

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

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**In the Supreme Court of the United States**

United States of America,

*Petitioner,*

v.

Arthrex, Inc., et al.,

*Respondents.*

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

**BRIEF *AMICUS CURIAE* OF TIVO  
CORPORATION IN SUPPORT OF  
RESPONDENT ARTHREX**

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(Additional Captions Listed on Inside Cover)

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Smith & Nephew, Inc., et al.,  
*Petitioners,*

v.

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**INTEREST OF *AMICUS CURIAE***<sup>1</sup>

TiVo Corporation is a global leader in making entertainment content easy for consumers to find, watch, and enjoy. TiVo produces and distributes products that allow users to discover what to watch, delivering a personalized selection of shows from hundreds of live TV channels and digital content providers (including Netflix, Hulu, and YouTube, among others). TiVo's products use machine learning to give consumers content recommendations across online video, television programming, movies, and music entertainment in a unified experience.

TiVo's products and innovations are protected by thousands of patents that cover many aspects of TiVo's proprietary technology, including content discovery, digital video recording (DVR), multi-screen viewing, mobile device video experiences, entertainment personalization, voice interaction, data analytics, and more. These innovations and the products that practice them have been enormously expensive to develop. TiVo's business thus depends on a strong and stable U.S. patent system. Without the promise of effective and reliable patent rights, TiVo could not make the investments necessary to continue developing its path-breaking innovations.

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<sup>1</sup> All parties have consented to the filing of this brief. No counsel for a party authored any part of this brief, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, or its counsel made a monetary contribution to the brief's preparation or submission.

The Federal Circuit correctly concluded that the inter partes review regime created by Congress was unconstitutional. But the remedy adopted by the court of appeals—the severance and invalidation of administrative patent judges’ tenure protections—has not fixed the system’s problems. On the contrary, it has merely magnified serious flaws that already infect the inter partes review process. This regime has weakened patent protection and reduced incentives to innovate in the United States, to the detriment of companies like TiVo and the consumers of its products. TiVo submits this amicus brief to describe some of the problems with the inter partes review system and to explain why the Federal Circuit’s misguided remedy has made those problems worse.

## INTRODUCTION AND SUMMARY OF ARGUMENT

The questions presented concern the constitutionality of the Patent Trial and Appeal Board. The Board hears and decides, among other proceedings, inter partes reviews—an adversarial system of post-grant patent review that Congress established in 2012 as part of the America Invents Act. Under the inter partes review regime, the administrative patent judges who comprise the Board render final decisions concerning the validity of issued patents. Those decisions are not reviewable by any higher executive-branch official. Thus, administrative patent judges—without any substantive oversight by anyone else in the executive branch—can and do invalidate patents, thereby depriving patent owners of vested and valuable property rights. The establishment of the inter partes review system, moreover, has led to a significant increase in the invalidation rate of issued patents.<sup>2</sup> In short, administrative patent judges wield significant power, and it is therefore critical to the stability and reliability of the U.S. patent system that

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<sup>2</sup> See, e.g., Clark A. Jablon, *Is the Sky Falling in the US Patent Industry?*, informationdisplay.org (May/June 2020), at 38, Fig. 12, available at <https://onlinelibrary.wiley.com/doi/epdf/10.1002/msid.1116>. Or, as two commentators colorfully put it, “[t]he PTAB has presided over a swath of IP destruction that spans more than a generation of innovation.” Paul Hayes & Gene Quinn, *A Note to SCOTUS on Arthrex, Judicial Independence, Ethics and Expanded Panels at the PTAB*, IP Watchdog (Aug. 4, 2020).

administrative patent judges—and the inter partes review system as a whole—operate within constitutional bounds.

The court of appeals correctly held that administrative patent judges’ “last word” capacity with respect to patent invalidation renders them principal officers who, under the Appointments Clause of the Constitution, must be appointed by the President with the advice and consent of the Senate. Because administrative patent judges are not so appointed, the court of appeals correctly found that the inter partes review regime established by Congress was unconstitutional.

In attempting to remedy the constitutional problem that Congress created, however, the court of appeals went astray. The court invalidated administrative patent judges’ tenure protections, thereby subjecting them to at-will removal by the Secretary of Commerce. This, the court of appeals reasoned, rendered administrative patent judges inferior officers who may validly be appointed by a “Head of Department.”

