

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

In The
Supreme Court of the United States

—◆—
UNITED STATES OF AMERICA,

Petitioner,

v.

ARTHREX, INC., ET AL.,

Respondents.

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

—◆—
**BRIEF FOR US INVENTOR INC. AS *AMICUS
CURIAE* IN SUPPORT OF ARTHREX, INC.**

—◆—
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[Additional Captions On Inside Cover]

SMITH & NEPHEW, INC., ET AL.,

Petitioners,

v.

ARTHREX, INC., ET AL.,

Respondents.

ARTHREX, INC.,

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v.

SMITH & NEPHEW, INC., ET AL.,

Respondents.

QUESTIONS PRESENTED

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

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

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INTEREST OF *AMICUS CURIAE*¹

US Inventor, Inc. is an inventor-led and inventor-funded non-profit advocacy organization. We represent more than 10,000 independent inventors along with the small businesses they founded, own, and operate. We seek to educate lawmakers, agencies, and courts on matters that affect our members, and participate as permitted in shaping and reforming those policies.

We are neither lawyers nor lobbyists, merely inventors who were shocked and harmed by unintended consequences of policies from the past and desire a better environment so that the next generation of inventors can flourish and help society. Our directors and volunteers would prefer to be tinkering in our garages or launching new products, but we have come to recognize that policymakers and courts benefit from our experiences and viewpoints as they make and apply patent law.

US Inventor was founded to support the innovation efforts of the “little guy” inventors, seeking reliable patent rights for developing our inventions, bringing those inventions to a point where they can be commercialized, creating jobs and industries, and promoting continued innovation. In short, we are proponents of “securing for limited times to . . . inventors the

¹ No counsel for a party authored this brief in whole or in part. No person or entity other than *Amicus* or its counsel made a monetary contribution to the preparation or submission of this brief. Consent for filing this *Amicus* Brief has been obtained from all parties, via docket-filed blanket consents.

exclusive right to their . . . discoveries” in order to “promote the progress of Science and Useful arts.” U.S. Const. art. I, § 8, cl. 8. Our broad experience with the patent system, new technologies, and creating companies, gives us a unique perspective on the important issues presented in this appeal.

US Inventor’s membership includes litigants involuntarily drawn into proceedings before the Administrative Patent Judges (APJs) identified as having been appointed in violation of the Appointments Clause. As a friend of the Court, US Inventor has perspective to supply additional information beyond that shown by Arthrex for assessing the soundness of the Federal Circuit remedy (or “fix”) for the adjudged unconstitutionality.

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SUMMARY OF ARGUMENT

The court of appeals’ remedy for the Appointments Clause violation would not have been preferred by Congress, and overlooks a constitutionally sound and non-disruptive way to downgrade APJs to inferior or non-officer status.



CONSTITUTIONAL AND PROCEDURAL BACKGROUND

This Court knows that passing one constitutional test does not preordain passing another. On the facts here, just because the Patent Trial and Appeal Board (PTAB) passes Article III does not mean that the manner in which its Administrative Patent Judges get their jobs passes the Appointments Clause.

A. Disposition of a Previous Constitutional Challenge Sets Up the Problem

A divided Court in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC* ruled that when canceling vested patent rights based on a challenger's invalidity assertions, the PTAB of the United States Patent and Trademark Office (USPTO) does not assert the "judicial power." 138 S. Ct. 1365 (2018). Congress's creation of invalidity trials at the PTAB in 2011 did not violate Article III Separation of Powers. In dissent, Justice Gorsuch (joined by the Chief Justice) channeled the thinking of *Amicus* US Inventor and its membership.

Justice Gorsuch wrote poignantly about the dilemma the *Oil States* majority ruling made for individual inventors, and access to justice:

After much hard work and no little investment you devise something you think truly novel. Then you endure the further cost and effort of applying for a patent, devoting maybe \$30,000 and two years to that process alone.

At the end of it all, the Patent Office agrees your invention is novel and issues a patent. The patent affords you exclusive rights to the fruits of your labor for two decades. But what happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled? Can a political appointee and his **administrative agents**, instead of an independent judge, resolve the dispute? The Court says yes. Respectfully, I disagree.

