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

In the Supreme Court of the United States

UNITED STATES OF AMERICA,
Petitioner,
v.
ARTHREX, INC., ET AL.,
Respondents.

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

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

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

BRIEF OF AMICUS CURIAE JEREMY C. DOERRE IN SUPPORT OF PETITIONER IN NO. 19-1458

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INTEREST OF AMICUS CURIAE[1]

Amicus Curiae Jeremy C. Doerre is a registered patent attorney who practices before the United States Patent and Trademark Office, the Office's Patent Trial and Appeal Board, and the United States Court of Appeals for the Federal Circuit. Amicus has no stake in any party or in the outcome of this case. Amicus' only interest in this case is in the law.

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[1] No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity other than amicus curiae or amicus curiae's counsel made such a monetary contribution to the preparation or submission of this brief. Counsel for each party filed a statement of blanket consent to the filing of amicus briefs.

SUMMARY OF THE ARGUMENT

This Court has indicated with respect to the previous head of the Office that "[a]s a member of the Board and the official responsible for selecting the membership of its panels, … the [head of the Office] may be appropriately considered as bound by Board determinations." *Brenner v. Manson*, 383 U.S. 519, 523 n.6 (1966).

In the face of this indication, the government urges that administrative patent judges are inferior officers based on the purported ability of the Director to "convene a panel of his own choosing to determine whether any individual decision should be reheard, either in whole or in part, with no limits on the scope of that rehearing," and "issue relevant policy guidance that the Board would be required to apply in … all [] pending cases." Brief for the United States at 37, 38. The government even suggests that the Director "can prevent [a] … decision from taking effect even in an individual case by using his authority to issue binding policy guidance, in concert with his power to convene a [review] [p]anel to decide whether to rehear the decision." *Id.* at 38.

Amicus submits this brief to urge that, when the Board is exercising its congressionally granted authority, the Director cannot reverse its decision using his panel designation power because of due process concerns and his statutory obligation under 35

U.S.C. § 3(a)(2)(A) to perform his duties in a fair manner.

Amicus further submits this brief to urge that, when the Board is exercising its congressionally granted authority, the Director cannot reverse its decision by issuing new policy guidance that the Board would be required to apply because the Director lacks retroactive rulemaking authority.

In this regard, this Court has made clear that "a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms." *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988).

Given that the Board exercises independent authority granted by Congress, see 35 U.S.C. § 6, any attempt by the Director to circumscribe this congressionally granted authority by binding the Board to guidance must involve use of legislative rulemaking authority.

This conclusion is reinforced by the fact that any attempt by "the Director … to issue relevant policy guidance that the Board would be required to apply in … all … pending cases," Brief for the United States at 38, would not qualify as an "interpretative rule[]" or "general statement[] of policy" under the statutory exceptions to 5 U.S.C. § 553(b), and instead would require notice and comment procedures. Specifically, any attempt by "the Director … to issue relevant

policy guidance that the Board would be required to apply in … all … pending cases," Brief for the United States at 38, would not qualify under the interpretative rule exception as a "statement of … future effect," 5 U.S.C. § 551(4), and would not qualify under the statement of policy exception as a "statement[] issued … to advise the public prospectively." Attorney General's Manual on the Administrative Procedure Act (1947) at 30 n.3.

Amicus urges that, given this Court's reference in *Edmond v. United States*, 520 U.S. 651 (1997) to the "power to reverse decisions," and indication that "[w]hat is significant is that the judges of the [tribunal] have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers," the inability of the Director to reverse decisions, even under the creative schemes proposed by the government, weighs in favor of principal officer status for administrative patent judges. *Id.* at 664-665.

ARGUMENT

The present case presents the question of "[w]hether, 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." Memorandum for the United States submitted July 22, 2020 in nos. 19-1452 and 19-1458.

In *Edmond v. United States*, 520 U.S. 651 (1997), this Court observed that "the term 'inferior officer' connotes a relationship with some higher ranking officer or officers below the President," and indicated that "[w]hether one is an 'inferior' officer depends on whether he has a superior." *Id.* at 662. In this regard, "[i]t is not enough that other officers may be identified who formally maintain a higher rank, or possess responsibilities of a greater magnitude." *Id.* at 662-663. Instead, "'inferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Id.* at 663.

Thus, while it is clear that both the Secretary of Commerce and the Director "maintain a higher rank, [and] possess responsibilities of a greater magnitude" as compared to administrative patent judges, it is less

clear whether either qualifies as a "superior" so as to render administrative patent judges inferior officers. *Edmond,* 520 U.S. at 662-663.

One factor that this Court highlighted in *Edmond* in evaluating whether members of a tribunal qualify as inferior officers for Appointments Clause purposes is whether another executive officer has "power to reverse decisions" of the tribunal. *Id.* at 664. In particular, this Court indicated that "[w]hat is significant is that the judges of the [tribunal] have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Id.* at 665.

The government urges that administrative patent judges' "work is [sufficiently] directed and supervised" by the Director so as to render administrative patent judges inferior officers. *Id.* at 663.

