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

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

REPLY BRIEF FOR ARTHREX, INC.

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

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

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, Arthrex, Inc. states that the corporate disclosure statement included in its opening brief remains accurate.

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REPLY BRIEF FOR ARTHREX, INC.

PRELIMINARY STATEMENT

Neither the government nor Smith & Nephew cites a single case where this Court has upheld, much less imposed, a regime remotely similar to the one the Federal Circuit imposed below. The standard federal model for

agency adjudication has long granted tenure protections to ensure the impartiality of administrative judges, while granting transparent review power to accountable agency heads. The court below created a regime that has *neither* impartiality *nor* accountability.

Administrative patent judges make final decisions involving billions of dollars of intellectual property that shape the course of innovation across entire industries. But they now face the threat of being fired if their superiors—for reasons unknown to the parties—disagree. Their rulings may be driven, not by the facts and law, but by a desire to please their bosses. Superiors, meanwhile, must interfere behind the scenes to try to achieve desired outcomes, because the statute denies them any transparent power of review. Superiors thus avoid accountability for their actions—to the President and the public alike. That structure is anathema to a constitutional provision "designed to preserve political accountability" so the public knows whom to blame for poor decisions. *Edmond* v. *United States*, 520 U.S. 651, 663 (1997).

Smith & Nephew invokes Congress's need for "flexibility in defining and filling federal offices." S&N Reply 51. The Appointments Clause does grant Congress flexibility—but only within constitutional bounds. And that flexibility is precisely why the court of appeals erred by imposing its own preferred remedy rather than letting Congress decide. The court's remedy is unrecognizable in the annals of American administrative law. The Appointments Clause does not permit it. Congress never would have enacted it. The court's severance remedy should be reversed.

ARGUMENT

I. THE COURT OF APPEALS' SEVERANCE REMEDY WAS INSUFFICIENT TO CURE THE VIOLATION

Even shorn of tenure protections, APJs still issue the Executive Branch's final word, revoking valuable property rights with no opportunity for review by any superior officer. That power alone makes them principal officers. The court of appeals' remedy was no remedy at all.

A. The Appointments Clause Requires Review of Administrative Patent Judges' Decisions by Superior Executive Officers

The government does not dispute that neither the Director nor any other superior executive officer can review APJ decisions. Only the Board can grant rehearing. 35 U.S.C. §6(c). And only the Federal Circuit can review decisions on appeal. *Id.* §141. No superior executive officer can "single-handedly review, nullify or reverse [an APJ's] decision." Pet. App. 10a. That remains the case, whether APJs have tenure protections or not.

1. That absence of review cannot be squared with precedent. *Edmond* treats review of decisions as an indispensable element of supervision for administrative judges: "What is significant is that the judges * * * have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Edmond* v. *United States*, 520 U.S. 651, 665 (1997). *Edmond* thus makes clear that review and correction by a principal officer are required.[1]

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[1] Arthrex never "agree[d]" that severance would cure the violation. Compare Gov't Reply 33 with Arthrex Pet. in No. 19-1458, at 13 n.2.

Smith & Nephew quotes *Edmond*'s observation that there is no "exclusive criterion" for inferior officers. S&N Reply 21. But the fact that different considerations may be relevant for different types of officers does not mean that for *this* category—administrative judges who do nothing but decide cases—Congress can eliminate the one oversight mechanism crucial to ensure accountability. That *Edmond* considered other oversight mechanisms in addition to review proves only that review alone may not be *sufficient* to make administrative judges inferior officers—not that Congress can eliminate review entirely. Arthrex Br. 24-25.[2]

The Constitution's other uses of the term "inferior" confirm as much. Cf. S&N Br. 21. Article III refers to lower federal courts as "inferior" *precisely because* their decisions are subject to this Court's review. See Steven G. Calabresi & Gary Lawson, *The Unitary Executive, Jurisdiction Stripping, and the* Hamdan *Opinions*, 107 Colum. L. Rev. 1002, 1006-1007 (2007). Courts that issued unreviewable decisions in minor matters might be "lesser" in quality or rank. But they would not be "inferior." See *Edmond*, 520 U.S. at 662-663.