Oil States, 138 S. Ct. at 1380 (Gorsuch, J., dissenting) (emphasis added). At issue today are those “administrative agents” who hold so much power over the life’s work of so many. Are they hired properly under the Constitution?

Justice Gorsuch went on presciently to state the problem before the Court today. His dissent reviewed PTAB boosters’ assertion that it is a “good thing” that the USPTO reviews its “too many low quality patents” to “clean up problems after the fact,” and the PTAB’s invalidity trials are an “efficient solution” compared to federal court trials. *Id.* Justice Gorsuch retorted that “it is not our place to replace [] with our own” the considered judgment of the American people that the “benefits of [the Constitution’s] restrictions on the Government outweigh the costs.” *Id.*, quoting *United States v. Stevens*, 559 U.S. 460, 470 (2010). He then closed with the point that brings us to the current question.

No doubt this efficient scheme is well intended. But can there be any doubt that it also represents a *retreat from the promise of judicial independence*? Or that when an independent Judiciary gives ground to *bureaucrats* in the adjudication of cases, the losers will often prove the unpopular and vulnerable? Powerful interests are capable of amassing armies of lobbyists and lawyers to influence (and even capture) politically accountable bureaucracies. But what about everyone else?

Id. at 1381 (emphasis added).

Among the “everyone else” mentioned by Justice Gorsuch are the independent inventors whom *Amicus* represents. The title “inventor” is society’s only honorific that any person can earn based solely on personal achievement. No educational milestone is required. Many of the most successful American inventors never attended college, or dropped out: Dean Kamen, Bill Gates, Steve Jobs, the Wright Brothers, Samuel Morse, the list goes on. Inventorship is one of the only remaining paths to upward social mobility that remains available to all. Inventors can succeed regardless of background or educational attainment.

We know that inventors without formal education will bring us the next breakthrough. But we don’t know when or from whom. As long as we allow secretly-hired and easily-captured bureaucrats to sit in judgment of their accomplishments, faith in the system will remain at a nadir. This disincentivizes the

innovation society needs. If we must tolerate a patent system with invalidity trials that are so vulnerable to lobbyist influence and agency capture, we deserve that its agents get hired under the brightest possible light of disinfecting sunshine: under the Appointments Clause.

B. Due Process Impartiality Problems at the PTAB Magnify the Importance of Proper APJ Hiring

The only remaining way to eke out any “promise of judicial independence” in the context of PTAB “bureaucrats” is the manner of their hiring. The Appointments Clause exists to advance this and several other policies: (1) that intensive vetting in Congress of important appointments attracts only the finest talent to high positions; (2) that the identity, skills and work history of the individuals entrusted with the lives and liberties of the public is transparent to the American people; and (3) that accountability for such hiring decisions gets shared at the top of the political ladder: among the President and the Senate.

Meanwhile, concern is growing about APJ “judicial independence.” As this case wound its way up to this Court, a parallel case has been percolating at the Federal Circuit. In *New Vision Gaming & Development, Inc. v. SG Gaming, Inc.*, No. 20-1399 (Fed. Cir.), the appellant asserts that the financial structure of the PTAB leads to improper judicial bias in favor of institution of trials, and consequent invalidation of patents.

That appeal points to the inner workings of agency budgeting, APJ compensation and bonuses, and APJ performance evaluations. It asserts that the combined effect violates Due Process. As appellant New Vision Gaming ably explains in that proceeding (No. 2020-1399 (Fed. Cir.), ECF#29), APJs receive bonuses based on their performance evaluations that are outsized for administrative judges (potentially up to about \$40,000 per year). Those bonuses depend on factors that include how frequently they institute proceedings to begin an administrative trial. APJs have an incentive to institute IPRs because they effectively get twice the credit usable to (a) meet minimum performance evaluation standards (to keep their jobs) and (b) potentially rake in huge bonuses when exceeding their metrics. This financial incentive raises serious issues under Supreme Court cases finding due process violations where adjudicators get paid more for reaching particular results. Augmenting these problems, New Vision Gaming points out that the personnel who evaluate APJ performance in the first place are also responsible for the PTAB's budget. About 40% of the PTAB's relevant budget depends on PTAB trial petition and institution receipts. APJs who want to please their bosses are incentivized to act in a manner that increases PTAB revenues—a one-way ratchet that only leads to more frequent inventor-unfriendly trials that carry an 84% chance of an adverse outcome.

