
PTO Standard Operating Procedure 2 (SOP-2) (rev. 10, Sept. 20, 2018), https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf	14
USPTO, Patent Trial and Appeal Board, <i>Trial Statistics</i> (Sept. 30, 2020), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf	6, 8, 19

SECONDARY AUTHORITIES

Bessen, James, <i>The Evidence Is In: Patent Trolls Do Hurt Innovation</i> , Harv. Bus. Rev. (2014).....	4
--	---

TABLE OF AUTHORITIES—Continued

	Page(s)
Lerner, Josh, et al., Harvard Business School, Working Paper 16-068, <i>Financial Patent Quality: Patents After State Street</i> (2015), https://www.hbs.edu/faculty/publication%20files/16-068_702dabb8-70c5-4917-a257-75dc8b0c4f6b.pdf	5

INTEREST OF AMICUS CURIAE¹

Askeladden L.L.C. is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. The Clearing House is a banking association and payments company that is owned by the world's largest commercial banks and dates back to 1853. The Clearing House owns and operates core payments system infrastructure in the United States. It is the only private-sector automated clearing house (ACH) and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day—half of all commercial ACH and wire volume. The Clearing House continues to leverage its unique capabilities to support bank-led innovation, including launching the RTP® network, a real-time payment platform that modernizes core payments capabilities for all U.S. financial institutions. As the country's oldest banking trade association, The Clearing House also provides informed advocacy and thought leadership on critical payments-related issues facing financial institutions today.

Independently of the business and activities of The Clearing House, Askeladden founded the Patent Quality Initiative (PQI) as an education, information, and advocacy effort to improve the understanding, use, and reliability of patents in financial services and elsewhere. Through the PQI, Askeladden strives to improve the patent system by challenging the validity of low-quality patents and by promoting improved patent holder be-

¹ No counsel for a party authored this brief in whole or in part, and no entity or person, other than amicus curiae, its members, and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Letters from the parties consenting to the filing of this brief are on file with the Clerk.

havior, while also supporting effective intellectual property practices and improved innovation rights. To that end, Askeladden regularly files amicus briefs in cases presenting important issues of patent law.

This is such a case. The Federal Circuit's erroneous decision that administrative patent judges (APJs) are principal officers requiring appointment by the President and confirmation by the Senate will wreak havoc on the patent system. Askeladden therefore submits this brief to urge this Court to reverse.

SUMMARY OF ARGUMENT

By 2011, the patent system had spiraled out of control, in large part due to the proliferation of low-quality patents issuing from the Patent and Trademark Office (PTO), including many such patents asserted against financial services companies. That was a problem of significant public concern because improperly issued patents discourage innovation, distort interstate commerce, and burden the courts. Congress responded by enacting the Leahy-Smith America Invents Act (AIA), which enhanced the mechanisms by which the validity of issued patents can be challenged in the PTO. *See* Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-331 (2011). This case concerns the administrative patent judges who—sitting on panels of three or more members of the Patent Trial and Appeal Board (PTAB)—conduct inter partes review (IPR) and the other proceedings for evaluating patent validity that Congress established in the AIA.

This Court has already rejected one constitutional challenge to IPR, and the Federal Circuit has rejected several others. Here, though, the Federal Circuit held that the appointment of APJs by the Secretary of

Commerce violates the Appointments Clause of the Constitution because APJs are principal officers of the United States who must be appointed by the President and confirmed by the Senate. That decision was erroneous because it overlooked how Congress vested in the Secretary and the PTO Director numerous mechanisms to assert extensive control over APJs' work. Indeed, without such controls, Congress could not possibly have expected IPR to achieve its objective of "separat[ing] the inventive wheat from the chaff" on a large-scale, consistent basis, which a well-functioning patent system requires. 157 Cong. Rec. S130, S131 (daily ed. Jan. 25, 2011) (statement of Sen. Leahy). For example, Congress granted the Secretary and the Director the power to establish PTO policies, and made the Director responsible for the "management supervision" of the PTO. Further, Congress granted the Secretary wide power to remove APJs from office and granted the Director unfettered power to determine APJs' assignments—both "powerful tool[s] for control," *Edmond v. United States*, 520 U.S. 651, 664 (1997). The Director thus controls whether an APJ decides *anything at all*, and he can use his assignment power to choose APJs who he expects will reach a decision—in the first instance or on rehearing—that accords with his views in a given case.