Notably, the government is not suggesting that administrative patent judges can be told to make a particular decision, and indeed counsel for the Director has acknowledged before the Federal Circuit that they cannot.[2]

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[2] In particular, during oral argument discussing the Director's practice of sometimes expanding Board panels to beyond three members, counsel for the Director indicated that "[i]f judges could be told to make a particular decision, there would be no need to expand a panel in the first place," thus acknowledging that members of the Board in fact

Instead, recognizing the significance of the "power to reverse decisions," *Edmond,* 520 U.S. at 664, the government urges that "the Director can … convene a panel of his own choosing to determine whether any individual decision should be reheard, either in whole or in part, with no limits on the scope of that rehearing," and that "the Director could require that Board opinions addressing any unresolved legal or policy issues should be circulated internally before they were issued, enabling him to issue relevant policy guidance that the Board would be required to apply in those and all other pending cases." Brief for the United States at 37, 38. The government even suggests that the Director "can prevent [a] … decision from taking effect even in an individual case by using his authority to issue binding policy guidance, in concert with his power to convene a [review] [p]anel to decide whether to rehear the decision." *Id.* at 38.

Amicus submits this brief to urge that the Director's ability to control or reverse decisions of the Board is more constrained than the government appears to suggest.

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cannot "be told to make a particular decision." Oral argument at 25:27 in *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013 (Fed. Cir. 2017) (appeal no. 2016-2321, argued June 8, 2017), available at http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-2321.mp3).

I. It is necessary to consider whether administrative patent judges are directed and supervised when exercising authority Congress granted to the Board, irrespective of the Director's ability to oversee them when they are acting under his authority.

As noted above, the government urges that administrative patent judges' "work is [sufficiently] directed and supervised" by the Director so as to render administrative patent judges inferior officers, *Edmond,* 520 U.S. at 663, and points to various ways that the Director can purportedly oversee the Board, and the administrative patent judges thereon.

However, the government does not disambiguate between the Director's ability to oversee administrative patent judges when they are acting under authority he has delegated to them, and the Director's ability to oversee administrative patent judges when they are acting under independent authority that Congress chose to grant to the Board, rather than the Director.

A. In this regard, while "IN GENERAL … [t]he powers and duties of the United States Patent and Trademark Office shall be vested in … [the] Director," 35 U.S.C. § 3, Congress chose to specifically grant the

Patent Trial and Appeal Board authority independent of the Director.[3]

Specifically, 35 U.S.C. § 6 grants the Board authority to "review adverse decisions of examiners upon applications for patents," "review appeals of reexaminations," "conduct derivation proceedings," and "conduct inter partes reviews and post-grant reviews." 35 U.S.C. § 6(b). Notably, this grant of authority is not to the Office generally, or to the Director, instead, it is specifically to "[t]he Patent Trial and Appeal Board," 35 U.S.C. § 6(b), and thus "the Board's authority … rests on an independent grant." *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 928-929 (Fed. Cir. 1991).

B. However, not all tasks performed by the Board, and the administrative patent judges on the Board, are performed under authority granted by Congress to the Board. This is because the Director has chosen to delegate some tasks to the Board.

In particular, Congress granted the Director the authority to "determine whether to institute an inter partes review," 35 U.S.C. § 314, or "post-grant

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[3] Congress' choice to grant the Board authority independent of the Director is in accord with "Congress' 'use [of] the phrase 'in general,' [which] suggest[s] that [some powers] might, depending on the circumstances," not be vested in the Director. *Grace v. Barr*, no. 19-5013, slip op. at 39 (D.C. Cir. July 17, 2020) (analyzing "use [of] the phrase 'in general'" in a different context.)

review," 35 U.S.C. § 324, but the Director has chosen to delegate that task to the Board. See 37 CFR § 42.4 ("The Board institutes the trial on behalf of the Director.").

In this situation, the Board is indeed acting "on behalf of the Director" under his authority, 37 CFR § 42.4, in sharp contrast to situations where the Board is acting under its own congressionally granted authority pursuant to 35 U.S.C. § 6.

C. This distinction matters because in situations where the Board is acting under its own congressionally granted authority pursuant to 35 U.S.C. § 6, the constraints specified in 35 U.S.C. § 6(c) operate to limit the Director's ability to oversee the Board.[4] This distinction also matters because in situations where the Board is acting under its own congressionally granted authority, the Director cannot simply bind the Board by placing constraints on the exercise of authority he delegates to the Board.

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[4] Other constraints may still operate to limit the Director's oversight ability even when the Board is acting under the Director's authority. For example, the Director appears to have bound himself to the requirement that "[i]nter partes review shall not be instituted for a ground of unpatentability unless the Board decides that…" 37 CFR § 42.108; see also 37 CFR § 42.208 ("Post-grant review shall not be instituted for a ground of unpatentability unless the Board decides that…").