The appellant there, New Vision Gaming, recently stated the problem this way in its final brief:

If a district court charged \$20,000 to file a summary judgment motion, and then, after denying the motion, charged another \$27,500 to proceed to the merits—and those fees funded court operations and the judges’ salaries and bonuses—that scheme would be deemed unconstitutional. That funding arrangement would create the appearance of improper pecuniary interests, even without any actual bias on the part of the judges. Numerous cases have so held. The PTAB process is little different.

(No. 20-1399 (Fed. Cir.), ECF#77, at 1).

New Vision Gaming’s appeal has been highlighted in the legal press, with several law professors remarking that the due process challenge is “plausible” and “might actually have legs.” *See Dani Kass, Fed. Cir. Told PTAB’s Fee Model Undercuts Due Process*, Law360 (July 2, 2020) (quoting the three law professors).

Amicus US Inventor also filed as an *amicus* there. In US Inventor’s brief, *Amicus* revealed statistical evidence showing not just an inference and probability of bias (as appellant New Vision Gaming argues), but actual bias in judicial outcomes based solely on factors related to APJ compensation. (*See* No. 20-1399 (Fed. Cir.), ECF#62). US Inventor showed with statistical rigor that there is an “October Effect,” in which the mere restarting of the federal budget fiscal year (when APJ decisional counts reset to zero), by itself, creates a change in how APJs judge their cases. (*Id.* at 2-7).

Since APJ salary and bonuses depend on the quantitative output of APJ decisions, US Inventor explained this non-random anomaly as APJs “stuffing the pipeline” with patent invalidity cases that normally should not have to go through the trial process. (*Id.*). This actual judicial bias against inventors arises because of extraneous factors of APJ self-interest, whether perceived or invisible, and whether intentional or accidental.

Awareness is growing about the problem of “judicial independence” among APJ “bureaucrats” at the PTAB. Under the current system, no APJ (with the exception of the USPTO Director, who by statute may sit as an APJ) gets hired under the Appointments Clause. The result: (1) the best talent does not gravitate to those jobs, (2) the American people know very little about who fills them, and (3) political accountability for APJ failures remains illusory. Inappropriate hiring inflames problems already intrinsic to a system biased against inventors.

C. APJ Hiring Currently Lacks Transparency, Leading to Unjust Outcomes

The Appointments Clause benefits the American people by making information about our government transparent. The governed get notice in advance who will be governing them. That knowledge disseminates, giving affected individuals the power to know the background, history and qualifications of high government hires. Because APJs do not presently go through the

Appointments Clause process (nomination and confirmation), America is in the dark. This hurts democracy and the rule of law.

Astonishingly, the parties cannot agree on a basic fact of this case. How many APJs are there? This is a fact that would be readily known had there been presidential appointment and Senate confirmation. The Government's November 25, 2020 merits brief (page 4) states that there are "more than 250" APJs. Smith & Nephew's brief filed that day (page 4) states more cautiously that the number is "more than 200." The Arthrex brief filed December 23, 2020 cites a fiscal year 2020 "Accountability Report" published by the USPTO on its website to report that the number (as of September 30, 2020) is exactly 221. Circumvention of the Appointments Clause directly causes material disagreement and uncertainty over the most basic fact of this litigation. (Without further comment, we will use the "250" number in this brief.)

Unlike many government positions, APJs by statute must possess baseline qualifications or else they may not properly become APJs. They must be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 6(a). Yet generally, how the Secretary of Commerce hires them, and what qualifications they bring to their employment, remain opaque. No one can easily answer, based on public information, if all 250 APJs meet their minimum statutory qualifications. CSPAN did not film their job interviews.

