Nos. 19-1434 & 19-1452

IN THE

Supreme Court of the United States

UNITED STATES OF AMERICA,
Petitioner,
v.
ARTHREX, INC.; SMITH & NEPHEW, INC.;
AND ARTHROCARE CORP.,
Respondents.

SMITH & NEPHEW, INC.,
AND ARTHROCARE CORP.,
Petitioners,
v.
ARTHREX, INC.,
AND UNITED STATES OF AMERICA,
Respondents.

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

MEMORANDUM IN RESPONSE FOR RESPONDENT ARTHREX, INC.

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QUESTIONS PRESENTED

The Appointments Clause requires principal officers to be appointed by the President with the advice and consent of the Senate, but permits inferior officers to be appointed by department heads. U.S. Const. art. II, § 2. In the decision below, the court of appeals held that the Patent Office's administrative patent judges ("APJs") are principal officers who are not appointed in the manner that provision requires. APJs issue final decisions on behalf of the agency that are not reviewable by any superior executive officer. And they are removable from office only under a restrictive for-cause standard.

The questions presented are:

1. Whether the court of appeals correctly held that APJs are principal officers, where they issue final decisions that are not reviewable by any superior executive officer and are removable from office only for cause.

2. Whether the court of appeals correctly held that Arthrex timely raised its Appointments Clause challenge for the first time in the court of appeals, where the agency had no authority to adjudicate the claim; and if not, whether the court of appeals permissibly held that it had discretion to consider the claim regardless.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, respondent Arthrex, Inc., states that it has no parent corporation and that no publicly held company owns 10% or more of its stock.

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MEMORANDUM IN RESPONSE FOR RESPONDENT ARTHREX, INC.

The court of appeals correctly held that administrative patent judges ("APJs") are principal officers who are not appointed in the manner the Appointments Clause requires—by the President with the advice and consent of the Senate. Smith & Nephew insists that "this Court has

repeatedly recognized that first-line administrative adjudicators are 'inferior' Officers." S&N Pet. 1. The problem, of course, is that APJs are not just the *first-line* adjudicators but also the *last-line* adjudicators within the Executive Branch. No superior executive officer has authority to review their decisions. APJs purport to speak for the Executive Branch and to deliver that Branch's final word. Neither Smith & Nephew nor the government cites a single case where this Court has held that an administrative judge was a mere inferior officer even though his decisions were totally unreviewable by any superior executive officer.

The sharp restrictions on removal only aggravate the problem and confirm that APJs are principal officers. APJs are subject to the same for-cause removal standard that governs other federal civil servants. That restrictive standard significantly limits removal power as a mechanism of control.

While the court of appeals correctly found a constitutional violation, Arthrex agrees that the decision presents an important question that warrants review. The court held a provision of federal law unconstitutional as applied to a significant category of federal officers. Moreover, the Federal Circuit's attempt to remedy the violation, by severing APJs' tenure protections, raises its own serious issues that are the subject of Arthrex's petition in No. 19-1458. Those remedial questions are closely related to the underlying constitutional question. It would not make sense to review one without the other.

The government also seeks this Court's review of whether Arthrex was required to raise its Appointments Clause challenge sooner. That argument is meritless. Arthrex timely raised its claim in the first forum capable of adjudicating it, and the court had discretion to reach

the claim regardless. Nonetheless, if the Court believes the issue is worthy of review, Arthrex agrees that it should grant review in both this case and *Polaris Innovations Ltd.* v. *Kingston Technology Co.*, 792 F. App'x 820 (Fed. Cir. 2020), to address all relevant questions.

STATEMENT

I. STATUTORY BACKGROUND

Under the Appointments Clause, officers of the United States must be appointed by the President with the advice and consent of the Senate. U.S. Const. art. II, §2. Congress, however, can "vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments." *Ibid.* This case concerns the application of the Appointments Clause to the Patent Office's administrative patent judges.