These effects in turn matter because, analogously to this Court's reasoning in *Freytag v. Commissioner*, 501 U.S. 868 (1991), if administrative patent judges are principal officers for purposes of duties under 35 U.S.C. § 6, they are principal officers within the meaning of the Appointments Clause regardless of the Director's ability to oversee their performance of other duties the Director has delegated to them.

In *Freytag*, this Court confronted an Appointments Clause challenge for special trial judges assignable by the Chief Judge of the United States Tax Court to various proceedings under 26 U.S.C. § 7443A. The government "concede[d] that, in cases governed by subsections (b)(1), (2), and (3), special trial judges act as inferior officers who exercise independent authority," but urged that this was irrelevant to the petitioner, whose case was under subsection (b)(4). *Freytag*, 501 U.S. at 882.

This Court made clear that "[s]pecial trial judges are not inferior officers for purposes of some of their duties under § 7443A, but mere employees with respect to other responsibilities," and that "[t]he fact that an inferior officer on occasion performs duties that may be performed by an employee not subject to the Appointments Clause does not transform his status under the Constitution." *Id.* This Court concluded that "[i]f a special trial judge is an inferior officer for purposes of subsections (b)(1), (2), and (3), he is an inferior officer within the meaning of the

Appointments Clause, and he must be properly appointed." *Id.*

Here, analogously, "[t]he fact that an [administrative patent judge] on occasion performs duties [under the Director's authority] that may be performed by an [inferior officer] … does not transform his status under the Constitution." *Freytag*, 501 U.S. at 882. Thus, analogously to *Freytag*, "[i]f a[n] [administrative patent] judge is a[] [principal] officer for purposes of [one or more duties under 35 U.S.C. § 6(b)], he is a[] [principal] officer within the meaning of the Appointments Clause, and he must be properly appointed." *Freytag*, 501 U.S. at 882.

Thus, in evaluating whether administrative patent judges qualify as principal officers, it is necessary to consider whether they are directed and supervised when exercising the independent authority Congress granted to the Board under 35 U.S.C. § 6, irrespective of the Director's ability to oversee them when they are acting under his authority to perform tasks he has delegated to them.

II. When the Board is exercising its congressionally granted authority, the Director cannot reverse its decision using his panel designation power because of due process concerns and his statutory obligation to perform his duties in a fair manner.

A. As noted above, when the Board is acting under its own congressionally granted authority pursuant to 35 U.S.C. § 6, rather than performing tasks under the Director's authority, the constraints specified in 35 U.S.C. § 6(c) operate to limit the Director's ability to oversee the Board.

In particular, 35 U.S.C. § 6(c) mandates that "[e]ach appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the … Board," and that "[o]nly the … Board may grant rehearings." 35 U.S.C. § 6(c).

Although the Director is a member of the Board, the requirement that "proceeding[s]… be heard by at least 3 members of the … Board" prevents any single member of the Board, even the Director, from unilaterally dictating the outcome of a Board proceeding. 35 U.S.C. § 6(c); see also *Animal Legal Defense Fund*, 932 F.2d at 929 n.10 (noting with respect to the previous head of the Office[5] that "[w]hile the Commissioner may sit on the Board, in that capacity he serves as any other member.")[6]

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[5] The American Inventors Protection Act of 1999, Pub. L. No. 106–113 changed the management structure of the Office and placed a Director at its head rather than a Commissioner.

[6] This is in accord with historical practice, as even a century ago members of the Board's predecessor, a Board of Examiners-in-chief, were not "subject to the official direction of the [head of the Office]" with respect to "the

Further, the express limitation that "[o]nly the … Board may grant rehearings" precludes the Director from unilaterally rehearing, reviewing, or reversing a decision of the Board. 35 U.S.C. § 6(c).[7]

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free exercise of their judgments in the matters submitted for their … determination." *In re Alappat*, 33 F.3d 1526, 1534 n.9 (Fed. Cir. 1994) (en banc) (quoting *Moore v. United States*, 40 App.D.C. 591, 596 (D.C. Cir. 1913)). Indeed, counsel for the Director has acknowledged that administrative patent judges cannot be told to make a particular decision. See n.2, *supra*.

[7] The inability of the Director to unilaterally rehear, review, or reverse a decision of the Board is notable, and presents a clear contrast with an earlier "system of two appeals within the office, one from the examiner to a board of three examiners-in-chief, and another appeal from this board to the Commissioner of Patents." *In re Wiechert*, 370 F.2d 927, 950-951 (C.C.P.A. 1967); see also Act of March 2, 1861, 12 Stat. 246. In 1927, Congress eliminated the ability of the then head of the Office, the Commissioner, to review Board of Examiners-in-chief decisions by replacing "'the two appeals, to the Board of Examiners-in-chief and from the latter to the Commissioner, … [with] a single appeal, this single appeal being to a Board of Appeals.'" *Wiechert*, 370 F.2d at 952 (quoting Frederico, *Evolution of Patent Office Appeals*, 22 J.P.O.S. 838-920 (1940)); see also Act of March 2, 1927, ch. 273, § 3, 44 Stat. 1335. Although the Board of Appeals included the Commissioner, the Act of 1927 required "that each appeal shall be heard by at least three members of the Board of Appeals," and made clear

Indeed, this Court has noted with respect to the previous head of the Office that "[a]s a member of the Board and the official responsible for selecting the membership of its panels, … the [head of the Office] may be appropriately considered as bound by Board determinations." *Brenner v. Manson*, 383 U.S. 519, 523 n.6 (1966).