This contrasts with properly-appointed officials. Any member of the public can learn all relevant information about a political appointee, with just a few clicks. Wikipedia has a page devoted to “Political Appointments by Donald Trump” that leads to additional pages on a department-by-department basis. Wikipedia also has a page devoted to a “List of federal judges appointed by Donald Trump.” In fact, through Wikipedia alone, any member of the public can learn all about the background, history and qualifications of each and every high-ranking government official who was properly nominated and confirmed under the Appointments Clause. This is precisely the category of information that inventors *cannot* learn about the APJs who sit in judgment over their rights.

Nor can one just waltz into the agency and ask. *Amicus* US Inventor has tried without success (*e.g.*, through Freedom of Information Act requests). US Inventor cannot receive basic information about the approximately 250 currently-serving APJs. US Inventor has likewise tried without success to receive financial disclosures that such APJs must file with their agency—disclosures much like those that federal judges submit on a regular basis to the Administrative Office of the U.S. Courts. APJ financial disclosures are kept secret, whereas federal judicial disclosures are made public.

This void of information has led directly to unjust results at the agency, or at least to results that justify a perception of agency capture and corporate self-dealing. Apple, Inc. is the most prolific PTAB

petitioner. In 2013, the Secretary of Commerce hired a junior attorney as a new APJ whose job had, until then, been to defend Apple against patent infringement assertions. Investigations ultimately revealed that this attorney-turned-APJ now “proceeded to preside over several dozen post grant challenges brought by Apple. Not surprisingly, Apple did extraordinarily well in those challenges [(a 96% kill rate)], leading [the investigative reporter] to conclude that having [this APJ] on the panel for an Apple petition was a lethal cocktail for patent owners.” <https://www.ipwatchdog.com/2019/04/17/story-ethics-optics-former-ptab-judge-matt-clements-now-works-apple/id=108354/>.

Could anyone really be surprised that, in 2019, this APJ landed a job at Apple upon resigning his judgeship? *Id.* Had the Appointments Clause governed this APJ appointment, would he have gotten the job in the first place? At minimum, nomination and confirmation would have allowed inventors adverse to Apple who found this APJ assigned to their panels to have sought timely recusal. More likely, transparency about this APJ’s previous defense of Apple would have led the USPTO to bar him from Apple panels entirely, to forestall public outcry. And perhaps if the Appointments Clause had been applied, notions of professional honor would have prevented this individual from even seeking a post-APJ revolving-door job at Apple.

* * *

The Appointments Clause violation before this Court magnifies, exacerbates and inflames other structural defects of the PTAB that lead to a lack of confidence from the independent inventor community in its “judicial independence.” If the PTAB were fair, unbiased and uniformly correct in its decisions, inventors would embrace its use as an aid to resolving validity disputes. But as it exists today, it appears to independent inventors as a group of biased bureaucrats who make a living (and score bonus dollars) off of destroying the American dream. APJs seem unusually prone to defend incumbent business interests, sometimes in service of revolving-door job prospects. Requiring compliance with the Appointments Clause will be a necessary step toward restoring inventors’ faith in the patent system. This will advance the cause of innovation, and help heal the wound in the economy that Congress imposed on the American people with the 2011 creation of PTAB invalidity trials.

With these concerns in mind, US Inventor turns to its legal argument. US Inventor makes two main points. First, this Court may correct the erroneous severance remedy imposed by the Federal Circuit. If their decisions were deemed recommendatory in infringement proceedings instead of mandatory, APJs would then qualify as “inferior” officers, retroactively curing their unconstitutional appointments. Second, the two precedents that the Federal Circuit cited as support for concocting its “no-tenure” severance remedy do not plausibly suggest that result.



ARGUMENT

I. Removing APJ Tenure Protection to Make Their Jobs More Political Does Not Validly Remedy the Appointments Clause Violation

In the decision under review, the court of appeals correctly concluded that APJs are unconstitutionally appointed. That decision nevertheless devised a remedy that is no remedy at all. The remedy does not require the re-appointment of a single APJ. The remedy does not alter future appointments to require nomination by the President and confirmation by the Senate (the required mode for principal officers). The remedy does not change anything about the character of APJ validity decisions that might downgrade APJ employment status from principal officer to that of inferior or non-officer.