The government does not deny that this Court has *never* held an administrative judge to be an inferior officer absent some superior who could review his decisions. Smith & Nephew argues otherwise based on *Freytag* v. *Commissioner*, 501 U.S. 868 (1991). Even though the Tax Court could review special trial judge decisions, it

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[2] For policymakers, removal may well be sufficient: Removing the policymaker changes the policy. By contrast, removing an administrative judge does not alter decisions already made. Those decisions stand as the Executive Branch's final word. Arthrex Br. 22.

claims, that court was not an Executive Branch entity and never actually reviewed any decisions. S&N Reply 27-28. That is wrong on both counts. The Tax Court *is* an Executive Branch entity. See *Kuretski* v. *Comm'r*, 755 F.3d 929, 939-945 (D.C. Cir. 2014) ("[T]he Tax Court exercises its authority as part of the Executive Branch."), cert. denied, 135 S. Ct. 2309 (2015); William Baude, *Adjudication Outside Article III*, 133 Harv. L. Rev. 1511, 1563-1567 (2020). And it *has* reviewed special trial judge orders—dozens if not hundreds of times. See, *e.g.*, *Guerra* v. *Comm'r*, 110 T.C. 271, 271-272 (1998); *Givens* v. *Comm'r*, 90 T.C. 1145, 1145 (1988); Tax Ct. R. 182(d).

2. The government and Smith & Nephew find no support in Patent Office history. Gov't Reply 25-30; S&N Reply 5-12. For more than a century, Congress lodged final decisionmaking authority in presidentially appointed, Senate-confirmed officers like the Commissioner and examiners-in-chief. Arthrex Br. 3-4. The handful of supposed counterexamples crumble upon inspection.

The arbitrators who decided interferences and other limited matters under the 1793 and 1836 statutes were nothing like APJs. Cf. Gov't Reply 25-26; S&N Reply 6-7. They acted in only *one specific case*. An arbitrator who decides a single case is not an "officer," let alone a principal officer, because "[h]is position is without tenure, duration, continuing emolument, or continuous duties, and he acts only occasionally and temporarily." *Auffmordt* v. *Hedden*, 137 U.S. 310, 327 (1890); see also *Constitutional Limitations on Federal Government Participation in Binding Arbitration*, 19 Op. O.L.C. 208, 216-219 (1995) ("arbitrators are not officers" because "their service does not bear the hallmarks of a constitutional office—tenure, duration, emoluments, and continuing duties" and they "do not occupy a position of employment

within the federal government"); *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 100-111 (2007) (canvassing Framing-era authorities). At most, the temporary and narrow nature of the assignments makes arbitrators inferior officers, even absent agency review. See *Morrison* v. *Olson*, 487 U.S. 654, 672 (1988) (independent counsel "appointed essentially to accomplish a single task").[3]

The patent examiners who consider patent applications are irrelevant too. Cf. Gov't Reply 28; S&N Reply 7. Their decisions have always been subject to agency review. The 1870 statute provided that "*the commissioner* shall cause an examination to be made * * * and if on such examination it shall appear that the claimant is justly entitled to a patent * * * issue a patent therefor." Act of July 8, 1870, ch. 230, §31, 16 Stat. 198, 202 (emphasis added); see also Act of July 4, 1836, ch. 357, §7, 5 Stat. 117, 119-120. The current statute is almost identical. 35 U.S.C. §131. That language does not grant examiners *any* unreviewable authority. "Unlike an IPR, which by statute the Board must 'conduct,' examination is entirely within the control of the Director," who has "sole authority over the decision whether to grant the requested patent." U.S. Supp. Br. in *In re Boloro Glob. Ltd.*, No. 19-2349, Dkt. 27, at 3, 7-9 (Fed. Cir. filed Mar. 20, 2020) (citation omitted); see also 37 C.F.R. §1.181(a)(1) (permitting peti-

[3] Arbitrations under the early statutes were exceedingly rare. See P.J. Federico, *Early Interferences*, 19 J. Pat. Off. Soc'y 761, 762 (1937) (about one case per year under 1793 statute); P.J. Federico, *Evolution of Patent Office Appeals*, 22 J. Pat. Off. Soc'y 838, 841 (1940) (nine cases total under short-lived 1836 statute). Arbitrations under the 1793 statute, moreover, had little effect: The losing party could obtain a patent regardless. See Federico (1937), *supra*, at 763.

tions for Director review). Unlike here, the Director has the final word.[4]

The 1927 statute eliminating appeals from examiners-in-chief to the Commissioner is beside the point. Cf. Gov't Reply 27-28; S&N Reply 7-8. Examiners-in-chief themselves remained presidentially appointed, Senate-confirmed officers until 1975. Arthrex Br. 4. The Commissioner's role as "chief officer" does not prove Congress understood examiners-in-chief to be inferior officers. Cf. Gov't Reply 27-28. The Framers recognized, for example, that there could be "Superior Officers below Heads of Departments." 2 *The Records of the Federal Convention of 1787*, at 627 (Max Farrand ed., 1911) (Madison). The best evidence of Congress's understanding of the status of examiners-in-chief is that Congress gave them power to render the Patent Office's final word while providing for their appointment in the manner required for principal officers. Arthrex Br. 4.[5]