In the face of this prior indication by this Court, the government urges that "the Director can … convene a panel of his own choosing to determine whether any individual decision should be reheard, either in whole or in part, with no limits on the scope of that rehearing." Brief for the United States at 37; see also *Id.* at 32 ("Any proceeding in which an administrative patent judge participates may be reheard de novo by another panel whose members the Director also picks—a panel that typically includes the Director himself and two other Executive officials.")

The government appears to be referencing a new review mechanism that the current Director recently

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that "[t]he Board of Appeals shall have sole power to grant rehearings." Act of March 2, 1927, ch. 273, § 3, 44 Stat. 1335, 1336. As noted above, these limitations persist to today, see 35 U.S.C. § 6(c), and make clear that the Director, just like the Commissioner before him, "cannot personally grant a rehearing, notwithstanding the general authority that he has over the operation of the PTO." *In re Alappat*, 33 F.3d 1526, 1534 (Fed. Cir. 1994) (en banc).

created: Precedential Opinion Panel review. See *Id.* at 31-32 ("the Director has established a Precedential Opinion Panel, which consists of Board members he chooses (typically including the Director himself), and which can determine whether to rehear and reverse any Board decision.")

Notably, though, the Director is the only member of the Board nominated by the President and confirmed by the Senate, and thus 35 U.S.C. § 6(c)'s mandate that "[e]ach … [Board proceeding] shall be heard by at least 3 members of the … Board" means that simple rehearing by the Board cannot possibly constitute principal officer review.

The only way that such an ability to "convene a panel of [the Director's] own choosing to determine whether any individual decision should be reheard" could qualify as principal officer review is if the Director were to use his panel designation power to produce a desired result.

There is some history of heads of the Office utilizing panel designation power in this way. The en banc Federal Circuit was confronted with such a situation in *Alappat*, where after "a three-member panel … reversed the Examiner's … rejection[,] … [t]he Examiner [] requested reconsideration … [and] requested that such reconsideration be carried out by an expanded panel." *In re Alappat*, 33 F.3d 1526, 1531 (Fed. Cir. 1994) (en banc) "An expanded eight-member panel, acting as the Board, granted both of the Examiner's requests," and "the five new members of

the expanded panel issued the majority decision … in which they affirmed the Examiner's … rejection, thus ruling contrary to the decision of the original three-member panel." *Id.*

Importantly, there was no dispute in *Alappat* that panel designation power was being utilized by the head of the Office to "reconstitut[e] the Board in order to produce a result more to his liking." *Id.* at 1577-1578 (Plager, J., concurring). See, e.g., *Id.* at 1576 (Mayer, J., dissenting) ("That the Commissioner 'stacked' the board is abundantly clear. After the original panel rendered a decision favorable to Alappat, the Commissioner designated an expanded panel … [where] the outcome was assured[,] … and the original panel filed an emphatic dissent.")

Nor was this simply an isolated case. In 1992, for example, thirty-three members of a predecessor Board signed a letter addressed to the head of the Office expressing concern over "an increasing number of instances in which the composition of panels of the Board … has been manipulated in a manner which interferes with the decisional independence of the Board." 44 PTCJ 43 (BNA 1992). The Office responded by indicating that the head of the Office may "ask any three [members] for a draft opinion," and may, if he "believes… that the opinion would establish incorrect policy," and "is of the opinion that one or more other members of the Board share his view, … designate a panel including himself and those other members." 44 PTCJ 43 (BNA 1992).

This practice has continued to be employed on occasion, although infrequently, and members of the Federal Circuit have expressed "concern[] about the PTO's practice of expanding administrative panels to decide requests for rehearing in order to 'secure and maintain uniformity of the Board's decisions.'" *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring) (quoting the Director's Brief).

Indeed, as noted above, the current Director has created the Precedential Opinion Panel mechanism for reviewing Board decisions.

B. While the government urges that "the Director can … convene a panel of his own choosing to determine whether any individual decision should be reheard, either in whole or in part, with no limits on the scope of that rehearing," Brief for the United States at 37, a serious problem arises when this purported authority is utilized by the Director to "reconstitut[e] the Board [panel] in order to produce a result more to his liking." *Alappat*, 33 F.3d at 1577-1578 (Plager, J., concurring).

In particular, as highlighted by this Court during a recent oral argument, there is a serious question with respect to the Director's practice of reconstituting Board panels as to whether "it comport[s] to due process to change the composition of the adjudicatory body halfway through [a] proceeding." Transcript of Oral Argument at 45 (Roberts, C.J.), *Oil States Energy Services, LLC v.*

Greene's Energy Group, LLC, 138 S. Ct. 1365 (2018) (no. 16-712, argued Nov. 27, 2017), available at https://www.supremecourt.gov/oral_arguments/argument_transcripts/2017/16-712_879d.pdf.