As Arthrex explains, the effect of the court of appeals’ remedy—subjecting administrative patent judges to removal for any reason or no reason at all—is demonstrably inconsistent with congressional intent. Arthrex Br. 47–56. Even worse, this illegitimate severance does not actually fix the constitutional problem: even if removable at will, administrative patent judges remain principal officers because they retain the ability to cancel previously issued patent claims without review by

any principal executive officer. *See id.* at 19–35, 45–47.

On a more practical level, the Federal Circuit’s remedy has exacerbated the problems in an already flawed regime. Inter partes reviews have proven a deeply unsatisfactory process for the adjudication of patent rights. They provide patent infringers with an opportunity to harass patent owners with repeated inter partes review petitions, including in cases where the validity of the patent has already been upheld in another forum, such as a district court or the International Trade Commission. And the infringers are all too willing to take advantage of the opportunity, particularly given that claim-cancellation rates in inter partes reviews are considerably higher than those in other fora. TiVo’s own experience bears this out: time after time, TiVo has successfully defended the validity of its patents in the International Trade Commission, only to later have the patents invalidated at the hands of the Patent Trial and Appeal Board.

The Federal Circuit’s removal of the Board members’ tenure protections only magnifies these flaws. For decades—at least since the passage of the Administrative Procedure Act—it has been a fundamental principle of administrative adjudication that agency adjudicators should enjoy protections from removal so they can function as independent and impartial deciders. The court of appeals disregarded that principle and created a significant risk of additional unfairness when it removed those protections from administrative patent judges. This outcome is particularly problematic given that the

system already contains inherent structural biases in favor of petitioners and against patent owners. Now that administrative patent judges are subject to in terrorem supervision, those structural problems come into even starker relief.

TiVo submits this brief to request that this Court set aside the court of appeals' misguided remedy and leave the task of repairing the broken inter partes review system where it belongs: with Congress.

## ARGUMENT

**I. The inter partes review regime has failed to provide a satisfactory forum for adjudicating patent rights.**

**A. Patent infringers frequently abuse the inter partes review process to conduct multiple attacks on the validity of patents, thereby depriving patent owners of quiet title over their inventions.**

1. TiVo's experience presents a particularly striking example of the abusive purposes for which the inter partes review regime can be employed. TiVo's (and its subsidiaries') patents have been the subject of well over one hundred inter partes review petitions since November 2016. Thirty-seven patents have been challenged—an average of 3.35 petitions per patent. In total, only about 5% of the challenged claims have survived. Many of these claims had been previously upheld against validity challenges by the

International Trade Commission—a body made up of properly appointed principal officers.

In effect, inter partes reviews have allowed TiVo's competitors to violate its patent rights and then, after having been adjudged guilty of that conduct in one adjudicatory forum (for example, the ITC), obtain a second bite at the apple via one or more inter partes review petitions. Even worse, after the first proceeding has exposed flaws in the infringer's invalidity arguments, the infringer can use those proceedings as a roadmap to attempt to fix those flaws in the subsequent inter partes review. In effect, the first proceeding functions as a practice run for the infringer to test out its invalidity case and assess the weaknesses in it so it may avoid those weaknesses when it challenges the patent before the Board.

To take one illustrative example, Rovi, a TiVo subsidiary, asserted U.S. Patent Nos. 9,369,741 and 7,779,011 (among other patents) against Comcast Cable Communications in *Certain Digital Video Receivers and Related Hardware and Software Components*, Inv. No. 337-TA-1103 (U.S.I.T.C.). In the course of that proceeding, Comcast tried and failed to show that the claims of the '741 patent were invalid in light of a prior-art reference called Sie. *See* Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond (Public) at 257–60 (June 27, 2019). Comcast also tried and failed to show that the claims of the '011 patent were invalid as obvious over two prior-art references called Gross and Smith. *See id.* at 101–13. While the ITC investigation was ongoing, Comcast filed multiple inter partes reviews against the '741 and