The position of administrative patent judge, formerly known as "examiner-in-chief," was created in 1861. Act of Mar. 2, 1861, ch. 88, §2, 12 Stat. 246, 246. For 114 years, those officers were appointed in the traditional manner for principal officers—"by the President, by and with the advice and consent of the Senate." *Ibid.* In 1975, however, Congress transferred appointment authority to the Secretary of Commerce, where it resides today. Pub. L. No. 93-601, §1, 88 Stat. 1956, 1956 (1975); 35 U.S.C. §6(a); Pet. in No. 19-1458, at 4.

By statute, APJs have the same tenure protections as other federal civil servants. 35 U.S.C. §3(c). Those protections permit removal or other adverse employment actions "only for such cause as will promote the efficiency of the service," 5 U.S.C. §7513(a), a standard that requires "misconduct * * * likely to have an adverse impact on the agency's performance of its functions," *Brown* v.

Dep't of Navy, 229 F.3d 1356, 1358 (Fed. Cir. 2000), cert. denied, 533 U.S. 949 (2001). APJs also have broad procedural protections in connection with any adverse employment action, including 30 days' notice, an opportunity to respond, a right to counsel, and a right to appeal to the Merit Systems Protection Board. 5 U.S.C. §7513(b)-(d).

The Patent Office currently has about 260 APJs, who serve on the Patent Trial and Appeal Board along with the Patent Office's Director, Deputy Director, and two Commissioners. 35 U.S.C. §6(a)-(b); Gov't C.A. Reh'g Pet. 4. The Director is the only Board member appointed by the President and confirmed by the Senate. 35 U.S.C. §§3(a)-(b), 6(a). The Board presides over cases in panels, which must include "at least 3 members * * * who shall be designated by the Director." *Id.* §6(c).

The Board conducts three types of adjudicative proceedings that Congress created in 2011 to reconsider previously issued patents: inter partes reviews, post-grant reviews, and covered business method reviews. Leahy-Smith America Invents Act, Pub. L. No. 112-29, §§6(a), 6(d), 18, 125 Stat. 284, 299, 305, 329 (2011). It also decides ex parte appeals from denials of patent applications, appeals from ex parte reexaminations of patents, and derivation proceedings to resolve disputes over inventorship. 35 U.S.C. §6(b)(1)-(3).

This case involves an inter partes review. Any person can petition for inter partes review of a previously issued patent on the ground that the invention was anticipated or obvious in light of a prior-art patent or printed publication. 35 U.S.C. §311. The Director may institute review if he finds a "reasonable likelihood" the petitioner will prevail. *Id.* §314(a). The Director's decision whether to institute review is "final and nonappealable." *Id.* §314(d). The Director has delegated his institution

authority to the Board, so in practice, the Board itself decides whether to institute review. 37 C.F.R. § 42.4(a).

The statute calls for an adversarial proceeding in which both sides can take discovery, submit evidence and briefs, and present oral argument. 35 U.S.C. § 316(a). At the end of the proceeding, the Board issues a final written decision on the patentability of the claims. *Id.* § 318(a). The Director cannot review the Board's decision. Instead, the decision is appealable only to the Federal Circuit. *Id.* § 319 (citing 35 U.S.C. § 141). Nor can the Director grant rehearing. "Only the Patent Trial and Appeal Board may grant rehearings." *Id.* § 6(c).

II. Proceedings Below

A. Arthrex's '907 Patent

Arthrex is a pioneer in the field of arthroscopy and a leading developer of medical devices and procedures for orthopedic surgery. This case concerns Arthrex's U.S. Patent No. 9,179,907 (the "'907 patent"), which covers a novel surgical device for reattaching soft tissue to bone. Pet. App. 86a-87a.[1]

In 2015, Arthrex sued Smith & Nephew, Inc., and its subsidiary ArthroCare Corp. for infringement. Pet. App. 85a. The jury returned a verdict for Arthrex, finding the claims valid and infringed. *Ibid.* The parties then settled the case. *Ibid.*

B. The Inter Partes Review

Smith & Nephew responded to Arthrex's infringement suit by seeking inter partes review. Pet. App. 83a. Rely-