1. The Fifth Amendment provides that "[n]o person shall be … deprived of … property, without due process of law." Constitution, Fifth Amendment.

Board proceedings implicate two different types of interests in property.

For patent holders, an issued "[p]atent[]… [is] surely included within the 'property' of which no person may be deprived … without due process of law." *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U.S. 627, 642 (1999); see also *McCormick Harvesting Machine Co. v. Aultman*, 169 U. S. 606, 612 (1898) ("to attempt to cancel a patent … would be to deprive the applicant of his property without due process of law").

Patent applicants, on the other hand, may "have a property interest in a benefit" if they have "a legitimate claim of entitlement to" an issued patent. *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 577 (1972). In this regard, 35 U.S.C. § 102 provides that "[a] person shall be entitled to a patent unless" certain conditions are met," and 35 U.S.C. § 131 dictates to the Director that, "if on [] examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor."

Thus, while the claim to property sufficient for due process guarantees to attach is clearest with respect to inter partes review and post-grant review Board proceedings, a claim to sufficient property can also be made for Board proceedings merely involving a patent application so long as the applicant has "a legitimate claim of entitlement to" a patent. *Board of Regents*, 408 U. S. at 577.

2. "It is axiomatic that '[a] fair trial in a fair tribunal is a basic requirement of due process.'" *Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 876 (2009) (quoting *In re Murchison*, 349 U.S. 133, 136 (1955)).

Notably, "the government [has] conceded that due process has to be a check on administrative agency adjudications as well as court adjudications." Transcript of Oral Argument at 65 (Ginsburg, J.), *Oil States*, 138 S. Ct. 1365; see also *Id.* at 45 ("[E]ven though the [act] would have to comply with the Due Process Clause, there's no rule that it could only be done by an Article III court. … The federal government has to use fair procedures when it makes that decision.")

Indeed, "[t]he more extensive the employment of the implement of the administrative tribunal becomes — and its use is daily becoming more widespread — and the more credit which is given to its decisions, the more important is it that strict regularity be observed in the conduct of its hearings and that all the elements of a full and fair hearing and of due process of law be

accorded." *Morgan v. United States*, 304 U.S. 1, 8 (1938) (*Morgan II*).

This Court has made clear that "[t]he one who decides must hear." *Morgan v. United States*, 298 U.S. 468, 481 (1936) (*Morgan I*). In this regard, "for members of the [Board] to be placed on a rehearing panel with foreknowledge that they will come out the other way improperly puts the decision ahead of the consideration of evidence and argument." Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 76 Wash. & Lee L. Rev. 1667, 1719 (2019).

Further, "[a]n intuitive and arguably even more axiomatic variant of the 'decider hears' principle would seem to be a principle that 'the one who decides must decide.'" John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 Iowa L. Rev. 2447, 2469 (2019).

The Director's practice of "reconstituting [a] Board [panel] in order to produce a result more to his liking," *Alappat*, 33 F.3d at 1577-1578 (Plager, J., concurring), enables the very situation this Court was concerned about in *Morgan I*; namely, this practice makes it "possible, for example, for one official to hear the evidence and argument and arrive at certain conclusions of fact, and another official who had not heard or considered either evidence or argument to overrule those conclusions and for reasons of policy to announce entirely different ones." *Morgan v. United States*, 298 U.S. 468, 481 (1936).

Although this Court clarified in *Morgan II* that "[e]vidence may for the assistance of the one charged with the responsibility of decision be fairly analyzed by impartial and competent assistants," in a Board proceeding it is supposed to be a panel of at least three Board members that decide, and not a single person behind the scenes pulling strings. *Morgan II*, 304 U.S. at 9.

Overall, basic fairness principles weigh against an executive branch officer "reconstituting [a] [tribunal] in order to produce a result more to his liking." *Alappat*, 33 F.3d at 1577-1578 (Plager, J., concurring). Due process and a fair hearing cannot be provided when a "backroom puppetmaster [] effectively makes the decision" that is supposed to be made by a duly constituted Board panel of at least three members. Golden, 104 Iowa L. Rev. at 2469.

3. The Sixth Circuit in *Utica Packing Co. v. Block*, 781 F.2d 71 (6th Cir. 1986) confronted a situation bearing marked similarities to the Director's practice of "reconstituting [a] Board [panel] in order to produce a result more to his liking." *Alappat*, 33 F.3d at 1577-1578 (Plager, J., concurring).

In *Utica*, "[t]he Secretary of Agriculture … delegate[d] his regulatory functions … [to a] Judicial Officer [who] act[ed] as the final deciding officer in lieu of the Secretary in Department administrative proceedings involving adjudicating … where the statute require[d] an administrative hearing or opportunity therefor." *Utica*, 781 F.2d at 72. "When

[the Judicial Officer] rendered a decision in the case with which USDA 'violently disagreed,' officials of the department unceremoniously removed him and presented a petition for reconsideration to their handpicked replacement." *Id.* at 78.