Finally, the 1952 statute permitting examiners to "act as a member of the Board" for up to six months is no precedent either. Cf. Gov't Reply 28-29. "Acting" officers are inferior even when they wield principal-officer powers: "[A] subordinate officer * * * charged with the performance of the duty of the superior for a limited time and under special and temporary conditions * * * is not

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[4] Smith & Nephew urges that examiners had the "*de facto* last word" because, as a practical matter, the Commissioner could not review every decision. S&N Reply 7. But the *power* to review, not its exercise, is what matters. Arthrex Br. 26-27. The Director has that same broad power over reexaminations too. 35 U.S.C. § 305; 35 U.S.C. § 314(a) (2006).

[5] Smith & Nephew's claim that "Arthrex does not actually dispute" Congress's intent is thus wrong. S&N Reply 6.

thereby transformed into the superior and permanent official." *United States* v. *Eaton*, 169 U.S. 331, 343 (1898); see *Designating an Acting Attorney General*, 2018 WL 6131923, at *5-17 (O.L.C. Nov. 14, 2018).[6]

3. The government and Smith & Nephew scour other agencies for counterexamples. Gov't Reply 23; S&N Reply 26. Those efforts come up short. There is no serious dispute that the "vast majority" of agency adjudication regimes permit superior officer review. Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Calif. L. Rev. 141, 157 (2019). The Board is a sharp break from that tradition.

Smith & Nephew cites one study reporting that certain agency hearings "permit no administrative appeal at all." S&N Reply 26. By the study's own account, however, "[t]he matters in which the [officer] could issue a final decision without the possibility of any appellate review were limited to what appear to be extremely low-volume adjudications: CFTC wage-garnishment proceedings, labor arbitrations within the Alcohol and Tobacco Tax and Trade Bureau of Treasury, public/private partnerships with NASA, and certain license-transfer agreements before the NRC." Kent Barnett, *et al.*, Admin. Conf. of the U.S., *Non-ALJ Adjudicators in Federal Agencies* 35 (Sept. 24, 2018). Moreover, *none* of those four examples actually supports Smith & Nephew's position. Two are situations where the agency had *authority* to provide review, but chose not to. See 31 U.S.C.

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[6] The 1939 statute permitting bills in equity likewise proves nothing. Cf. S&N Reply 8. Parties still had the *right* to seek administrative review. Arthrex Br. 33-34. Lower federal courts are "inferior" to this Court even though parties might decline to appeal.

§3720D(c) (wage-garnishment proceedings); 5 U.S.C. §572 (authority for NASA ombudsman). The other two involve arbitrations or orders that *are* subject to principal officer review. See 5 U.S.C. §§7121-7122 (labor arbitrations); 10 C.F.R. §2.1320(b)(2) (NRC license-transfer orders).

The government points to another study to claim "substantial variety" in review structures. Gov't Reply 23 (citing Michael Asimow, Admin. Conf. of the U.S., *Federal Administrative Adjudication Outside the Administrative Procedure Act* app. A (2019)). Mere "variety" does not imply elimination of review entirely. "In addition to the PTAB, [only] two agencies out of Asimow's ten case studies * * * lacked higher-level agency reconsideration of their decisions." Walker & Wasserman, *supra*, at 172 (citing draft). And *neither* helps the government.[7]

The government cites three statutes that designate subordinates' decisions as "final" without expressly providing for principal officer review. Gov't Reply 23. But the government itself has repeatedly denied that such language precludes review. In 1991, the Office of Legal Counsel ruled that the Secretary of Education could review ALJ decisions despite a statute stating that they "shall be considered * * * final agency action." *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. 8, 13 (1991). A contrary construction, it noted, "would raise serious questions under the Appointments Clause" because "*[a]n ALJ whose decision could not be reviewed by the Secretary * * * would*

[7] One was the Board of Veterans' Appeals; its decisions are reviewable by an administrative court. Arthrex Br. 31. The other was the Civilian Board of Contract Appeals, one of the government's three examples discussed next.

appear to be acting as a principal officer." *Id.* at 14 (emphasis added); see also *Special Master for Troubled Asset Relief Program Executive Compensation*, 34 Op. O.L.C. 219, 233-237 (2010) ("final and binding" order subject to "secretarial review"); Arthrex Br. 32 n.4.