Even if neither the Secretary nor the Director directly reviews APJs' decisions, this Court has never held that such review is the sine qua non of inferior-officer status. Rather, what matters is whether the officer's "work is directed and supervised at some level." *Edmond*, 520 U.S. at 663. As this brief explains, the Secretary and the Director—separately and together—do direct and supervise APJs' work in extensive ways.

Therefore, Congress’s choice to vest the power to appoint APJs in the Secretary was constitutionally sound.²

ARGUMENT

I. CONGRESS PROPERLY AUTHORIZED APJs TO ADJUDICATE IPRs IN ORDER TO ADDRESS PERNICIOUS PROBLEMS ARISING FROM DUBIOUS PATENTS

A. Congress Established The PTAB And IPR To Fix A Broken Patent System

In 2011, Congress established IPR proceedings and created the PTAB “to correct flaws in the [patent] system that ha[d] become unbearable.” H.R. Rep. No. 112-98, pt. 1, at 38-39 (2011). “[Q]uestionable patents,” Congress observed, were “too easily obtained” and “too difficult to challenge.” *Id.* at 39. “In several industries” patents were “often multitudinous, vague, and highly abstract.” *Id.* at 163-164. And patent-assertion entities seized on this state of affairs, bringing scores of meritless lawsuits under largely invalid patents—lawsuits that cost defendants more than \$29 billion in 2011 alone. Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harv. Bus. Rev. (Nov. 2014).

The problem was particularly acute in the financial services and business communities. Patent-assertion entities used “some of the most questionable business method patents ... for years to extort money from legitimate businesses.” 157 Cong. Rec. H4420, H4425-4426 (daily ed. June 22, 2011) (statement of Rep. Goodlatte). These opportunists “ha[d] invented nothing, offer[ed]

² The Court accordingly need not reach—and this brief does not address—the second question presented, regarding whether the court of appeals properly cured any Appointments Clause defect by severing application of the removal standard in 5 U.S.C. § 7513(a) to APJs.

no product or service and employ[ed] no one.” 157 Cong Rec. S1360, S1365 (daily ed. Mar. 8, 2011) (letter from Independent Community Bankers of America entered into the record by Sen. Schumer). Yet their ability to use patents “of questionable quality” to “extract[] large settlements from community banks ... threaten[ed] ... bankers’ ability to provide banking and banking related services to their local communities and to local small businesses.” *Id.*

This conduct was further enabled by the Federal Circuit’s erroneous decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), which adopted a liberal patent-eligibility standard for business-method patents. That error was eventually corrected, *see Bilski v. Kappos*, 561 U.S. 593, 612 (2010), but for twelve years, *State Street Bank* led the PTO to issue hundreds of “poor business-method patents,” H.R. Rep. No. 112-98, pt. 1 at 54, that Congress recognized were “likely ... now invalid,” 157 Cong. Rec. S7413, S7413 (daily ed. Nov. 14, 2011) (letter from House Judiciary Committee chairman entered into the record by Sen. Kyl); *see also* Lerner et al., Harvard Business School, Working Paper 16-068, *Financial Patent Quality: Patents After State Street* (2015) (study sponsored by Askeladden) (surveying financial services patents from 2001 to 2010 and finding indicators of lower patent quality relative to other patents). As a result, the patent system did “not promote the progress of science and the useful arts,” but instead created entirely undeserved “private fortunes,” *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917), and “repressed” competition through worthless patents,” *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892).

With the “scourge” of “frivolous business method patents” in mind, 157 Cong. Rec. S1053, 1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer), and “concerned about” the resulting “diminishment of competition,” Congress enacted the AIA to strengthen the PTO’s ability “to weed out bad patent claims efficiently,” *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020); see H.R. Rep. No. 112-98, pt. 1, at 40 (“The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”). The Act established “three new types of post-issuance review proceedings”: inter partes review, post-grant review (PGR), and covered business method review (CBM). *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1860 (2019). IPR is, by far, the most prominent of these proceedings: Since the AIA went into effect in 2012, IPR has accounted for 93% of the petitions filed with the PTO under the AIA. USPTO, Patent Trial and Appeal Board, *Trial Statistics 3* (Sept. 30, 2020) (“PTAB Trial Statistics”).