Instead, the Federal Circuit remedy simply declares abolition of APJ tenure protection. The panel deemed that, for all future PTAB decisions, APJs are inferior officers, thus making their decisions constitutionally sound from that day forward. The result of this non-remedial “remedy” has been a wave of seemingly meaningless remands. Hundreds of parties are now forced to repeat proceedings before a new panel assembled from the same roster of APJs who were unconstitutionally appointed in the first place. Only now, APJs have no protection from termination if their decisions do not please their political bosses.

Two Federal Circuit Judges later commented on the haste and carelessness of their colleagues’ remedy

analysis. They observed that “*Arthrex* disposed of the [remedy] question in a few sentences,” without a “fulsome severance analysis.” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 787 (Fed. Cir. 2020) (Hughes, J., and Wallach, J., dissenting from denial of reh’g *en banc*). Converting APJs to at-will employees conflicts with the goals and policy behind the Framers’ placement of the Appointments Clause into our Constitution. It throws to the political winds what should be technological determinations. APJs who step wrongly (*i.e.*, rule contrary to a department head’s desired adjudication outcome) risk their jobs. Billions of dollars of adjudicated outcomes are, because of the decision, more politically accountable to the President and his appointees. This exacerbates the problem of a tribunal whose outcomes have appeared biased and divorced from facts in the inventor community.

These are all patent validity adjudications, rendered under standards that are intrinsically subjective, lending camouflage to a decision-maker motivated to choose one outcome over another for reasons outside of the record. Whether a patent claim is anticipated depends on interpretation of the scope of the claim, which depends on findings about what a person of ordinary skill in the art at the time of the invention would have perceived. Whether a patent claim would have been obvious depends on weighing numerous factors, including the difference between the scope of the claim and the level of ordinary skill in the art. The court of appeals’ remedy is incorrect because it makes determinations concerning technology *more* political, not less so.

Subjective elements within those determinations make political motives for specific decisions at the adjudication phase nearly impossible to detect after the fact.

Arthrex correctly describes in its merits brief why this is so large a problem. Arthrex notes that the PTAB model differs from the “traditional model” of Appointments Clause-compliant agency adjudication. Brief for Arthrex, Inc. in No. 19-1434, at 51-52. “Under the traditional model, administrative judges issue initial decisions. Those decisions are then subject to transparent review by accountable agency heads responsible for their actions in accepting or rejecting a decision.” *Id.* at 51. Application of policy at the agency level should never occur through “a skewing of evidentiary factfinding for policy reasons,” since this undermines the public’s confidence in “visibly independent determination of the evidentiary facts” during initial adjudication. *Id.* at 51-52; *see also id.* at 27-32.

Put another way, the “traditional model” of agency adjudication does permit a political thumb on the scale. But this occurs only through actions of a transparent and accountable agency head. The adjudication itself should happen solely on the evidentiary record, without the “skew” that happens when policy considerations distort fact finding.

Removing tenure protection encourages political (not factual) decision-making by administrative judges. As Judge Dyk observed (with concurrence from three other Federal Circuit judges): “By eliminating Title 5 removal protections for APJs, the panel is performing major surgery to the statute that Congress could not possibly have foreseen or intended.” *Arthrex*, 953 F.3d 769 (Dyk, J., dissenting from denial of reh’g *en banc*). Making APJs politically accountable by dint of removing their Title 5 tenure protection conflicts with Congressional purpose concerning job security, as first established in the 1946 Administrative Procedures Act for ALJs, and 1975 Patent Act amendments for APJs. *Id.* at 769-71. Since 1975, despite numerous modifications of the Patent Act both big and small, Congress preserved APJ tenure protection for the precise reason that personnel who conduct adjudication within Executive agencies should not be “mere tools of the agency and subservient to the agency heads in making their proposed findings of fact and recommendations.” *Id.* at 770. Judge Dyk (with three other Judges) pointed out, without rebuttal from their fellow Judges, that “ALJs in general and APJs in particular have been afforded longstanding and continuous protection from removal” by Congress. *Id.* at 771. And they additionally noted that after the *Arthrex* panel decision, Congress convened a subcommittee hearing at which one Member stated that eliminating tenure protection was “inconsistent with the idea of creating an adjudicatory body [capable of] providing independent impartial justice.” *Id.* at 772.