The Sixth Circuit observed that "[t]here is no guarantee of fairness when the one who appoints a judge has the power to remove the judge before the end of proceedings for rendering a decision which displeases the appointer[,] [y]et that is exactly what occurred in this case." *Id.*

Analogously, "[t]here is no guarantee of fairness when the [Director] who appoints a [panel] has the power to [change] the [panel] before the end of proceedings for rendering a decision which displeases the [Director]." *Id.*

The comparison is especially apt with respect to appeals to the Board in patent applications, as the Board is deciding on the propriety of a rejection made by an agent of the Director. As the Sixth Circuit put it in *Utica*, "[e]very disappointed litigant would doubtless like to replace a judge who in the regular course of his or her duties has decided a case against the litigant and present a motion for a new trial or for reconsideration to a different judge of his own choosing." *Id.* However, "[a]ll notions of judicial impartiality would be abandoned if such a procedure were permitted." *Id.*

4. Lastly, it is worth noting that due process concerns can be raised by "chang[ing] the composition

of the adjudicatory body halfway through [a] proceeding," Transcript of Oral Argument at 45 (Roberts, C.J.), *Oil States*, 138 S. Ct. 1365, even absent proof of actual bias underlying the change, because "[w]ith regard to judicial decisionmaking, whether by court or agency, the appearance of bias or pressure may be no less objectionable than the reality." *D.C. Federation of Civic Ass'ns v. Volpe*, 459 F.2d 1231, 1246-47 (D.C. Cir. 1971), cert. denied, 405 U.S. 1030 (1972). In this regard, "our system of law has always endeavored to prevent even the probability of unfairness." *In re Murchison*, 349 U.S. 133, 136 (1955).

C. As noted above, heads of the Office over the years have interpreted 35 U.S.C. § 6(c) and its predecessors as enabling them to "reconstitute[e] [a] Board [panel] … to produce a result more to his [or her] liking." *Alappat*, 33 F.3d at 1577-1578 (Plager, J., concurring).

In *Alappat*, a plurality "f[ou]nd the Commissioner's interpretation [of a predecessor statute] to be a reasonable one entitled to deference, given that neither the statute itself nor the legislative history thereof indicates Congressional intent to the contrary." *Alappat*, 33 F.3d at 1533.

In the present case, the government would no doubt again seek *Chevron* deference for its interpretation of the relevant statutes. See *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

Notably, though, the Director's grant of authority to "provid[e] policy direction and management supervision for the Office" comes with a statutory obligation to "perform these duties in a fair, impartial, and equitable manner." 35 U.S.C. § 3(a)(2)(A).

Amicus respectfully urges that irrespective of whether 35 U.S.C. § 6(c) could be interpreted to allow reconstitution of a Board panel for rehearing, the Director's statutory obligation under 35 U.S.C. § 3 to perform his duties in a fair manner precludes reconstituting a Board panel to produce a desired result.

As one commentator has suggested, "[t]his language [of 35 U.S.C. § 3] virtually invites … read[ing] § 3(a)(2)(A) to prohibit a practice suspect under the Due Process Clause." Golden, 104 Iowa L. Rev. at 2478.

Notably, "for agencies charged with administering congressional statutes, [b]oth their power to act and how they are to act are authoritatively prescribed by Congress, so that when they act improperly, no less than when they act beyond their jurisdiction, what they do is ultra vires." *City of Arlington v. Federal Communications Commission*, 569 U.S. 290, 297 (2013). This Court has made clear that "[b]ecause the question—whether framed as an incorrect application of agency authority or an assertion of authority not conferred—is always whether the agency has gone beyond what Congress has permitted it to do, there is no principled basis for

carving out some arbitrary subset of such claims as 'jurisdictional.'" *Id.* at 297-298.

Here, Congress has "authoritatively prescribed" "how [the Director is] to act," and any attempt by the Director to reconstitute a Board panel to produce a desired result would be precluded by his statutory obligation to perform his duties in a fair manner, and ultra vires. *Id.* at 297.

Advantageously, as Professor Golden observed in this article, "construing this language to prohibit [such] panel stacking as an unfair practice seems much less constraining on the PTO's general procedural practice than, for example, reading the Patent Act to require [that] only [] originally constituted panels or the full [Board] hear petitions for rehearing." Golden, 104 Iowa L. Rev. at 2478.

Amicus further urges that *Chevron* deference cannot save any attempted interpretation of 35 U.S.C. § 3(a)(2)(A).

As a first matter, any such attempted interpretation would be unreasonable. See *Chevron*, 467 U.S. at 844 ("a court may not substitute its own construction of a statutory provision for a reasonable interpretation made by the administrator of an agency.") Any reasonable interpretation of the Director's statutory obligation to perform his duties in a fair manner precludes a practice which offends due process, such as the practice of reconstituting a Board panel to produce a desired result.

Moreover, there is another potential reason that this Court may wish to decline to extend *Chevron* deference to any attempted interpretation.