“Any person other than the patent owner can file a petition for inter partes review.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018) (citing 35 U.S.C. § 311(a) (2012)). The PTO Director then decides whether to grant the IPR petition and institute the IPR, provided the statutory requirements—including that “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”—are met. 35 U.S.C. § 314(a).

To achieve its objective of “mak[ing] the patent system more efficient and improv[ing] the quality of patents,” H.R. Rep. No. 112-98, pt. 1, at 48, Congress provided that IPR proceedings would “include[] some

of the features of adversarial litigation.” *Oil States*, 138 S. Ct. at 1378. The parties may thus “seek discovery, file affidavits and other written memoranda, and request an oral hearing.” *Return Mail*, 139 S. Ct. at 1860; *see also* 35 U.S.C. § 316. Unlike in infringement litigation, however, the presumption of validity does not apply, and the petitioner must prove unpatentability only by a preponderance of the evidence, *id.* §§ 282, 316(e), rather than by clear and convincing evidence, *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011).

IPR proceedings take place before the PTAB, which comprises the Director, the Deputy Director, two Commissioners for Patents and Trademarks, and more than 200 “administrative patent judges.” 35 U.S.C. §§ 6, 316(c). The Board adjudicates each review in panels of “at least 3 members ... designated by the Director.” *Id.* § 6(c). At the conclusion of proceedings, the panel “either confirms the patents claims or cancels some or all of the claims.” *Return Mail*, 139 S. Ct. at 1860; *see also* 35 U.S.C. § 318(b). Any party “dissatisfied” with the Board’s decision “may appeal the decision” to the Federal Circuit, *id.* § 319, and the Director may intervene in any such appeal, *id.* § 143.³

In the eight years since the AIA took effect, the creation of IPR and the other post-grant proceedings has proven to be an overwhelming success. Of course, not every patent claim subject to review is invalidated, but invalid claims have been addressed efficiently and effectively. Of the 12,147 petitions for review of a granted patent filed under the AIA between September 2012

³ Besides conducting IPR, the PTAB also “review[s] adverse decisions of examiners,” “review[s] appeals of reexaminations,” “conduct[s] derivation proceedings,” and “conduct[s] ... post-grant reviews.” 35 U.S.C. § 6(b).

and September 2020, the Board instituted proceedings in over half (6,228). *PTAB Trial Statistics* 10. In the “Mechanical & Business Method” category, which accounts for 26% of all petitions filed under the AIA, the institution rate is even higher: 67%. *Id.* at 4, 7. Of the total instituted petitions across all technologies, 3,414 resulted in final written decisions, 80% of which invalidated some or all of the challenge claims. *Id.* at 10-11.

In sum, then, the AIA’s review mechanisms have proven effective at “separat[ing] the inventive wheat from the chaff,” as Congress intended. 157 Cong. Rec. S130, S131 (daily ed. Jan. 25, 2011) (statement of Sen. Leahy). By “improv[ing] patent quality and restor[ing] confidence in the presumption of validity that comes with issued patents,” H.R. Rep. No. 112-98, pt. 1, at 48, IPR proceedings serve the indisputable public interest in preventing the harms to innovation and commerce that invalid patents inflict.

B. IPR Proceedings Have Repeatedly Survived Constitutional Challenges In This Court And Lower Courts

In light of IPR’s overwhelming success, it is unsurprising that owners of invalid patents have asserted a number of challenges to its constitutionality. To date, these challenges have all rightly failed.

1. In *Oil States*, this Court correctly held that that IPR did not violate Article III or the Seventh Amendment. Confronted with the argument that IPR proceedings are an improper exercise of judicial power by an administrative agency, the Court explained that the issuance of a patent is a matter of public right, and that Congress has “significant latitude to assign adjudication of public rights to entities other than Article III

courts.” 138 S. Ct. at 1373. The AIA’s IPR provisions, the Court further explained, merely provide that patents “are granted subject to the qualification that the PTO has ‘the authority to reexamine—and perhaps cancel—a patent claim’” in a subsequent administrative proceeding. *Id.* at 1374 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016)). As the Court recognized, “franchises can be qualified in this manner” without creating constitutional concerns. *Id.* at 1375. Indeed, the Court stressed that it has long “recognized that, [w]ithin the scope established by the Constitution, Congress may set out conditions and tests for patentability.” *Id.* at 1377 (quoting *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966)). “[I]nter partes review,” the court concluded, was simply another “one of those conditions.” *Id.*