In any event, the government's purported counter-examples are all recent, narrow, obscure, or some combination of the three.[8] In *Seila Law LLC* v. *Consumer Financial Protection Bureau*, 140 S. Ct. 2183 (2020), the Court found a "telling indication of [a] severe constitutional problem" despite a similar handful of outliers. *Id.* at 2201-2202. History justifies the same conclusion here.

4. Smith & Nephew urges that APJs issue only "narrow decisions that do not set policy." S&N Reply 26. The scope of an officer's authority, however, "marks, not the line between principal and inferior officer," but "the line between officer and nonofficer." *Edmond*, 520 U.S. at 662. Besides, deciding the fate of billions of dollars of intellectual property is hardly inconsequential. APJs' authority is all the more striking because APJs have the power to overrule the Director's decision to grant a patent in the first place. Smith & Nephew cites no other context where purportedly "inferior" officers could overrule their own agency head.

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[8] See Pub. L. No. 109-163, § 847(a), (d)(2)(B), 119 Stat. 3136, 3391-3394 (2006) (creating Civilian and Postal Service Boards of Contract Appeals); cf. Pub. L. No. 95-563, § 8(a)(1), 92 Stat. 2383, 2385 (1978) (authorizing but not requiring such boards); Pub. L. No. 99-603, § 102(a), 100 Stat. 3359, 3374-3379 (1986) (one narrow category of discrimination claims); Pub. L. No. 92-576, § 15(a), 86 Stat. 1251, 1261 (1972) (creating Benefits Review Board for longshoremen and harbor workers); cf. Pub. L. No. 803, § 21(a), 44 Stat. 1424, 1436 (1927).

B. Other Oversight Powers Are Not Substitutes for Review

The government and Smith & Nephew "brainstorm[] [other] methods of * * * control." *Seila Law*, 140 S. Ct. at 2207. None of them is an adequate substitute for review.

1. Smith & Nephew urges that the Director can "informally recommend[]" that the Board grant rehearing, S&N Reply 14, or "intervene" on appeal, *id.* at 15. But trying to cajole other officers or a court into correcting an APJ's mistakes does not make the APJ a subordinate. The Appointments Clause requires direction and supervision, not hortatory recommendations to third parties.

The Director, of course, is the one who ultimately cancels a patent at the conclusion of an inter partes review. S&N Reply 17. If the Board finds a claim invalid, "the Director *shall* issue and publish a certificate canceling [the] claim." 35 U.S.C. §318(b) (emphasis added). That mandatory and ministerial duty does not give the Director any power to review Board decisions. It permits the *Board* to control the *Director*.

Judicial review does not matter either. Cf. S&N Reply 17. Administrative judges' decisions must be reviewable by "Executive officers," not federal judges. *Edmond*, 520 U.S. at 665. If judicial review were enough, even cabinet secretaries would be inferior officers.[9]

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[9] Review by other *inferior* officers is likewise insufficient. Cf. S&N Reply 29. *Edmond* requires oversight (direct or indirect) by officers "appointed by Presidential nomination with the advice and consent of the Senate." 520 U.S. at 663. Nor does the Board include other officers "whose appointments Arthrex does not question." S&N Reply 30. The Deputy Director's and Commissioners' appointments are invalid too. See Arthrex Cert. Reply in No. 19-1458, at 6-7.

2. The government exaggerates the scope of other powers. Even after the statutory removal restrictions are severed, for example, due process limits removal as a tool of control. Removing or threatening to remove an administrative judge to change the outcome of a case raises obvious due process concerns. See Arthrex Br. 63-64; Pet. App. 16a-17a n.3; *Utica Packing Co.* v. *Block*, 781 F.2d 71, 78 (6th Cir. 1986). The government insists those concerns are insubstantial because agency heads can personally adjudicate disputes despite being removable at will. Gov't Reply 15. But the *use* of removal power to alter the outcome of a case by secretly threatening to fire the judge if he does not rule a particular way presents distinct due process problems. It is also flatly inconsistent with the statute, which charges the Board, not the Director, with adjudicating cases. Arthrex Br. 39-41.[10]

The government overstates the Director's rulemaking power. Gov't Reply 11. Even after *Cuozzo Speed Technologies, LLC* v. *Lee*, 136 S. Ct. 2131 (2016), "the Director has no substantive rule making authority with respect to interpretations of the Patent Act." *Facebook, Inc.* v. *Windy City Innovations, LLC*, 973 F.3d 1321, 1353 (Fed. Cir. 2020) (additional views); see also U.S. Br. in *Cuozzo*, No. 15-446, at 14 (Mar. 2016) ("Congress has declined to authorize the PTO to issue rules interpreting the substantive patentability criteria * * * ."). Applying new substantive rules to pending cases could also raise serious retroactivity concerns. See Doerre Br. 29-35.