'011 patents. Using the Commission proceedings as a roadmap, Comcast ultimately succeeded in convincing the Board to invalidate those two patents based on the very same prior art that the ITC had already considered. Specifically, the PTAB concluded that the '741 patent was obvious over Sie, *see Comcast Cable Commc'ns, LLC v. Rovi Guides, Inc.*, No. IPR2019-00231, Paper 44 (P.T.A.B. May 8, 2020), and that the '011 patent was obvious over Gross and Smith, *see Comcast Cable Commc'ns, LLC v. Rovi Guides, Inc.*, No. IPR2019-00239, Paper 50 (P.T.A.B. June 30, 2020).<sup>3</sup>

This is not how the system is supposed to work. Patent owners should be entitled to some measure of repose. They should not be subjected to repeated attacks on the validity of their patents throughout their twenty-year term. The perpetual cloud of uncertainty that results from this system undermines the presumption of validity and harms incentives to innovate. It also flatly contradicts the original intent of the drafters of the AIA, who made clear that the new post-grant proceedings established by that statute were “not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent.” H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

2. TiVo, unfortunately, is not an outlier with regard to its experience with the inter partes review system. According to TiVo's research, for patents that

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<sup>3</sup> Rovi's appeals of those decisions are currently pending before the Federal Circuit.

have survived a validity challenge in district court or the ITC and are also challenged before the Board, the Board institutes inter partes review at a rate of 58% and cancels claims upon which review was instituted at a rate of 63%.<sup>4</sup> These numbers are only marginally lower than the corresponding rates for *all* challenged patents, which are 66% and 75%, respectively.<sup>5</sup> In other words, patents that have survived an expensive validity challenge in district court or the ITC are almost as likely to be reviewed—and ultimately invalidated—by the Board as a patent that was never the subject of litigation. It is little wonder that accused infringers use inter partes reviews to gain a second bite at the invalidity apple.<sup>6</sup>

3. This potential for abuse is further compounded by the Federal Circuit’s unworkable approach to preclusion in circumstances in which the same patent

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<sup>4</sup> Patents with district-court or ITC determinations of non-invalidity were identified through a Docket Navigator search. PTAB outcomes for these patents were sourced from counsel’s compilation of PTAB proceedings and outcomes covering 2012–2020.

<sup>5</sup> This data likewise comes from counsel’s compilation of PTAB proceedings and outcomes covering 2012–2020.

<sup>6</sup> A separate but related problem arises when patent infringers file multiple petitions against a single patent at the same time (so-called “parallel petitions”). A recent analysis found that virtually any patent can be invalidated if enough parallel petitions are filed, regardless of the individual strength of each challenge viewed separately. See Matteo Sabatini, *PTAB Challenges and Innovation: A Probabilistic Approach*, SSRN 3668216 (2020), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3668216](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668216).

is challenged both in a district-court case and before the Board.

Under the so-called *Fresenius* doctrine, if the same patent is at issue in both a district-court infringement case and a post-grant review proceeding, a finding of invalidity in the post-grant review proceeding will retroactively nullify any infringement and validity determinations by the district court if *any part* of the district-court proceeding remains ongoing when a finding of invalidity in the post-grant review proceeding is affirmed by an Article III court. *See generally Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

For example, in *ePlus, Inc. v. Lawson Software, Inc.*, 760 F.3d 1350 (Fed. Cir. 2014), a district court issued an injunction after finding that Lawson had infringed five claims of ePlus's patent. *See id.* at 1352. On appeal, the Federal Circuit affirmed the infringement verdict as to one claim (claim 26), found the other four claims either not infringed or invalid, and remanded to the district court to make any necessary modifications to the injunction. *See id.* On remand, the court modified the injunction to apply only to claim 26 and found Lawson in civil contempt for violating the injunction. *Id.* While the appeal from that finding was pending (and *after* the contemptible conduct occurred), the Federal Circuit in a separate case affirmed the Board's finding that claim 26 was invalid. *See id.* Based on the latter judgment, the court of appeals vacated both the district court's injunction and its contempt order. *Id.* The court of appeals also set aside the penalties imposed on Lawson for violating the injunction during the four

years it was in place before the Board’s cancellation of claim 26 was affirmed. *See id.* In short, a district-court judgment of infringement and validity—affirmed by the Federal Circuit—and subsequent findings of contempt were retroactively undone by an entirely separate administrative proceeding involving the patent.