In short, the court of appeals remedy conflicts directly with the norms of “judicial independence” extolled in Justice Gorsuch’s *Oil States* dissent. And it conflicts with the “traditional model” of constitutionally compliant agency adjudication. Making adjudicators more politically accountable diverts policy making from where it belongs (in the agency head) to where it easily evades detection (in the “impartial” adjudicators).

Nor can the tenure-removal remedy advance the Appointments Clause policy of structuring the most important governmental hires “to curb Executive abuses of the appointment power” and “to assure a higher quality of appointments.” *Edmond v. United States*, 520 U.S. 651, 659 (1997). For instance, the Federal Circuit never explains how taking away job security for a class of federal employees can possibly curb, as opposed to enable, abuse of Executive appointment and removal power by political appointees. And the panel decision never explains how emplacing a structure that promotes kowtowing to the President’s appointees, as opposed to independence from them, will lead to higher quality personnel filling APJ jobs, or doing those jobs more accurately. The court of appeals’ remedy is facially irrational, in the context of an adjudicatory body whose job is to reach the right answer on a single issue based only on the record before it, and in the context of the policy behind the Appointments Clause.

II. This Court Can Devise a Better-Targeted Remedy

1. US Inventor submits that the correct remedy is not that which the Federal Circuit chose. Either Arthrex is correct that severance is not appropriate and Congress must take responsibility through legislation, or the correct remedy is something else. *Amicus* asserts that the correct remedy is to sever the statute so that patentability determinations continue as Congress intended, only with APJs downgraded to making advisory patentability decisions—*i.e.*, decisions that are not binding or preclusive in other proceedings, such as infringement actions. This would make APJs either inferior or non-officers.

All that needs to happen under this alternative remedy is severance of the part of the statute that makes final written decisions on patentability binding. Government employees who issue nonbinding decisions do not assert the type of “significant authority” that the court of appeals held make them principal officers: they do not “render a final decision on behalf of the United States.” *See Edmond*, 520 U.S. at 665. Consequently, making APJ decisions nonbinding would validate the current mode of APJ hiring by the Secretary of Commerce.² The statutory language that is ripe

² In *Lucia v. SEC*, the dissent would have held that officer status turns on whether final decisions of the relevant personnel are “binding.” 138 S. Ct. 2044, 2065 (2018) (Sotomayor, J., dissenting, joined by Ginsburg, J.). The majority did not reach whether this standard is correct, since the SEC ALJs exercised the same duties that Special Tax Judges of the United States Tax Court (STJs) did that made STJs officers in an earlier decision

for severance is simply eleven words within 35 U.S.C. §§ 318(b) and 328(b) referring to a certificate “canceling any claim of the patent finally determined to be unpatentable.”

The Court should declare this remedy to be retroactive. Retroactivity of this remedy recognizes that the constitutional flaw inhered at the time of *appointment*, not continued employment, of such APJs. The court of appeals’ current tenure-removal remedy does not do anything to make an *appointment* retroactively valid. The appointments of APJs by the Secretary of Commerce happened when and as they did, at a time when tenure protections existed. No remedy that is only forward-looking in effect can alter that fact. Thus the panel’s particular forward-looking remedy suffers from another major flaw: it cannot rationally be deemed to have fixed an 8-year-long structural flaw in the agency. By contrast, retroactively making APJ patentability decisions advisory cures the Appointments Clause violation from inception.

(*Freytag*). *Id.* at 2051-52. Thus, while it may be an open question whether making APJ decision-making nonbinding would downgrade APJs to nonofficers, nonbinding decision-making at least downgrades them to “inferior officers.” APJ decisions would have no effect without an Article III court accepting their recommendations, thus inserting the supervision of persons nominated by the President and confirmed by the Senate (*i.e.*, federal judges). This would make APJ appointment by the Secretary of Commerce valid.

2. This Court’s severability precedents support US Inventor’s proposed alternative remedy, but not the court of appeals’.

Under *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678 (1987), the standard for determining severability of an unconstitutional provision is: “Unless it is evident that the Legislature would not have enacted those provisions which are within its power, independently of that which is not, the invalid part may be dropped if what is left is fully operative as a law.” *Id.* at 684 (internal quotation omitted). US Inventor’s alternative remedy meets this standard.