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[10] The government dismisses *Abrams* v. *Social Security Administration*, 703 F.3d 538 (Fed. Cir. 2012), as involving the removal standard for ALJs. Gov't Reply 7-8. But *Abrams* relied on the separate APA provision that prohibits agency interference in pending cases—the same constraint the statute imposes here. 703 F.3d at 545-546.

The government admits that policy guidance is *not binding* on the agency. Gov't Reply 12. The Patent Office may "expect[ ]" APJs to follow it. *Ibid.* But the fact that aggrieved parties cannot complain surely hampers the Director in identifying departures and holding APJs accountable. The government admits, moreover, that the Director cannot use rules or policy guidance to "simply *tell* the Board how to rule." *Id.* at 15.

Finally, the Director cannot de-institute review merely because he disagrees with how the Board may rule. Cf. Gov't Reply 13. The Board, not the Director, decides cases on the merits. 35 U.S.C. §318(a). The government points to situations where the agency genuinely reconsidered an institution decision. See, *e.g.*, *Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1383-1386 (Fed. Cir. 2016) (petition did not name all real parties in interest), cert. dismissed, 137 S. Ct. 2113 (2017). The Director cannot use that reconsideration authority to invade the Board's statutory role. See *Tokyo Kikai Seisakusho, Ltd.* v. *United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008).

3. Even if the Director had all the powers claimed, they would still be poor substitutes for review. Removing an APJ does not vacate decisions already made. Nor does issuing rules or policy guidance. The government admits the Director cannot de-institute review after the Board rules. Gov't Reply 13. None of those powers permits the Director to correct a decision an APJ has already issued as the Executive Branch's final word.

Nor can the Director compel particular outcomes beforehand. The Director cannot realistically predict every way an APJ may go astray. And terminating a proceeding by de-instituting review is no remedy at all when the Director thinks the *petitioner* should prevail. None of

the Director's powers ensures that he can stand behind, and be held accountable for, everything the agency says.

The government proposes a contrived scheme in which Board panels must circulate draft opinions so that, if the Director disagrees, he can either de-institute review or issue policy guidance dictating a different result (threatening to fire APJs if they object). Gov't Reply 13-14. It is hard to imagine a more blatant evasion of the statute and due process. The Board, not the Director, decides inter partes reviews. Arthrex Br. 39-41.

The government's comparison to pre-circulation rules on courts of appeals is inapt. All judges on a court of appeals have the right to call for en banc review; pre-circulation facilitates that process. See, *e.g.*, Fed. Cir. IOP 10.5, 14.3. By contrast, requiring pre-circulation so the Director can overrule the Board subverts rather than advances the statutory design.

II. The Court Of Appeals' Severance Remedy Defies Congressional Intent

Even if the court of appeals' severance remedy were sufficient to cure the defect, Congress never would have adopted it. Congress would not have enacted the statute without tenure protections for APJs. And the sheer number of potential remedies makes severance inappropriate. This Court normally severs invalid provisions to avoid judicial policymaking. Where the Court can only speculate about Congress's preferences, severance has the opposite effect.

A. Congress Would Not Have Enacted the Statute Without Tenure Protections

Congress has long considered tenure protections essential for administrative judges, traditionally pairing them with transparent review by an accountable agency

head. Arthrex Br. 48-52. Those protections became even more important when Congress enacted the AIA, putting APJs in charge of new adjudicative proceedings under a statutory structure designed to ensure the Board's independence. *Id.* at 52-56. Congress would not have enacted a regime that includes *neither* tenure protections for APJs *nor* transparent review by an accountable agency head. Requiring APJs to decide cases subject to unseen pressures to please superiors is fundamentally contrary to what Congress envisioned.