Unfortunately, *ePlus* is not an outlier. The Federal Circuit has applied *Fresenius* to, for example, vacate an already-affirmed infringement judgment (which provided a patentee with an ongoing royalty) based on a subsequent Board finding that the claims at issue were invalid. *See Chrimar Sys., Inc. v. ALE USA Inc.*, 785 F. App’x 854, 856 (Fed. Cir. 2019); *see also, e.g., Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1266 (Fed. Cir. 2020) (holding that, under *Fresenius*, an accused infringer may circumvent the assignor estoppel doctrine by challenging the patent in an inter partes review instead of in district court, and acknowledging the “unfairness” of this result); *SHFL Entm’t, Inc. v. DigiDeal Corp.*, 729 F. App’x 931, 934 (Fed. Cir. 2018) (applying *Fresenius*’s holding that “when a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot”) (quoting *Fresenius*, 721 F.3d at 1340); *Target Training Int’l, Ltd. v. Extended Disc N. Am., Inc.*, 645 F. App’x 1018, 1023 (Fed. Cir. 2016) (same).

Several judges on the Federal Circuit have harshly criticized the *Fresenius* doctrine. This approach to preclusion, these judges have noted, “is at odds with all of the regional circuits,” which apply a “uniform rule . . . that a final judgment is final as to its subject

matter, even if other items remain for consideration or for remand.” *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1311 (Fed. Cir. 2015) (Newman, J., joined by O’Malley and Wallach, JJ., dissenting from denial of rehearing en banc); *see also id.* (“There is no support in precedent for nullifying judicial rulings of infringement and injunction, retroactively, based on a subsequent decision of the Patent and Trademark Office.”).<sup>7</sup>

Whatever one thinks of the *Fresenius* principle as a matter of doctrine, the rule indisputably creates the potential for parties adjudged of infringement in district court to undo that judgment via inter partes reviews. In effect, the rule permits the administrative patent judges to overrule the final judgments of Article III courts. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1372 (Fed. Cir. 2013) (O’Malley, J., dissenting from denial of rehearing en banc) (*Fresenius* principle “goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes.”). And it “encourages defendants to scrap and fight to keep underlying litigation pending in the hope that they will fare better with the PTO and then be able to unravel the district court judgment against them.” *ePlus*, 790 F.3d at 1314 (Moore, J., joined by O’Malley, Reyna, and Wallach, JJ., dissenting from denial of rehearing en banc); *see also* Paul Gugliuzza, *(In)valid Patents*, 92 NOTRE DAME L. REV. 271, 308 (2016)

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<sup>7</sup> *Cf.* Restatement (Second) of Judgments § 13, cmt. e (“A judgment may be final in a res judicata sense as to a part of an action although the litigation continues as to the rest.”).

(*Fresenius* principle “encourages wasteful procedural maneuvering” and “allows an adjudged infringer a second chance at proving invalidity”). It thus compounds the problems with the inter partes review regime identified above.

**B. The Board’s extraordinarily high claim-cancellation rates confirm that the inter partes review process is not a neutral alternative to adjudication of patent rights in federal court.**

- 1. Contrary to the suggestion of several amici, the Board’s claim-cancellation rates are much higher than those of district courts.**

Some amici supporting the United States and Smith & Nephew suggest that inter partes review is a neutral alternative to district court as a forum for litigating patentability because the Board invalidates claims at approximately the same rate as district courts. *See, e.g.*, Br. of Cross-Industry Groups as *Amicus Curiae* in Support of Pet’rs at 6. But the premise of that argument is simply incorrect: the Board invalidates patent claims at a far higher rate than district courts do.

Approximately 80% of all final written decisions result in the invalidation of at least some challenged claims, and over 60% result in the invalidation of *all* challenged claims. *See* [https://www.uspto.gov/sites/default/files/documents/Trial\\_Statistics\\_20200630.pdf](https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_20200630.pdf) (slide 11). A recent analysis found that “84% of

patents that have been fully reviewed by the PTAB” have at least some claims invalidated. *See* Josh Malone, *Assessing PTAB Invalidity Rates* at 4, available at <https://usinventor.org/assessing-ptab-invalidity-rates/> (Oct. 22, 2020). (The discrepancy between this figure and the 80% figure in the PTO statistics arises from the fact that some patents are the subject of multiple final written decisions.)