First, under US Inventor’s remedy, “what is left is fully operative as a law.” That is, there is nothing constitutionally wrong if APJ final written decisions were advisory and not binding.

Second, it is not evident that Congress would have rejected an APJ patentability trial system that, to exist, left final written decisions advisory and nonbinding. For example, a different agency already exists that adjudicates patent decisions for the Executive without preclusive effect—the International Trade Commission (ITC). While ITC decisions on questions of infringement and validity may be found persuasive in Article III trial courts, they are nonbinding and advisory beyond the role they play in directing Customs and Border Protection agents to block certain imports at the border. *Hyosung TNS Inc. v. Int’l Trade Comm’n*, 926 F.3d 1353, 1358 (Fed. Cir. 2019) (“[W]e have held that the ITC’s determination of patent infringement

and validity do not have claim or issue preclusive effect even if affirmed by our court.”) (citation omitted). Thus the proposed fix matches an agency structure for patent review that Congress has already enacted.

On the other hand, it is plainly evident that Congress would not have enacted an APJ patentability trial system that was more political than the one they did enact, by virtue of having no tenure protections. Within days of the court of appeals’ decision, the relevant Congressional subcommittee with authority over intellectual property held a hearing at which voting Members made statements critical of the Federal Circuit’s chosen remedy. *See Arthrex*, 953 F.3d at 771-72 (Dyk, J., dissenting from denial of reh’g *en banc*). Criticism was justified. Tenure protections are important for anyone appointed to be a member of a quasi-judicial tribunal. Independence is the hallmark of an adjudicative body. Severance of tenure protections “paradoxically imposes the looming prospect of removal without cause on the arbiters of a process which Congress intended to help implement a ‘clearer, fairer, more transparent, and more objective’ patent system.” *Arthrex*, 953 F.3d at 788 (Hughes, J., dissenting from denial of reh’g *en banc*) (quoting Statement of Sen. Kyl, 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011)).

US Inventor is aware of no federal administrative agency adjudicative tribunal in which Congress enacted at-will employment for the tribunal members. That is anathema to the interests of justice, and the ideals of due process. And as explained above, downgrading APJs’ judicial independence only makes an

already-suspect and already-biased agency judicial system that much worse.

3. Some might argue that making APJ decisions advisory would conflict with Congressional purpose that PTAB trials serve as a faster and less expensive alternative to district court validity litigation. This concern is unfounded. In reality, a recommendatory PTAB scheme would function very much like the magistrate judge system of reports and recommendations. Our judicial system already embraces a tier of advance decision-making by valuable adjuncts. Such nonbinding recommendations currently aid decision-making by confirmed Article III trial judges. The magistrate judge R&R system, in operation, speeds up final disposition of private disputes.

This will be no less true with the PTAB. In general, PTAB outcomes (the functional equivalent of magistrate judge R&R's) will be deemed persuasive among the nation's trial judges. If a patentee or PTAB petitioner receives an adverse advisory PTAB ruling, only those who believe they can press a strong case of error would, as a practical matter, ask a trial judge to permit a different outcome. The risk of fee shifting under 35 U.S.C. § 285 would act as a check against nonmeritorious challenges. Just like now, in the majority of cases, a recommendatory PTAB decision by itself would end validity litigation, lifting a typical impediment to settlement. Put differently, to the extent that PTAB panels issue persuasive, high quality decisions, validity litigation will effectively end in a related district court case even if the decision itself is nonbinding. But

conversely, if decisions are riddled with error, there will be recourse. The victims of such bad judging may choose to continue litigating in federal court, because a bad recommendatory decision would get independent judicial review after meaningful scrutiny.

The US Inventor proposed severance remedy thereby advances Congressional purpose that PTAB adjudications serve as a faster, less expensive alternative to full-scale district court validity trials.

III. The Panel Misread Constitutional Case Law

The court of appeals' tenure-removal remedy is not only bad policy because it undermines the norm of judicial independence—it is also bad law. Mistaken legal analyses led the Federal Circuit to adopt it.