Having determined that IPR did not violate Article III, the Court in *Oil States* had little trouble holding that it also did not infringe on the Seventh Amendment “right of trial by jury.” 138 S. Ct. at 1379. The Court explained that “when Congress properly assigns a matter to adjudication in a non-Article III tribunal, ‘the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.’” *Id.* (quoting *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53-54 (1989)). “Thus, [the] rejection of *Oil States*’ Article III challenge also resolve[d] its Seventh Amendment challenge.” *Id.*

2. Following *Oil States*, challengers brought a number of claims against IPR under the Fifth Amendment. Those challenges—which focused on the application of IPR to patents issued before the AIA was enacted, *see* Pub. L. No. 112-29, § 6(c)(2)(A), 125 Stat. 304—were all rejected by the Federal Circuit.

In *Celgene Corp. v. Peter*, 931 F.3d 1342, 1362 (Fed. Cir. 2019), the circuit held that “retroactive application” of IPR to “pre-AIA patents is not an unconstitutional taking.” In reaching that conclusion, the court explained that “[f]or forty years,” in reexamination procedures that preceded IPR, the PTO was authorized to “consider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.” *Id.* at 1362-1363. The court acknowledged that there were “differences between IPRs and their predecessors ... given that Congress passed the AIA with post grant review procedures that were intentionally more robust.” *Id.* at 1361. But because those differences “did not alter patent holders’ substantive rights,” the court concluded that they do not “effectuate a taking” under the Fifth Amendment. *Id.* at 1358, 1363.

Relying on *Celgene*, the Federal Circuit later rejected a due process challenge to IPRs as well. See *Collabo Innovations, Inc. v. Sony Corp.*, 778 F. App’x 954, 961 (Fed. Cir. 2019). Indeed, as *Celgene* itself recognized, the differences between IPR and its predecessors were principally “procedural,” and for purposes of due process, “[n]o one has a vested right in any given mode of procedure.” 931 F.3d at 1361 (alteration in original) (quoting *Denver & Rio Grande W. R.R. Co. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 563 (1967)). In other words, “the variations from the administrative validity review mechanisms in place upon patent issuance are not so significant as to render IPR unconstitutional.” *Collabo*, 778 F. App’x at 961.

Multiple cert petitions raising the Fifth Amendment issues have been filed, but this Court has thus far denied all of them. See *Collabo Innovations, Inc. v. Sony Corp.*, No. 19-601 (U.S. June 22, 2020); *Celgene Corp. v. Peter*, No. 19-1074 (U.S. June 22, 2020); *Enzo*

Life Scis., Inc. v. Becton, Dickinson & Co., No. 19-1097 (U.S. June 22, 2020).

II. APJs ARE INFERIOR OFFICERS WHO MAY BE CONSTITUTIONALLY APPOINTED BY THE SECRETARY OF COMMERCE

This case marks the latest constitutional attack on IPR proceedings. But unlike its forerunners, this case does not challenge the propriety of IPR itself as a means for reconsidering the validity of issued patents. Indeed, as noted, there is now little question that issued patents may be reexamined in IPR’s adjudicative process without encroaching on the authority of the judiciary or infringing the patent owner’s rights. Instead, this case concerns whether the 200-plus APJs who conduct IPRs are constitutionally capable of doing so without being appointed by the President and confirmed by the Senate. The answer to that question is plainly yes. The Federal Circuit erred in holding that the Patent Act “as currently constructed makes the APJs principal officers” who were appointed in violation of the Appointments Clause, U.S. Const. art. II, § 2, cl. 2. U.S. Pet. App. 1a-2a.