In considering the interaction of *Chevron* deference with the avoidance canon, this Court has indicated that "Congress… is bound by and swears an oath to uphold the Constitution," and "[t]he courts will therefore not lightly assume that Congress intended to infringe constitutionally protected liberties or usurp power constitutionally forbidden it." *Edward J. DeBartolo Corp. v. Florida Gulf Coast Building Constr. Trades Council*, 485 U.S. 568, 575 (1988).

This Court has emphasized its "assumption that Congress does not casually authorize administrative agencies to interpret a statute to push the limit of congressional authority." *Solid Waste Agency of Northern Cook County v. United States Army Corps of Engineers*, 531 U.S. 159, 172 (2001). Thus, "[w]here an administrative interpretation of a statute invokes the outer limits of Congress' power, [this Court] expect[s] a clear indication that Congress intended that result." *Solid Waste*, 531 U.S. at 172 (citing *DeBartolo*, 485 U.S. at 575).

Obviously, *DeBartolo* and *Solid Waste* were both focused on the avoidance canon, which is traditionally applied where a potential Constitutional question is raised, but "a construction of the statute is fairly possible by which the question may be avoided." *Crowell v. Benson*, 285 U.S. 22, 62 (1932). The classic formulation of the avoidance canon is less useful when

each and every fairly possible construction would raise a Constitutional question.

However, this Court's "assumption that Congress does not casually authorize administrative agencies to interpret a statute to push the limit of congressional authority," *Solid Waste*, 531 U.S. at 172, potentially still applies to raise doubts as to whether *Chevron* deference is warranted in such situations.

Indeed, if all possible interpretations of a statute raise serious Constitutional concerns, then agency expertise seemingly becomes much less important in evaluating possible constructions, and court expertise with constitutional questions and concerns seemingly becomes much more important. In such a situation where all possible interpretations raise serious constitutional concerns, it would not be unreasonable to decline to extend *Chevron* deference to an agency interpretation that itself raises constitutional concerns.

Amicus urges, however, that it is not actually necessary to consider this proposition to resolve the present case, as any attempted interpretation of 35 U.S.C. § 3(a)(2)(A) as not precluding the practice of reconstituting a Board panel to produce a desired result would simply be unreasonable.

D. Overall, Amicus urges that when the Board is exercising its congressionally granted authority, the Director cannot reverse its decision using his panel designation power because of due process concerns

and his statutory obligation to perform his duties in a fair manner.

III. When the Board is exercising its congressionally granted authority, the Director cannot reverse its decision by issuing new policy guidance that the Board would be required to apply because the Director lacks retroactive rulemaking authority.

A. The government urges that the Director "may issue binding policy directives that govern the Board… including instructions as to how patent law and USPTO policies are to be applied to particular fact patterns that have arisen or may arise in the future." Brief for the United States at 29.

The government suggests that "the Director could require that Board opinions addressing any unresolved legal or policy issues should be circulated internally before they were issued, enabling him to issue relevant policy guidance that the Board would be required to apply in those and all other pending cases." Brief for the United States at 38.

The government even suggests that the Director "can prevent a[] … decision from taking effect even in an individual case by using his authority to issue binding policy guidance, in concert with his power to convene a Precedential Opinion Panel to decide

whether to rehear the decision." Brief for the United States at 38.

Overall, the government is suggesting that the Director has the authority to "issue relevant policy guidance that the Board would be required to apply in … all [] pending cases," Brief for the United States at 38, i.e. has the authority to issue guidance to the Board that is binding retroactively in already pending Board proceedings.

B. Notably, though, "[r]etroactivity is not favored in the law," *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988).

This Court has made clear that "a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms." *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988). Indeed, "[e]ven where some substantial justification for retroactive rulemaking is presented, courts should be reluctant to find such authority absent an express statutory grant." *Georgetown Hospital*, 488 U.S. at 208-209.

Here, Congress has not conveyed any legislative rulemaking authority to issue retroactive rules on the Director.

C. Importantly, given that the Board exercises independent authority granted by Congress, any attempt by the Director to circumscribe this congressionally granted authority by binding the

Board to guidance must involve use of legislative rulemaking authority.[8]

Thus, while any attempt by the Director to circumscribe the Board's congressionally granted authority by binding the Board to guidance must involve use of legislative rulemaking authority, the Director lacks legislative rulemaking authority for retroactive rulemaking. Accordingly, the Director lacks authority to issue guidance to the Board that is retroactively binding, and any attempt by "the Director … to issue relevant policy guidance that the Board would be required to apply in … all … pending cases" would fail. Brief for the United States at 38.

D. This conclusion is reinforced by the fact that any attempt by "the Director … to issue relevant policy guidance that the Board would be required to apply in … all … pending cases" would not qualify as an "interpretative rule[]" or "general statement[] of policy" under the statutory exceptions to 5 U.S.C. § 553(b), and instead would require notice and comment procedures.