The court of appeals' tenure-removal remedy purports to follow two court decisions that applied a tenure-removal remedy to a constitutional violation (*Free Enterprise Fund* and *Intercollegiate*). But the court of appeals misapplied the first decision, while the second decision is factually distinguishable. Thus, two prior instances of courts imposing a similar remedy does not make the remedy here correct.

The Federal Circuit looked first to *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), as support for its tenure-removal remedy. But the court missed a major distinction. This Court in *Free Enterprise Fund* removed a for-cause

termination layer between the PCAO Board and the President (where originally there were two) to remedy a Separation of Powers violation, not directly to remedy an Appointments Clause problem. All discussion of transforming Board members into at-will employees beholden to the Commission was to make the Board more accountable to the President, and the President more responsible for Board actions, thus ensuring a “role for oversight by an elected President.” *Id.* at 499. This ruling applied Separation of Powers principles and goals to transform the Board into proper employees within the Executive branch. *Id.* at 499-502. By the time discussion reached the Appointments Clause, there was no need to consider whether the same judicial remedy would have cured an Appointments Clause violation, ***if only the Appointments Clause were violated.*** *Id.* at 510. While it is true that the Court noted that there was no Appointments Clause violation “given” the previously-imposed Separation of Powers remedy, *id.*, this was coincidental, and without discussion of how the case might have resolved if the Court considered solely how to remedy an Appointments Clause violation.

The only other authority cited by the Federal Circuit to support the tenure removal remedy is *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d 1332 (D.C. Cir. 2012). In that case, the D.C. Circuit uncritically followed the *Free Enterprise Fund* Separation of Powers model to implement a tenure-reduction remedy for a stand-alone Appointments Clause violation. But in doing so, that court failed to

recognize that different considerations may apply to distinct types of constitutional violations, insofar as a remedy should narrowly address the violation itself. The *Intercollegiate* panel did not explain how a remedy selected to ensure an oversight role for an elected President (the Separation of Powers concern discussed in *Free Enterprise Fund*) might somehow redeem a mistaken governmental appointment of a principal officer that, at some time in the past, wrongly skipped over nomination by the President and confirmation by the Senate. It defies logic to hold that removing tenure protections of an existing officer retroactively makes the *appointment* of that officer subject to political accountability at the highest levels of the political branches (the President and the Senate), or retroactively attracts the finest and most vetted talent to the job.

In addition, the D.C. Circuit in *Intercollegiate* did not need to address a history or Congressional purpose of Copyright Royalty Board members deciding disputes with the benefit of true judicial independence. Nothing seems particularly shocking about political creatures legislating the proper resolution of a copyright royalty rate dispute. By contrast, the ALJ/APJ system evolved under norms of true judicial independence. Evidently, the judicial independence question was not as urgent at the D.C. Circuit because of the very different type of adjudications at issue in *Intercollegiate*.

In short, the reasoning of *Intercollegiate* is faulty and its facts are distinguishable. Congressional purpose over how to structure the Copyright Royalty

Board is irrelevant to Congressional purpose over how to structure the PTAB, which implicates a long history (discussed above) of Congress demanding tenure protection and judicial independence for both ALJs and APJs.



CONCLUSION

The PTAB system, and its APJ hiring scheme, raise concerns over access to justice, government transparency, agency capture, structural bias against inventors, and the ethics of revolving-door employment. Stakeholders in the patent system are entitled to a government that, if it gives patent invalidation authority to Executive Branch employees, at least requires such employees to be nominated by the President and confirmed by the Senate. That would have made them properly-appointed principal officers, guaranteeing the highest quality personnel to do the job, while simultaneously assuring political accountability over their hiring at the highest levels of the political branches.

The *Arthrex* court of appeals' decision recognizes the constitutional violation in how APJs are hired under the AIA. But that decision applied the wrong remedy. That remedy exacerbates the unusual PTAB departure from the "traditional model" of agency adjudication, in which adjudicators are independent and policy making occurs only through transparent and accountable agency head review. US Inventor therefore

requests that this Court determine the correct remedy, which if not the remedy Arthrex advocates, is at least retroactive conversion of APJ decisions into advisory and nonbinding decisions. This would make APJs either inferior officers or non-officers, fixing faulty appointments retroactively.

Respectfully submitted,

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