[1] All citations to "Pet. App." are to the Government's appendix in No. 19-1434. Arthrex's '907 patent and the Board's ruling are described in more detail in Arthrex's petition. See Pet. in No. 19-1458, at 7-10.

ing on many of the same arguments it advanced unsuccessfully in the infringement litigation, Smith & Nephew argued that the Patent Office's publication of the inventors' own original application was prior art that anticipated the '907 patent. *Id.* at 93a-94a, 102a n.7; Pet. in No. 19-1458, at 9. The Patent Trial and Appeal Board agreed and held all the challenged claims invalid. Pet. App. 125a-126a, 128a.

C. The Federal Circuit's Decision

The court of appeals vacated and remanded. Pet. App. 1a-33a. On appeal, Arthrex challenged the Board's patentability ruling. Arthrex C.A. Br. 32-59. It also argued that the APJs who presided over its case were appointed in violation of the Appointments Clause. *Id.* at 59-66. The court reached only the constitutional claim.

1. The court of appeals rejected the argument that it could not address Arthrex's Appointments Clause claim because Arthrex did not challenge the APJs' appointments before the APJs themselves. Pet. App. 4a-6a. The court explained that it had *discretion* to address the challenge regardless. In *Freytag* v. *Commissioner*, 501 U.S. 868 (1991), the court noted, this Court exercised its discretion to address an Appointments Clause claim raised for the first time on appeal. Pet. App. 4a. The reasons this Court cited were also present here. "[T]his case implicates the important structural interests and separation of powers concerns protected by the Appointments Clause." *Id.* at 4a-5a. And "[t]imely resolution is critical to providing certainty to rights holders and competitors alike." *Id.* at 5a.

The court also relied on futility principles. Because Arthrex's claim was a constitutional challenge to the Board's enabling statute, "the Board could not have corrected the problem." Pet. App. 5a. That fact distin-

guished this case from *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), cert. denied, 558 U.S. 816 (2009), where the Board "could have corrected the * * * infirmity" if "the issue had been raised before [it]." Pet. App. 5a.

2. Turning to the merits of the Appointments Clause claim, the court held that APJs are principal officers who must be appointed by the President and confirmed by the Senate. Under *Edmond* v. *United States*, 520 U.S. 651 (1997), it explained, "'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." Pet. App. 9a (quoting 520 U.S. at 663). *Edmond* emphasizes three factors that distinguish principal from inferior officers: "(1) whether [a presidentially] appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." *Ibid.*

The first factor, review authority, pointed to principal officer status. No principal executive officer has authority to review APJ decisions—parties can only appeal to the Federal Circuit or seek rehearing by the Board itself. Pet. App. 9a-10a. Although the Patent Office's Director is a member of the Board who is appointed by the President and confirmed by the Senate, all Board panels must include at least three members. *Id.* at 10a. As a result, the Director cannot "single-handedly review, nullify or reverse a final written decision." *Ibid.*

The court rejected the government's argument that the Director has other powers tantamount to review. While the Director can intervene on appeal in the Federal Circuit, that authority merely enables him to ask the *court* to find error and vacate a decision, not to vacate the

decision himself. Pet. App. 10a-11a. The Director's power to convene a Precedential Opinion Panel to rehear a case is not unilateral review authority either; the Director is still only one member of the panel. *Id.* at 11a-12a. Finally, the Director's authority to decide whether to institute review is not review of the decisions the Board ultimately renders. *Id.* at 12a-13a.

On the second factor, supervision and oversight, the court explained that the Director can promulgate regulations and issue policy guidance. Pet. App. 14a. He can also decide whether to institute review and designate panels. *Id.* at 14a-15a. In the court's view, that authority favored inferior officer status. *Id.* at 15a.