Contrast these figures with outcomes in district courts, which *confirm* the validity of patents well over 60% of the time.<sup>8</sup> The takeaway is clear: the Board is a far less patent-friendly forum than Article III courts. (This is unsurprising given the differing standard of review in the two types of proceedings. Patent challengers in district court must prove invalidity by clear and convincing evidence, whereas challengers in inter partes reviews need only prove their case by a preponderance of the evidence. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).) Thus, not only do inter partes reviews give patent infringers whose validity challenges have been unsuccessful in other fora a second bite at the invalidity apple; they give those infringers a second

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<sup>8</sup> A 2014 law review article estimated that district courts confirm the validity of patents at a rate exceeding 60%. *See* John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1785 (2014). According to figures obtained from Docket Navigator regarding validity determinations at summary judgment and trial from 2014 to 2020, district courts have confirmed patent validity approximately 63% of the time since 2014.

bite that is significantly more likely to succeed than the first.

**2. The high affirmance rate of Board decisions reflects the forgiving standard of review on appeal—not necessarily accuracy on the part of the Board.**

Various amici also point to the Federal Circuit’s high affirmance rate of Board decisions as evidence “that the Board is reaching appropriate decisions in post-grant review proceedings.” Br. of High Tech Inventors Alliance as *Amicus Curiae* in Support of Pet’rs at 17; *see also, e.g.*, Br. of Amici Curiae Acushnet & Cleveland Golf in Support of Pet’rs at 14–18. This argument misunderstands the permissive standard of review that the Federal Circuit applies when reviewing Board decisions.

Most patentability disputes turn on questions of fact: what the prior art discloses, whether a skilled artisan would have been motivated to combine different pieces of prior art to arrive at the claimed invention, etc. The Board’s factual determinations are reviewed for “substantial evidence,” meaning that the reviewing court asks “whether a reasonable mind might accept a particular evidentiary record as adequate to support a conclusion.” *Dickinson v. Zurko*, 527 U.S. 150, 162 (1999). In other words, when the Federal Circuit confronts appeals from inter partes review proceedings, it is asking not whether the Board’s conclusion was *right*, but instead whether it is *supportable*. *See, e.g., Henkel Corp. v. Procter & Gamble Co.*, 560 F.3d 1286, 1290 (Fed. Cir. 2009)



(“The interpretation of the critical portion of the Metzger-Groom Report is a very close call, and can reasonably go either way. But our inquiry in this case is not how we would interpret this statement in the Metzger-Groom Report were we to do so in the first instance. Rather, our task is to determine whether the Board’s interpretation is supported by substantial evidence.”).<sup>9</sup>

Even worse, the Federal Circuit does not even issue a written opinion in many appeals from Board decisions. Since the passage of the America Invents Act, the court of appeals has summarily affirmed approximately half of the appeals taken from Board decisions. *See* Rebecca Lindhorst, *Because I Said So: The Federal Circuit, the PTAB, and the Problem with Rule 36 Affirmances*, 69 CASE W. RES. L. REV. 247, 252 (2018).<sup>10</sup> Thus, in most cases in which the Federal Circuit concludes that the Board’s conclusions are supported by substantial evidence, it simply says so,

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<sup>9</sup> As several Federal Circuit judges have observed, this permissive standard of review “makes little sense in the context of an appeal from an IPR proceeding” given the “adversary, party-instituted” nature of the process. *Merck & Cie v. Gnosis S.P.A.*, 820 F.3d 432, 433, 435 (Fed. Cir. 2016) (O’Malley, J., concurring); *see also id.* at 435 (Newman, J., dissenting).

<sup>10</sup> Since the Federal Circuit began hearing oral arguments telephonically instead of in person, the court has issued summary affirmances even in some cases in which it has not heard oral argument. *See* Brian Matsui, *No Argument, No Opinion—a Quick Look at Unargued Rule 36 Decisions During the Pandemic* (Dec. 11, 2020), *available at* <https://www.jdsupra.com/legalnews/no-argument-no-opinion-a-quick-look-at-40840/>.

without providing any supporting reasoning or analysis. That makes it difficult to judge the merits of the conclusions with any confidence. *See* Chad M. Oldfather, *Writing, Cognition, and the Nature of Judicial Functions*, 96 GEO. L.J. 1283, 1340 (2008) (“A decision that is simply made unaccompanied by any statement of reasons is more difficult to assess on its merits.”).<sup>11</sup>

In short, contrary to the suggestion of some amici, the Board’s decisions on patentability are not “rigorously reviewed by the federal judiciary,” Br. of the Coalition Against Patent Abuse as *Amicus Curiae* in Support of No Party at 3. And the fact that the Federal Circuit frequently concludes that the Board’s factual determinations are not wholly lacking in evidentiary support tells us little about whether the Board is generally reaching outcomes that are actually correct.