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[8] This is in contrast to the Director's ability to bind agency actors operating under his authority without use of legislative rulemaking authority. That is, the Director certainly has the ability, when he delegates tasks to agency actors, to bind such agency actors operating under his authority to only carry out his authority in accordance with any guidance he provides without use of legislative rulemaking authority.

The Administrative Procedure Act "provides generally that an agency must publish notice of a proposed rulemaking in the Federal Register and afford 'interested persons an opportunity to participate . . . through submission of written data, views, or arguments'," and "generally requires the agency to publish a rule not less than 30 days before its effective date and incorporate within it 'a concise general statement' of the rule's 'basis and purpose.'" *Lincoln v. Vigil*, 508 U.S. 182, 195-196 (1993) (quoting 5 U.S.C. § 553(b), (c), (d)).

However, 5 U.S.C. § 553(b) provides a statutory exception to notice and comment requirements for "interpretative rules" and "general statements of policy."

Notably, the D.C. Circuit has persuasively concluded that "[i]n light of the importance of the[] policy goals of maximum participation and full information," *American Hospital Association v. Bowen*, 834 F.2d 1037, 1044-45 (D.C. Cir. 1987), "the APA's notice and comment exemptions must be narrowly construed." *U.S. v. Picciotto*, 875 F.2d 345, 347 (D.C. Cir. 1989) (citing *American Hospital*, 834 F.2d at 1044-45); see also *American Bus Ass'n v. United States*, 627 F.2d 525, 528 (D.C. Cir. 1980) ("Congress was alert to the possibility that these exceptions might, if broadly defined and indiscriminately used, defeat the section's purpose. Thus the legislative history of the section is scattered

with warnings that various of the exceptions are not to be used to escape the requirements of section 553.")

Such a narrow construction of these statutory exceptions is in accord with this Court's "standard approach of construing a statutory exception narrowly to preserve the primary operation of the general rule." *Commissioner v. Clark*, 489 U.S. 726, 727 (1989).

The APA does not include an explicit definition for either "general statements of policy" or "interpretative rules." The APA does provide a definition for "rule" as "the whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy." 5 U.S.C. § 551(4).

The use of the defined term "rule" in the exception for "interpretative rules" makes clear that this exception applies to some subset of rules, and thus imports the requirements for rules into this exception. Thus, the interpretive rule exception only applies to "statement[s] of … future effect." 5 U.S.C. § 551(4).[9]

It is not as immediately clear whether all "general statements of policy" are rules, and thus whether the exception for "general statements of policy" necessarily imports the requirements for rules into this exception.

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[9] Amicus would urge that the same reasoning holds for the exception for "rules of agency organization, procedure, or practice." 5 U.S.C. § 553(b).

However, this Court has provided additional guidance regarding construction of this "general statements of policy" exception. Specifically, "[i]n prior cases, [this Court] ha[s] given some weight to the Attorney General's Manual on the Administrative Procedure Act (1947), since the Justice Department was heavily involved in the legislative process that resulted in the Act's enactment in 1946." *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n.31 (1979). This Manual indicates that "[g]eneral statements of policy are 'statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power'." *Id.* (quoting Attorney General's Manual on the Administrative Procedure Act (1947) at 30 n.3).

Thus, "[g]eneral statements of policy are 'statements issued … to advise the public prospectively'." *Chrysler*, 441 U.S. at 302 n.31 (quoting Attorney General's Manual on the Administrative Procedure Act (1947) at 30 n.3).

In sum, the interpretive rule exception only applies to "statement[s] of … future effect," 5 U.S.C. § 551(4), and the statement of policy exception only applies to "statements issued … to advise the public prospectively." Attorney General's Manual on the Administrative Procedure Act (1947) at 30 n.3.

This conclusion is in accord with this Court's indication that "[r]etroactivity is not favored in the law," *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988).

Given that "the APA's notice and comment exemptions must be narrowly construed." *Picciotto*, 875 F.2d at 347, Amicus urges that any attempt by "the Director … to issue relevant policy guidance that the Board would be required to apply in … all … pending cases," Brief for the United States at 38, would not qualify under the interpretative rule exception as a "statement of … future effect," 5 U.S.C. § 551(4), and would not qualify under the statement of policy exception as a "statement[] issued … to advise the public prospectively." Attorney General's Manual on the Administrative Procedure Act (1947) at 30 n.3.

Accordingly, notice and comment procedures would be required "to issue relevant policy guidance that the Board would be required to apply in … pending cases," Brief for the United States at 38, which reinforces the conclusion that such an attempt by the Director to circumscribe the Board's congressionally granted authority by binding the Board to guidance must involve use of legislative rulemaking authority. This, in turn, reinforces the conclusion that the Director lacks authority to issue guidance to the Board that is retroactively binding, and any attempt by "the Director … to issue relevant policy guidance that the Board would be required to apply in … all … pending cases" would fail. Brief for the United States at 38.

CONCLUSION

Amicus urges that the inability of the Director or any other principal officer to reverse decisions of the Board when it is acting under its independent congressionally granted authority, even with the creative schemes proposed by the government, weighs in favor of principal officer status for administrative patent judges.

Respectfully submitted,

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