As to the third factor, removal power, the court identified significant limitations. The government urged that the Director could refuse to assign an APJ to any panels or remove him from a panel to which he was assigned. Pet. App. 16a. The court doubted that the Director had the latter power, observing that no provision authorizes him to de-designate a panel member and that doing so "could create a Due Process problem." *Id.* at 16a-17a & n.3. In any case, designation authority was "not nearly as powerful as the power to remove from office without cause." *Id.* at 17a.

The Secretary's power to remove APJs from office is sharply constrained. The Secretary can remove an APJ "only for such cause as will promote the efficiency of the service." Pet. App. 18a (quoting 5 U.S.C. § 7513(a)). That standard requires "misconduct [that] is likely to have an adverse impact on the agency's performance of its functions." *Ibid.* (quoting *Brown*, 229 F.3d at 1358). The statute also provides robust procedural protections. *Ibid.* Those restrictions significantly limit the Secretary's removal power. *Id.* at 19a-21a.

The court also considered other factors, such as APJs' indefinite tenure and broad jurisdiction. Pet. App. 21a. Considered together, the court held, the relevant factors made APJs principal officers. *Id.* at 22a. As a result, the Secretary could not appoint them. *Ibid.*

3. In an attempt to remedy the constitutional violation, the court severed APJ removal protections. Pet. App. 25a-29a. The court opined that Congress "intended for the *inter partes* review system to function" and "would have preferred a Board whose members are removable at will rather than no Board at all." *Id.* at 27a. The court also deemed its approach sufficient to remedy the violation: "[S]evering the restriction on removal of APJs renders them inferior rather than principal officers," even though "the Director still does not have independent authority to review decisions." *Id.* at 28a.

Because Arthrex's case was heard by APJs who were not properly appointed when they issued their decision—before the court of appeals severed their tenure protections—the court ordered a new hearing before a different panel of APJs under *Lucia* v. *SEC*, 138 S. Ct. 2044 (2018). Pet. App. 29a-33a. The court rejected the government's argument that *Lucia* did not apply because Arthrex raised its challenge too late. *Ibid.* Because "the Board was not capable of providing any meaningful relief to this type of Constitutional challenge," it would have been "futile for Arthrex to have made the challenge there." *Id.* at 30a. The Court therefore "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." *Id.* at 31a.

4. The government and Smith & Nephew sought rehearing en banc. Arthrex did too, urging that the court's remedy was contrary to congressional intent and did

not cure the Appointments Clause violation. Arthrex C.A. Reh'g Pet. 6-17. The court of appeals denied all three petitions. Pet. App. 229a-295a.

5. The government and Smith & Nephew both filed petitions for writs of certiorari. Nos. 19-1434, 19-1452. Arthrex responds to those petitions here. Meanwhile, Arthrex filed its own petition seeking review of the remedial ruling. No. 19-1458. As that petition explains, the court's severance remedy is contrary to congressional intent. Congress clearly meant APJs to have the tenure protections it has long considered essential to independent and impartial adjudication. Pet. in No. 19-1458, at 16-24. In addition, the remedy is insufficient to cure the problem. Even without tenure protections, APJs still issue decisions that are not reviewable by any superior executive officer. That authority alone makes them principal officers. *Id.* at 25-33.

ARGUMENT

The court of appeals correctly held that APJs are principal officers. Nonetheless, Arthrex agrees with the government and Smith & Nephew that the Court should grant review of that holding. The court of appeals held a provision of federal law unconstitutional as applied to a significant category of officers. In addition, Arthrex's own petition raises important questions about the court's remedy. No. 19-1458. This Court should grant all three petitions—the government's, Smith & Nephew's, and Arthrex's—and address those questions together.

As for timeliness, the government and Smith & Nephew show no grounds for reversal. Arthrex timely raised its constitutional challenge in the first forum capable of adjudicating the claim. Even if the claim were untimely, the court of appeals had discretion to reach it. The government and Smith & Nephew expressly told the court of

appeals as much. Nonetheless, if the Court considers the timing issue worthy of review, Arthrex agrees that the Court should grant review in both this case and *Polaris Innovations Ltd.* v. *Kingston Technology Co.*, 792 F. App'x 820 (Fed. Cir. 2020), to ensure it reaches both the merits and the timing issue.