## **II. The Federal Circuit’s removal of administrative patent judges’ tenure protections exacerbates the problems inherent in the inter partes review regime.**

As discussed in the preceding section, the inter partes review regime designed by Congress is deeply flawed. And the Federal Circuit’s misguided remedy

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<sup>11</sup> Indeed, the Federal Circuit itself has recognized that summary affirmances are an endorsement of only the result—not necessarily the reasoning—of the tribunal below. *See, e.g., Rates Tech., Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012).

in this case—the removal of administrative patent judges’ tenure protections—magnifies those flaws.

**A. The court of appeals’ remedy undermines the independence of administrative patent judges, contravening longstanding principles of administrative adjudication.**

Administrative adjudications must be performed by actors who both appear to be and are in fact impartial and independent. This is a bedrock principle of administrative law reflected throughout the United States Reports and the United States Code. Indeed, Title 5 U.S.C. § 7521, which governs the employment of administrative law judges (who hear most familiar categories of administrative adjudications), prohibits removal of ALJs except “for good cause established and determined by the Merit Systems Protection Board on the record after opportunity for hearing before the Board.” 5 U.S.C. § 7521(a).

Congress established removal protections for administrative law judges deliberately. In the years leading up to the passage of the Administrative Procedure Act, many stakeholders complained that agency adjudicators “were mere tools of the agency concerned and subservient to the agency heads in making their proposed findings of fact and recommendations.” *Ramspeck v. Fed. Trial Exam’rs Conference*, 345 U.S. 128, 131 (1953). In enacting the APA in 1946, one of Congress’s principal goals was to ensure that these adjudicators could decide disputed matters independently and impartially, without

interference by the agency. *See Sung v. McGrath*, 339 U.S. 33, 38–45 (1950).<sup>12</sup>

To that end, Congress established certain “formal requirements to be applicable [i]n every case of adjudication required by statute to be determined on the record after opportunity for agency hearing.” *Id.* at 48 (quoting APA § 5, 60 Stat. 237, 239, 5 U.S.C. § 1004 (1946)). One of those requirements—found in the predecessor to 5 U.S.C. § 7521—was that such adjudications must be conducted by an adjudicator who is “removable by the agency in which [she is] employed only for good cause established and determined by the Civil Service Commission . . . after opportunity for hearing and upon the record thereof.” *Ramspeck*, 345 U.S. at 132 (quoting APA § 11, 60 Stat. at 244, 5 U.S.C. § 1010 (1946)). These for-cause removal protections, which ensured that the adjudicators’ decisions were not unduly influenced by the agency of which they were a part, were a central pillar of the APA. *See Butz v. Economou*, 438 U.S. 478, 513–14 (1978) (“Since the securing of fair and competent hearing personnel was viewed as ‘the heart of formal administrative adjudication,’ . . . the

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<sup>12</sup> The idea that executive officers who perform adjudicatory functions should have a measure of independence from the executive has a long pedigree. “[A]s early as 1789 James Madison stated that ‘there may be strong reasons why an’ executive ‘officer’ such as the Comptroller of the United States ‘should not hold his office at the pleasure of the Executive branch’ if one of his ‘principal duties’ ‘partakes strongly of the judicial character.’” *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 530 (2010) (Breyer, J., dissenting) (citation omitted).

Administrative Procedure Act contains a number of provisions designed to guarantee the independence of hearing examiners.”) (quoting Final Report of the Attorney General’s Committee on Administrative Procedure 46 (1941)); *Ramspeck*, 345 U.S. at 131–32.

Thus, in severing and invalidating administrative patent judges’ tenure protections, the court of appeals created a significant risk of undermining our government’s longstanding commitment to ensuring that rights are adjudicated by impartial and independent decision-makers. This risk is particularly problematic given that—as discussed in the following section—the structure of inter partes reviews already creates systemic biases in favor of petitioners and against patent owners.