The government urges that the Constitution does not *require* tenure protections, noting that "agency *heads* who are removable at will [may] personally adjudicate cases." Gov't Reply 34. But the question is not whether tenure protections are constitutionally required. It is whether Congress would have enacted the statute without them. See *Bowsher* v. *Synar*, 478 U.S. 714, 735 (1986) (severing removal restrictions impermissible if it would "lead to a statute that Congress would probably have refused to adopt"). Congress has long insisted on tenure protections for administrative judges who do no more than adjudicate cases, even while striking a different balance for agency heads with broad policymaking responsibilities. Arthrex Br. 48-52.[11]

True, Congress did not give APJs the same tenure protections it gave ALJs. Gov't Reply 35-36. But Congress clearly understood that APJs' civil service protec-

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[11] Even the government's few counterexamples are a mixed bag. Gov't Reply 35-36. Section 7511(b)(8) exempts employees only from *that subchapter's* civil service protections; tenure protections still apply to ALJs. See 5 U.S.C. § 7521; *e.g.*, 39 C.F.R. § 3013.2(a). Postal Service Board members have tenure protections too. See 41 U.S.C. § 7105(b)(3), (d)(2).

tions would "insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system." H.R. Rep. No. 104-784, at 32 (1996). Making APJs removable for political reasons, or for no reason at all, would undermine Congress's goal of "creat[ing] a patent system that is clearer, fairer, more transparent, and more objective." 157 Cong. Rec. 12,984 (Sept. 6, 2011) (Sen. Kyl).

Constitutional avoidance compels the same result. Arthrex Br. 62-64. Even if due process does not require tenure protections for agency adjudicators, firing or threatening to fire an administrative judge behind the scenes to achieve a desired outcome raises obvious due process concerns. See p. 12, *supra*. The court of appeals' remedy not only permits but *encourages and relies upon* such abuse by forcing the agency head to use the threat of removal, rather than review, to supervise adjudications. Congress would not have strayed so close to the constitutional line.

B. Congress Should Determine the Appropriate Remedy

The sheer number of ways to fix the problem is reason enough to reject the Federal Circuit's approach. The government does not deny there are at least *ten different ways* Congress could respond. Arthrex Br. 57-59. Selecting among them would invite rather than avoid judicial policymaking—the linchpin of this Court's severability precedents. See *Barr* v. *Am. Ass'n of Pol. Consultants, Inc.*, 140 S. Ct. 2335, 2351 (2020) (plurality).

This is not a case like *Seila Law* or *Free Enterprise Fund* v. *Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), where there were multiple ways to fix the problem, but one was clearly superior. Those cases involved agency heads, not administrative judges, and

the removal restrictions were the avowed targets of the claims. Arthrex Br. 60-62. This case challenges APJ *appointments*, and the Court can only speculate what Congress would prefer. Congress, not courts, should select among the many alternatives.

The government suggests that the Court sever 35 U.S.C. § 6(c)'s directive that "[o]nly the Patent Trial and Appeal Board may grant rehearings." Gov't Reply 40-41. That approach would not fix the problem. Only the officer who makes a decision has inherent power to reconsider it. See *Tokyo Kikai Seisakusho*, 529 F.3d at 1360 ("The power to reconsider is inherent in the power to decide."). Eliminating the rehearing provision thus would not shift authority to the Director. It would leave that authority with the Board, the entity that decides inter partes reviews. 35 U.S.C. § 318(a).

Even if the government's approach had its intended effect, it would be a drastic departure from Congress's intent. As the court of appeals recognized, "[t]he breadth of backgrounds and the implicit checks and balances within each three-judge panel contribute to the public confidence by providing more consistent and higher quality final written decisions." Pet. App. 25a. Allowing the Director to decide cases single-handedly would be "a significant diminution in the procedural protections afforded to patent owners" and "a radical statutory change to the process long required by Congress in all types of Board proceedings." *Id.* at 24a-25a.

Smith & Nephew's proposal to sever the appointment provision would not work either. S&N Reply 47. Eliminating secretarial appointments for APJs would not transfer authority to the President. Under the statute's default provision, it would transfer appointment authority to the Director. 35 U.S.C. § 3(b)(3)(A). Like the govern-

ment's proposal, Smith & Nephew's speculation about what Congress would prefer only underscores that Congress should decide.

Deferring to Congress would not require the Court to revisit *Humphrey's Executor* v. *United States*, 295 U.S. 602 (1935). Cf. S&N Reply 32-35. There are many ways Congress could respond without making APJs principal officers—for example, by providing for agency-head review. Regardless, granting tenure protections to administrative judges does not raise serious constitutional questions, whether they are principal or inferior officers. See Arthrex Br. 48-50 & n.14; *e.g.*, 10 U.S.C. § 942(c) (Court of Appeals for the Armed Forces); 26 U.S.C. § 7443(f) (Tax Court); 38 U.S.C. § 7253(f) (Court of Appeals for Veterans Claims).