I. The Federal Circuit's Appointments Clause Ruling Is An Important Question That Warrants Review

While the court of appeals correctly held that APJs are principal officers, Arthrex agrees that the ruling is important and that this Court should grant review.

A. The Constitutional Question Is Important

The court of appeals held that federal civil service protections are unconstitutional as applied to APJs. Pet. App. 28a. This Court regularly grants certiorari where a court of appeals has invalidated a federal statute. See, *e.g.*, *United States* v. *Kebodeaux*, 570 U.S. 387, 391 (2013); *Maricopa County* v. *Lopez-Valenzuela*, 135 S. Ct. 428, 428 (2014) (Thomas, J., respecting denial of stay) (noting the "strong presumption in favor of granting writs of certiorari to review decisions of lower courts holding federal statutes unconstitutional"). There is no reason to treat this case differently.

In addition, Arthrex's own petition raises important remedial questions that should be considered together with the underlying constitutional issue. The court of appeals' severance remedy defies congressional intent by eliminating tenure protections Congress has long considered essential to ensure the independence and impartiality of administrative judges. Pet. in No. 19-1458, at 16-24. The court's remedy, moreover, is no remedy at all: Even without tenure protections, APJs still issue decisions

that are not reviewable by any superior executive officer, so they are still principal officers. *Id.* at 25-33.

The court of appeals should have left it to Congress to remedy the defect. Congress could choose to have APJs appointed by the President and confirmed by the Senate, as they were for 114 years. It could provide for principal officer review of their decisions. Or it could restore the judiciary's longstanding exclusive authority to adjudicate the validity of previously issued patents. Pet. in No. 19-1458, at 33-34.

It would not make sense to review the court of appeals' constitutional ruling without also considering the proper remedy. Conversely, it would not make sense to consider the remedial question without also considering the underlying constitutional claim. The questions are closely intertwined: They involve not only common constitutional issues, but also common statutory issues concerning the Director's inability to review APJ decisions and the scope and significance of APJ tenure protections.

Finally, Arthrex's case is the ideal vehicle in which to address those questions. This is the case in which the court of appeals actually decided the questions. Pet. App. 1a. This is the case in which the panel articulated its rationale. *Ibid.* And this is the case in which judges filed opinions concurring in or dissenting from denial of rehearing en banc. *Id.* at 229a. This was thus the lead case below. The Court should grant review in at least this case and address all three petitions together.

B. The Court Correctly Held That APJs Are Principal Officers

Under *Edmond* v. *United States*, 520 U.S. 651 (1997), "'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. APJs are principal officers under that standard because no superior executive officer directs or supervises the most critical aspect of their work. APJs issue decisions that are not reviewable by any superior officer. And APJs are protected from removal by restrictive standards.

1. *No Principal Executive Officer Has Authority To Review APJ Decisions*

The court of appeals properly recognized that, for administrative judges, the power to review decisions is a critical component of supervision. Indeed, the court did not go far enough: Review is not merely one factor, but an indispensable component. See Pet. in No. 19-1458, at 25-33. Deciding cases is what administrative judges do. Supervision that does not include the power to review those decisions is necessarily incomplete.

a. This Court's cases confirm the critical role of review. In *Edmond*, the Court held that the Judge Advocate General's oversight of Coast Guard judges was "not complete" because it did not include "power to reverse decisions." 520 U.S. at 664. The Court deemed the judges inferior officers only because *other* principal officers could review their decisions. *Id.* at 664-665.

In *Free Enterprise Fund* v. *Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), the Court deemed PCAOB members inferior officers in part because the SEC could review their decisions. *Id.* at 486, 510. And in *Department of Transportation* v. *Association of American Railroads*, 575 U.S. 43 (2015), Justice Alito saw "serious questions" where an arbitrator's decisions were not reviewable by a superior officer. *Id.* at 64 (Alito, J., concurring); see also *Ass'n of Am. R.Rs.* v. *U.S.*

Dep't of Transp., 821 F.3d 19, 39 (D.C. Cir. 2016) (deeming arbitrator principal officer for that reason).