**B. Subjecting administrative patent judges to at-will removal magnifies problematic structural biases already present in the inter partes review process.**

1. Some amici suggest that “there is no reason to think that administrative patent judges would systematically favor the petitioning party” because the judges would be inclined to favor confirming the Patent Office’s original decision to grant the patent. *Br. for Amicus Curiae Intel Corp. in Support of Pet’rs* at 5, 16–17. Quite the contrary. As currently structured, the system in fact incentivizes institution of inter partes reviews and cancellation of claims. Specifically, administrative patent judges’ income depends on the number of decisions they write, which in turn creates an incentive for the Board to institute

inter partes reviews and generally to be seen as petitioner-friendly so as to generate more work. This is a deeply problematic structural flaw—indeed, it is analogous to the sorts of structural flaws that have been held to constitute Due Process violations. In light of this structural problem with the inter partes review process, it is perhaps unsurprising that—as discussed above—claim-cancellation rates in inter partes review proceedings tend to be higher than in their district-court counterparts.

TiVo wishes to emphasize at the outset that it is in no way suggesting that any administrative patent judges have “actually succumbed to th[e] ‘temptation,’” *Cain v. White*, 937 F.3d 446, 454 n.7 (5th Cir. 2019), created by this problematic incentive structure. TiVo has the utmost respect for the Board’s administrative patent judges and is confident that they strive to discharge their duties justly and impartially. But adjudicatory systems that create the *potential* for bias are suspect even if the adjudicators are not actually influenced by the pernicious incentives. *Cf. Aetna Life Ins. Co. v. Lavoie*, 475 U.S. 813, 825 (1986) (Due Process Clause “may sometimes bar trial by judges who have no actual bias and who would do their very best to weigh the scales of justice equally between contending parties”).

2. Administrative patent judges receive yearly performance reviews based on four “performance elements”: “Quality,” “Production,” “Supporting the Mission of the Board/Leadership,” “Internal/External

Stakeholder Interactions.”<sup>13</sup> Each judge is given one of five ratings for each element: “Outstanding,” “Commendable,” “Fully Successful,” “Marginal/Minimally Satisfactory,” or “Unacceptable/Unsatisfactory.”<sup>14</sup> “Quality” and “Production” are the most heavily weighted elements.<sup>15</sup> “[I]f any critical element is less than fully successful” for a given judge, the judge’s overall “Performance Rating” “can be no higher than the lowest critical element rating.”<sup>16</sup> An administrative patent judge can receive a pay adjustment of up to 5% and a bonus of up to \$10,000 based on the outcome of her performance review.<sup>17</sup>

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<sup>13</sup> See Supporting Document to Administrative Patent Judge Performance Appraisal Plan FY2018 at 1–4, *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-F-19-00277-2019-11-04-APJ-PAPS.pdf> (PDF pp. 2/47–5/47). The documents cited in this and the following footnotes were obtained by U.S. Inventor via Freedom of Information Act requests. See <https://usinventor.org/ptab-foia-documents/>.

<sup>14</sup> See, e.g., Administrative Patent Judge Classification and Performance Management Record, Section I—Performance Plan, Progress Review and Appraisal Record, *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-F-19-00277-2019-11-04-APJ-PAPS.pdf> (PDF p. 9/47).

<sup>15</sup> See *id.*, Section II—Performance Summary and Rating, *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-F-19-00277-2019-11-04-APJ-PAPS.pdf> (PDF p. 23/47).

<sup>16</sup> See *id.*

<sup>17</sup> See Patent Trial Appeal Board (PTAB) – Administrative Patent Judge (APJ) FY2019 Ratings with Recommended Bonus and Pay Adjustments at 1, *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-A-20->

In order to obtain an “Outstanding” rating on the “Production” element, an administrative patent judge must produce at least “100 decisional units annually.”<sup>18</sup> “Commendable” and “Fully Successful” ratings require 92 and 84 annual “decisional units,” respectively. The number of “decisional units” assessed for decisions and orders in America Invents Act trial proceedings are determined by the Deputy Chief Administrative Patent Judge “based on the complexity of the proceedings.”<sup>19</sup>

Thus, administrative patent judges’ performance ratings—and in turn their pay—is tied directly to the number of decisions they issue. The same panel of judges, moreover, presides over both the institution phase and the trial phase. *See Ethicon Endo-Surgery v. Covidien LP*, 812 F.3d 1023, 1028 (Fed. Cir. 2016).