A. The Secretary And PTO Director Are Empowered To Supervise APJs To Ensure Adherence To Their Policies And Consistent Review Of Patentability

Under the Appointments Clause, principal officers must be selected by the President with the advice and consent of the Senate, while Congress “may vest” the appointment of “inferior Officers ... in the President alone, in the Courts of Law, or in the Heads of Departments,” U.S. Const. art. II, § 2, cl. 2. *See, e.g., Edmond v. United States*, 520 U.S. 651, 659 (1997). Although

this Court has “not set forth an exclusive criterion for distinguishing between principal and inferior officers,” the Court has made clear that the touchstone of the inquiry is whether the officer at issue “has a superior.” *Id.* at 661-662. After all, “the term ‘inferior officer’ connotes a relationship with some higher ranking officer or officers below the President.” *Id.* at 662. As a general matter, then, the focus is on whether the officer’s “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.

Here, although the AIA does not provide a mechanism by which a superior officer may directly review a PTAB decision, APJs are nonetheless supervised by two officers: the Secretary of Commerce and the PTO Director. Indeed, a regime to the contrary would make no sense. Congress would have never entrusted 200-plus APJs with the sole responsibility of ensuring that the AIA accomplished its objectives if they were accountable to no one but the President. Direct presidential supervision would have been unmanageable. Congress thus provided the Secretary and the Director with various supervisory controls that enable them individually and jointly to steer APJs’ decisions in essential ways. *See Edmond*, 520 U.S. at 664 (Court of Criminal Appeals judges held inferior where “[s]upervision of the work of ... judges is divided between” two executive branch entities).

1. Under the Patent Act, the Secretary has ultimate control over APJs. He exercises general policy-making authority over APJs: The entire PTO—including APJs—is “subject to the policy direction of the Secretary of Commerce.” 35 U.S.C. § 1(a). And the Secretary has the power to remove APJs under the default standard applicable to federal civil-service em-

ployees: “for such cause as will promote the efficiency of the service.” 5 U.S.C. § 7513(a); *see also* 35 U.S.C. § 3(c) (applying § 7513(a) to PTO “officers and employees”). That standard is typically satisfied whenever there is a “rational basis” for concluding that the employee’s discharge “will promote the efficiency of the service.” *Avalos v. Department of Hous. & Urban Dev.*, 963 F.3d 1360, 1369-1370 (Fed. Cir. 2020). As this Court has recognized, the threat of removal is “a powerful tool for control.” *Edmond*, 520 U.S. at 664; *see Morrison v. Olson*, 487 U.S. 654, 671 (1988) (that Independent Counsel was “subject to removal by a higher Executive Branch official” weighed heavily in favor of inferior status). The Secretary can wield his removal power to ensure that APJs adhere to his policies.

2. Although the Director cannot remove APJs from office, he also has a toolbox to “supervise” APJs and steer their decisions. *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting). At the highest level, the AIA “vest[s]” the “powers and duties of the United States Patent and Trademark Office”—which, again, includes APJs—in the Director. 35 U.S.C. § 3(a)(1). And the AIA makes the Director “responsible for providing” both “policy direction” and “management supervision” for the PTO, including APJs. *Id.* § 3(a)(2)(A).

The Director also controls each APJs’ workload and pay. The Director has unfettered discretion to “designate[]” who will serve on the PTAB panel in each case. 35 U.S.C. § 6(a), (c).⁴ Consequently, the Director de-

⁴The Director has delegated this authority to the Board’s Chief Judge, but in doing so, made clear that “the Director expressly retains his or her own statutory authority to designate panels ... at any time, ... in his or her sole discretion.” PTAB Standard Operating Procedure 1 (SOP-1), at 1-2 (rev. 15, Sept. 20, 2018).

cides *which* APJs hear any given case—and he can even decide whether *any* APJs hear a given case at all because a panel need have only “3 members” of the PTAB, *id.* § 6(c), and there are four members who are not APJs (the Director, the Deputy Director, and two Commissioners), *id.* § 6(a). Thus, the Director can in practice sideline any APJ who fails to perform satisfactorily. And he determines APJs’ salaries, which undoubtedly affords him influence over their actions. *Id.* § 3(b)(6) (“The Director may fix the rate of basic pay for the administrative patent judges ...”); *see Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting). It makes no sense for an officer to have “principal” status if another officer (besides the President) determines her pay and has total control over whether she even has an opportunity to make decisions or take actions.