The government's feared impacts on other Board proceedings are overblown. Gov't Reply 36-37. Because the Director has plenary control over patent examinations, Congress need not alter the Board's role in appeals from those proceedings. See U.S. Supp. Br. in *Boloro*, *supra*, at 7-9 & n.2. The Board's remaining proceedings are rare compared to inter partes reviews.[12]

Smith & Nephew's legion of amici bemoan any disruption to their preferred method for challenging patents. S&N Reply 49. But there are two sides to that story.

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[12] See Patent Trial & Appeal Board, *Trial Statistics* 5 (Sept. 2020) (1,429 petitions for inter partes review, 64 for post-grant review, and 20 for covered business method review in FY2020); Patent Trial & Appeal Board, *Appeal and Interference Statistics* 5, 7 (Sept. 30, 2020) (less than 90 reexamination appeals in FY2020; 10 interferences remaining); Anthony A. Hartmann, *PTAB Finds No Derivation in First Derivation Proceeding*, Finnegan AIA Blog (Mar. 25, 2019) (only 18 petitions for derivation proceedings ever).

Inter partes review has had a devastating impact on American innovation, particularly for small inventors. See, *e.g.*, 39 Aggrieved Inventors Br. 14-23; TiVo Br. 6-13; Malone Br. 1-3; U.S. Inventor Br. 1-2. Congress could well decide not to make an unfair process even less fair by eliminating tenure protections for APJs. Those policy debates belong before Congress, not this Court.

C. Arthrex Is Entitled to Dismissal

Smith & Nephew urges the Court not to dismiss this inter partes review even if the statutory provisions are not severable. S&N Reply 39-43. But if the entire statute is unsound and the defect not severable, the Court cannot send Arthrex back to the Board for more of the unconstitutional same. That would hardly create "incentives to raise Appointments Clause challenges." *Lucia* v. *SEC*, 138 S. Ct. 2044, 2055 n.5 (2018) (alterations omitted). Arthrex's argument is not a "letter to Santa Claus." S&N Reply 36. Arthrex seeks only the unavoidable consequence of non-severability.[13]

Neither *Seila Law* nor *Northern Pipeline Construction Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50 (1982), holds otherwise. In *Seila Law*, the removal restrictions were severable. 140 S. Ct. at 2211 (plurality). Dismissal

[13] Arthrex did not forfeit this claim. Cf. S&N Reply 40-42. Arthrex urged in the court of appeals that the statute is not severable. See Arthrex Pet. in No. 19-1458, at 13 n.2; S&N Cert. Resp. in No. 19-1458, at 10 (admitting preservation). It made the same argument in this Court. Arthrex Pet. in No. 19-1458, at 14-34. Arthrex's argument for dismissal is not distinct from its argument against severability; those are two sides of the same coin. If the entire statute is invalid, this inter partes review necessarily cannot proceed. See Arthrex C.A. Reh'g Pet. 4 ("[T]he statute cannot be saved and must be ruled unconstitutional. Accordingly, the Final Written Decision here must be vacated and the case dismissed.").

is appropriate here because the provisions are *not* severable. In *Northern Pipeline*, the lower court *did* dismiss the proceeding, *Marathon Pipeline Co.* v. *N. Pipeline Constr. Co.*, 12 B.R. 946, 947 (D. Minn. 1981), and this Court affirmed, 458 U.S. at 87-88 & n.40 (plurality). The Court should follow the same course here.[14]

III. SMITH & NEPHEW'S REMAINING ARGUMENTS ARE NOT PROPERLY BEFORE THE COURT

Smith & Nephew raises a host of other arguments. The Court need not address any of them.

1. Arthrex timely raised its constitutional claim. Cf. S&N Reply 36-39. The court of appeals "agree[d] with Arthrex that its Appointments Clause challenge was properly and timely raised before the first body capable of providing it with the relief sought." Pet. App. 31a. The government sought this Court's review of that timeliness ruling. Gov't Pet. in No. 19-1434, at i. But the Court *denied review*. 141 S. Ct. 549 (2020). Neither of the two questions the Court granted covers the timeliness issue—either the government's original version or the variation that Smith & Nephew now presents. Gov't Br. i. The Court should not reach out to decide a ques-

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[14] Although the Court stayed its judgment in *Northern Pipeline*, 458 U.S. at 88-89 (plurality), it should not do so here. "A structural-redesign grace period implicitly tells Congress that it may blatantly violate the Constitution's structural safeguards * * * and then later create a proper agency, if it acts fast enough, without any adverse consequences at all." Kent Barnett, *To the Victor Goes the Toil—Remedies for Regulated Parties in Separation-of-Powers Litigation*, 92 N.C. L. Rev. 481, 530-536 (2014). The stay in *Northern Pipeline*, moreover, was cut from the same cloth as the Court's decision to apply its holding prospectively only. 458 U.S. at 87-88 (plurality). The Court abandoned that approach in *Harper* v. *Virginia Department of Taxation*, 509 U.S. 86, 94-97 (1993).