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00001-2020-04-08-Landreneau-Appeal-Docs\_Opaque.pdf (PDF p. 1/233).

<sup>18</sup> *See* Administrative Patent Judge Classification and Performance Management Record, Section I—Performance Plan, Progress Review and Appraisal Record, *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-F-19-00277-2019-11-04-APJ-PAPS.pdf> (PDF p. 10/47).

<sup>19</sup> *Id.* (PDF pp. 10/47–11/47). Administrative patent judges generally do not receive “decisional units” for writing a concurrence or a dissent. *See* E-mail from J.T. Moore to D. Adams et al. (May 7, 2009) (“Concurrences, dissents, and remands are not normally efficient mechanisms for securing the ‘just, speedy, and inexpensive’ resolution of an appeal before the Board.”), *available at* <https://usinventor.org/wp-content/uploads/2020/05/FOIA-F-19-00277-2019-11-04-APJ-PAPS.pdf> (PDF p. 1/47). Perhaps unsurprisingly in view of this incentive structure, concurrences and dissents are quite rare.



These features of the system give the Board a direct financial interest in granting institution of inter partes reviews (in order to create the opportunity to write a final written decision, which promises more decisional units) and in cancelling patent claims more generally (in order to be seen as friendly to petitioners and thus prompt more petitions to be filed).

The Fifth Circuit's decision in *Brown v. Vance*, 637 F.2d 272 (5th Cir. 1981), is instructive. At issue there was the compensation structure for Mississippi justices of the peace, who were paid based on the number of cases filed in their respective courts. *See id.* at 274. The challengers argued that this system violated due process because it incentivized the justices of the peace to rule in favor of the prosecutor (in criminal cases) and the plaintiff (in civil cases): if a judge acquired a prosecutor- or plaintiff-friendly reputation, the challengers maintained, more cases would be filed in the judge's court and the judge's salary would increase commensurately. *See id.* at 275–76.

The court agreed. “Because of the relation between the judge's volume of cases and the amount of his judicial income, the fee system create[d] a possible temptation for judges to be biased against defendants.” *Id.* at 281. The court emphasized that the Due Process Clause forbids adjudicatory systems that create “even the probability of unfairness” and that the challengers were not required to show that any individual judge had succumbed to bias. *Id.* at 284. Mississippi's arrangement, the court held, violated Due Process because it created a “possibility” that the judges would attempt to create more business

for themselves by favoring prosecutors and plaintiffs. *Id.* at 282–86.

Similar reasoning applies here. The pay structure for inter partes review proceedings incentivizes the granting of inter partes review petitions and the cancelling of patent claims (which in turn makes the process appear petitioner-friendly and thus more attractive to potential patent challengers). Proceedings whose rules consistently favor one type of litigant over another are fundamentally unfair. *See id.* at 286; *see also Tumey v. Ohio*, 273 U.S. 510, 519–20, 531 (1927) (finding that state’s prohibition law violated due process because the official who adjudicated alleged violations received “the amount of his costs in each case, in addition to his regular salary” if the defendant was convicted but received nothing if the defendant was acquitted).

3. The Federal Circuit’s elimination of administrative patent judges’ tenure protections magnifies these structural flaws in the inter partes review system. Now that administrative patent judges are removable at will, they could face significantly more pressure to earn high performance ratings to keep their jobs. This increases the incentives to generate more decisional units, thereby creating an additional structural bias in favor of petitioners and against patent owners.

**III. The task of remedying the Appointments Clause violation properly belongs with Congress, not the courts.**

As described above, while the Federal Circuit correctly found that the inter partes review system is constitutionally infirm, the court's attempt at a remedy simply makes things worse. It undermines the independence and impartiality of administrative patent judges—in contravention of longstanding principles of administrative law—and it magnifies the system's already problematic structural biases against patent owners. The prerogative of fixing this system should belong to Congress—not the Federal Circuit. The court of appeals erred when it assumed the authority to re-write the America Invents Act and create an inter partes review system very different from the one Congress enacted.

**CONCLUSION**

The court of appeals' judgment should be affirmed with respect to the merits and reversed with respect to the severance remedy.

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