Neither the government nor Smith & Nephew disputes that no higher-ranking executive officer can review APJs' decisions. Their decisions are appealable only to the courts. 35 U.S.C. § 141. And only the Board itself can grant rehearing. *Id.* § 6(c). Neither the Director nor any other executive officer can "single-handedly review, nullify or reverse a final written decision issued by a panel of APJs." Pet. App. 10a. APJs have the last word for the Executive Branch.

The government cites the Director's right to intervene on appeal. Gov't Pet. 7 (citing 35 U.S.C. § 143). But that provision merely underscores that the Director cannot review the decisions within his own agency. Making arguments to a court is no substitute for reviewing decisions oneself.

The government also urges that the Director can "blunt the future effect of an erroneous decision by designating it as nonprecedential." Gov't Pet. 25. Even a nonprecedential opinion, however, is "binding in the case in which it is made." Patent Trial & Appeal Board, Standard Operating Procedure 2, at 3 (10th rev. Sept. 20, 2018). The Director's ability to withhold precedential effect is cold comfort to the parties: APJs still render the Executive Branch's final word for the cases they decide.

b. Neither the government nor Smith & Nephew cites a single case where this Court has held an administrative judge to be an inferior officer even though no superior officer had authority to review his decisions. Smith & Nephew claims that "the first-line adjudicators in *Freytag* and *Lucia* unquestionably were inferior Officers, even though their decisions were not always subject to review

within the Executive Branch." S&N Pet. 17. That is incorrect for both cases.

In *Freytag* v. *Commissioner*, 501 U.S. 868 (1991), the Tax Court's "special trial judges" heard several types of cases. In some, they lacked authority to enter decisions, and instead merely conducted proceedings and prepared proposed findings and opinions. *Id.* at 873. In others, they could enter decisions. *Ibid.* But even then, the Tax Court could *review* their decisions. See Pub. L. No. 99-514, § 1556, 100 Stat. 2085, 2754-2755 (1986) (codified as amended at 26 U.S.C. § 7443A(c)) (decisions were "subject to such conditions and review as the [Tax Court] may provide").

In *Lucia* v. *SEC*, 138 S. Ct. 2044 (2018), the SEC's ALJs had authority to enter initial decisions. *Id.* at 2049. But those decisions became the agency's final decision *only* if the Commission declined review. *Ibid.* (citing 17 C.F.R. § 201.360(d)). Smith & Nephew urges that SEC ALJs can enter default orders "without any agency review at all." S&N Pet. 18. But the Commission has broad power to review those orders too. See 17 C.F.R. § 201.155(b) ("[T]he Commission, at any time, may for good cause shown set aside a default.").

Smith & Nephew insists that "the Executive Branch has long recognized that administrative adjudicators are inferior Officers." S&N Pet. 25. But the revenue officers in the OLC opinion it cites did not issue unreviewable decisions. Their decisions were "readily 'subject to revision and correction'"—indeed, "to two layers of appeal, the second being the Treasury Secretary himself." *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 96 (2007) (citing Act of May 28, 1796, ch. 37, §§ 3, 8-9, 1 Stat. 478, 479-481).

Smith & Nephew's recurring error is conflating decisions that are "final" in the sense that they are binding if superior officers *choose* not to review them, with decisions that are "final" in the sense that superior officers *have no authority* to review them. The power to issue decisions that are final in the former sense helps distinguish inferior officers from mere employees, see *Freytag*, 501 U.S. at 882, but it is not pertinent here. APJs are principal officers because no superior officer even has *authority* to review their decisions.

2. *The Statute Sharply Restricts Removal*

The robust constraints on removal reinforce APJs' status as principal officers. The government's attempts to water down those restrictions defy both the statutory text and precedent.

a. The government asserts that the Secretary can remove APJs from office for "any legitimate reason with a connection to 'the work of the agency.'" Gov't Pet. 19. In fact, the standard is far more restrictive. The Secretary can remove APJs only "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). By its terms, that is a *for cause* standard—the opposite of at-will removal.