The Director has additional control mechanisms. For example, he determines whether certain Board decisions will be “precedential,” i.e., “binding Board authority in subsequent matters involving similar facts or issues.” PTAB Standard Operating Procedure 2 (SOP-2), at 2, 11 (rev. 10, Sept. 20, 2018); *see id.* at 1 (“No decision will be designated or de-designated as precedential or informative without the approval of the Director.”).⁵ And he is authorized to adopt binding regulations that “govern the conduct of proceedings in the Office,” 35 U.S.C. § 2(b)(2)(A), including IPR and other post-grant proceedings, *id.* §§ 316(a), 326(a). *See* 37 C.F.R. pt. 42, subpts. A, B.

The Director may use these and other powers together to exercise meaningful control over IPR proceedings. At the threshold, the Director is vested with

⁵ Available at <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

the power to decide whether IPR may be instituted, including the authority to make the statutorily required determination of whether the petition “shows that there is a reasonable likelihood” of success, 35 U.S.C. § 314(a)—a gatekeeping power he can use to help ensure that APJs do not invalidate patents he judges to be valid.⁶ Between his power to designate which members of the PTAB will sit on a panel to hear a case, and his corresponding powers to “de-designate” (i.e., replace) panel members “at any time” and to “expand[]” a panel by designating additional APJs while a case is pending, PTO Standard Operating Procedure 1 (SOP-1), at 1-2, 15-16 (rev. 15, Sept. 20, 2018),⁷ the Director can ensure that any given case is decided by a panel he believes will render a decision that accords with his views. Or he can rely on his designation of Board decisions as “precedential” to determine or constrain a PTAB panel’s decision in a case. If a panel nonetheless reaches a decision with which the Director disagrees, he can “expand[]” the panel “to consider [a] request for rehearing” and “to decide the rehearing on the merits.” *Id.* at 16; *see* 35 U.S.C. § 6(c); *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) (“If they (somehow) reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard.”). As Judge Hughes summarized in his dissent from the Federal Circuit’s en banc denial below, “[t]he Director’s ability to unilaterally designate or de-designate a decision as precedential and to con-

⁶ The government asserts that “the Director [has] unfettered discretion to decline to institute an inter partes review.” U.S. Pet. 32. That may be incorrect, and there is no need for the Court to agree with the government on that point here.

⁷ Available at <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf>.

vene a [rehearing panel] of the size and composition of his choosing are important tools for the direction and supervision of the Board even after it issues a final written decision.” U.S. Pet. App. 282a-283a.

Admittedly, these myriad controls stop just short of enabling the Secretary or Director to formally and unilaterally dictate the result of a particular proceeding. But Congress recognized that, given the volume of patents being issued, such a regime would be impractical and undermine the goal of “establish[ing] a more efficient and streamlined patent system that will improve patent quality.” H.R. Rep. No. 112-98, pt. 1, at 40. Neither the Secretary, the Director, nor both together could possibly conduct all the proceedings that Congress determined were needed to achieve that goal. Consequently, Congress relied on a pool of APJs to carry out the policies set by the Secretary and the Director, with meaningful mechanisms that the Director could invoke where needed to steer APJs’ decisions and ensure conformity with those policies. For purposes of the Appointments Clause, those controls are more than sufficient to render APJs inferior officers.

B. This Court’s Precedent Establishes That APJs Are Inferior Officers

In holding that APJs are principal officers, the Federal Circuit stressed that APJs “have substantial power to issue final decisions on behalf of the United States without any review by a presidentially-appointed officer.” U.S. Pet. App. 13a. But that reasoning misunderstands this Court’s Appointments Clause jurisprudence. As the Court has explained, “[t]he 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 ... the line between officer and non-officer.” *Edmond*, 520 U.S. at 662 (quoting *Buckley v. Valeo*, 424 U.S. 1, 126 (1976)); see also *Lucia v. SEC*, 138 S. Ct. 2044, 2051-2052 (2018).

Due to its misunderstanding, the Federal Circuit mistakenly relied on analysis that this Court used in prior decisions to find that the federal employees at issue were merely “officers” of the United States. That APJs are officers of the United States is undisputed here; what is at issue is whether they are *principal* officers. As discussed above, the test for answering that question is whether the officer is supervised by someone other than the President, and the AIA’s structure establishes clearly that APJs are supervised by both the Secretary and the Director.