tion the parties and amici have had no fair opportunity to address. S. Ct. R. 14.1(a).[15]

In any event, the court of appeals correctly held that Arthrex "properly and timely raised [its claim] before the first body capable of providing it with the relief sought." Pet. App. 31a. Consistent with longstanding principles of administrative law, the Board has repeatedly held that it lacks authority to consider constitutional challenges to its own enabling statute, including Appointments Clause claims just like Arthrex's. Arthrex Cert. Resp. in No. 19-1434, at 24-25 & n.6. Pressing this objection before the agency would have been futile. See *id.* at 23-30; Arthrex Cert. Reply in No. 19-1458, at 6-9.[16]

2. Dismissal would not violate the statutory bar on appealing institution decisions or the settlement agreement in separate infringement litigation. Cf. S&N Reply

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[15] Arthrex did not forfeit this objection at the petition stage. Cf. S&N Reply 37 n.5. Smith & Nephew nowhere asserted in its petition that the Court could consider its timeliness argument even if the Court *denied review* of the timeliness question. S&N Pet. in No. 19-1452, at 31-33. The first time Smith & Nephew made that argument was in response to Arthrex's petition—and even then, it claimed only that the issue was somehow subsumed within the government's first question, not *Arthrex's* questions. S&N Cert. Resp. in No. 19-1458, at 4, 7. Arthrex promptly objected in reply. Arthrex Cert. Reply in No. 19-1458, at 10-11. Having done so, Arthrex was not required to renew the objection in its opening brief merely because Smith & Nephew made one fleeting reference to its intent to argue the point in a *future* submission. S&N Br. 49.

[16] For the same reason, Arthrex was not required to seek dismissal before the Board. Cf. S&N Reply 41. Nor did Arthrex forfeit its claim by petitioning for inter partes review in unrelated cases. See Arthrex Cert. Reply in No. 19-1458, at 8-9.

39-40. Smith & Nephew forfeited both arguments at the petition stage. S. Ct. R. 15.2. And neither has merit.

Arthrex is not asking this Court to review the Director's decision "*whether to institute* an inter partes review." 35 U.S.C. §314(d) (emphasis added). It seeks a ruling that this inter partes review cannot proceed any further because the statute authorizing the proceeding is unconstitutional.

Nor is the settlement agreement relevant. While that agreement allowed the inter partes review to continue despite settlement of the infringement litigation, Arthrex did not agree to refrain from making otherwise valid arguments for dismissal. Cf. Pet. App. 86a.

3. Finally, retroactivity principles do not somehow render the Board's decision constitutional. Cf. S&N Reply 50. Smith & Nephew forfeited that claim too by not raising it at the petition stage. S. Ct. R. 15.2. And the government has rejected Smith & Nephew's argument, explaining that "retroactivity principles" do not bar relief where "APJs * * * did not at the time understand themselves to be subject to removal at will." U.S. Supp. Br. in *Polaris Innovations Ltd.* v. *Kingston Tech. Co.*, No. 18-1768, Dkt. 96, at 12-15 (Fed. Cir. filed Jan. 6, 2020).

The principle that judicial decisions apply retroactively does not mean a party cannot complain when an adjudicator operates under a misunderstanding of governing law. See, *e.g.*, *United States* v. *Booker*, 543 U.S. 220, 267-268 (2005) (remanding for resentencing under advisory guidelines despite applying holding retroactively to all pending cases). Saying what the law "is" does not avoid the need to require decisionmakers to adjudicate cases under a correct understanding of the law.

The APJs who decided Arthrex's case were acting under the misimpression that the statutory restrictions on their oversight and accountability were valid. So too were their superiors. The agency would not even *consider* constitutional challenges to those restrictions. See Arthrex Cert. Resp. in No. 19-1434, at 24-25 & n.6. If this Court now holds the restrictions invalid, retroactivity would be a reason to *correct* the Board's structural legal error, not to ignore it.[17]

CONCLUSION

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

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[17] Even where retroactivity is relevant, an exception applies if there are "alternative way[s] of curing the constitutional violation." *Reynoldsville Casket Co.* v. *Hyde*, 514 U.S. 749, 759 (1995). Here, there are at least *ten different alternatives*.

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