The Court’s decision in *Edmond* confirms this conclusion. There, the Court held that judges on the Coast Guard Court of Criminal Appeals were *inferior* officers, not principal officers, because their “work” was jointly “supervis[ed]” by the Court of Appeals for the Armed Forces (an Article I court) and the Coast Guard Judge Advocate General (JAG). 520 U.S. at 664. Like the Director’s authority over APJs, the JAG could “prescribe uniform rules of procedure” for the court, “formulate policies and procedures” for review of the court’s decisions, and “remove a Court of Criminal Appeals judge from his judicial assignment without cause”—a removal power that the Court equated with the power to remove from office altogether. *Id.* (“The power to remove officers, we have recognized, is a powerful tool for control.” (citing *Bowsher v. Synar*, 478 U.S. 714, 727 (1986), and *Myers v. United States*, 272 U.S. 52 (1926))). Also like the Director, the JAG had “no power to reverse decisions of the court.” *Id.* Yet the JAG’s authority was even more limited: Unlike the Director,

the JAG could not even “attempt to influence (by threat of removal or otherwise) the outcome of individual proceedings.” *Id.* To be sure, the Court of Appeals for the Armed Forces did have the power to reverse the court’s decisions, but the “scope of [its] review” was far “narrower” than the Court of Criminal Appeals’ jurisdiction in the first instance. *Id.* at 664-665. *Edmond* alone, therefore, forecloses the Appointments Clause challenge here. As Judge Hughes put it, “while the Director may not unilaterally decide to rehear or reverse a Board decision, he has many powers to direct and supervise APJs both ex ante and ex post, ... that no principal officer had in *Edmond*.” U.S. Pet. App. 284a.

None of the other precedents relied on by the Federal Circuit held that the federal employee in question was a principal officer or distinguished that employee from a principal officer on grounds that indicate that APJs are principal officers. See *Freytag v. Comm’r*, 501 U.S. 868, 880-882 (1991) (holding that special trial judges appointed by Tax Court (another Article I court) are inferior officers rather than mere employees); *Lucia*, 138 S. Ct. at 2051 n.3 (holding that administrative law judges of the Securities and Exchange Commission are officers and noting that “distinction between ‘principal’ and ‘inferior’ officers” was “not at issue here”); *Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 561 U.S. 477 (2010) (Public Company Accounting Oversight Board members are inferior officers who can be appointed by SEC but cannot be insulated from removal by dual for-cause limitations); *Morrison*, 487 U.S. 654 (Independent Counsel an inferior officer); *Myers v. United States*, 272 U.S. 52 (1926) (President’s power to remove postmaster first class cannot be subject to requirement of Senate approval); *In re Hennen*, 38 U.S. 230 (1839) (clerks of district

courts are inferior officers who can be appointed by district court judges).

C. The Federal Circuit’s Decision Has Disrupted The Effective Regime That Congress Established

Within months of the decision below, the Federal Circuit had “already vacated more than 100 decisions” by the PTAB and “instruct[ed] the Board to conduct further proceedings on remand before newly-designated Board panels.” General Order, 2020 WL 2119932, at *1 (P.T.A.B. May 1, 2020). The Board responded by ordering that “any matters ... remanded under *Arthrex* ... be held in abeyance.” *Id.* That is a massive number of proceedings that have been left in limbo: In total over the course of the last fiscal year, the Board instituted IPR proceedings in nearly 650 cases. *PTAB Trial Statistics* 6.

The ramifications extend beyond IPR proceedings, too. After *Arthrex*, the Federal Circuit held that, if “APJs are unconstitutionally appointed principal officers because of their inter partes review duties,” vacatur is required “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), *petition for cert. filed*, No. 20-74 (U.S. July 30, 2020); *see also In re Boloro Global Ltd.*, 963 F.3d 1380, 1381 (Fed. Cir. 2020) (same). Thus, the backlogs have reached even the reexamination proceedings that preexisted the AIA—the proceedings that Congress found too slow to begin with. The decision below has, in other words, *compounded* the problems that Congress sought to solve through enactment of the AIA.

Of course, if the Federal Circuit's decision were correct, the system would have to tolerate these resulting delays. But as explained above, it is not correct. By unprecedentedly expanding the definition of principal officer, the court has denied Congress the latitude to which it is constitutionally entitled and made it more difficult for Congress to craft practical solutions tailored to important, complex problems.

CONCLUSION

The Court should reverse the judgment of the Federal Circuit.

Respectfully submitted.

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