This Court rejected a similar argument in *Seila Law LLC* v. *Consumer Financial Protection Bureau*, No. 19-7 (June 29, 2020). The statute in that case permitted the President to remove the CFPB's Director for, among other things, "inefficiency." 12 U.S.C. § 5491(c)(3). The Court refused to interpret that standard "to reserve substantial discretion to the President." Slip op. 28. The statutory language, it explained, did not "leave the President free to remove an officer based on disagreements about agency policy." *Ibid.* Congress intended the CFPB to be independent, and the agency would not be inde-

pendent "if its head were required to implement the President's policies upon pain of removal." *Id.* at 28-29.

The same reasoning applies here. Congress granted APJs civil service protections because it wanted APJs to be independent and impartial adjudicators. See Pet. in No. 19-1458, at 16-20. Interpreting the "efficiency of the service" standard to grant broad removal power over policy disagreements or other differences of opinion would thwart that design.

The Federal Circuit routinely applies § 7513(a)'s for-cause standard to Merit Systems Protection Board appeals. The very case the government invokes rejects its interpretation. That case construes the standard to require "misconduct * * * likely to have an adverse impact on the agency's performance of its functions." *Brown* v. *Dep't of Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000), cert. denied, 533 U.S. 949 (2001); see also *King* v. *Frazier*, 77 F.3d 1361, 1363 (Fed. Cir. 1996) (standard "requires a showing that: (1) the employee engaged in misconduct; and (2) there exists a nexus between the misconduct and the efficiency of the service"), cert. denied, 519 U.S. 814 (1996); cf. *Nguyen* v. *Dep't of Homeland Sec.*, 737 F.3d 711, 716 (Fed. Cir. 2013) (inability to perform duties).[2]

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[2] Smith & Nephew urges that "failure to follow instructions" can constitute misconduct warranting removal. S&N Pet. 20. But that principle presumes the instruction was a proper exercise of authority in the first place. See *Frey* v. *Dep't of Labor*, 359 F.3d 1355, 1360 (Fed. Cir. 2004). The Director cannot instruct APJs how to decide specific cases, so APJs cannot be fired for failing to follow such instructions. See *Abrams* v. *Soc. Sec. Admin.*, 703 F.3d 538, 545-546 (Fed. Cir. 2012) (instructions that interfere with ALJs' "decisional independence" cannot be grounds for removal because they are prohibited by the APA); pp. 19-21, *infra*.

The statute also provides extensive procedural rights. APJs are entitled to 30 days' notice, an opportunity to respond orally and in writing, a right to submit affidavits and other evidence, a right to counsel, and an appeal to the Merit Systems Protection Board. 5 U.S.C. § 7513(b)-(d). Those procedures significantly constrain removal.

The notion that *civil service protections* are a minimal barrier that permits easy removal is contrary to common experience. See, *e.g.*, *The People Problem*, Gov't Exec., Jan. 21, 2015, https://bit.ly/3fJT1XB ("A whopping 78 percent of federal employees say the process for letting someone go is so cumbersome it discourages firing bad apples."); S. Rep. No. 95-969, at 43 (1978) (agencies found it "very difficult" to meet the efficiency-of-the-service standard). Those removal restrictions are a significant limitation on supervision and control.[3]

b. The government claims that the Director can remove APJs from judicial service at will by refusing to designate them to any panels. That authority is no substitute for genuine at-will removal power.

The Director's designation authority is not truly at-will. Section 7513(a)'s for-cause standard governs not just actual removals, but constructive removals too. See *Shoaf* v. *Dep't of Agric.*, 260 F.3d 1336, 1341 (Fed. Cir. 2001). Permanently relieving an officer of his duties can

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[3] Smith & Nephew notes that a few APJs are in the Senior Executive Service. S&N Pet. 3-4. But only 7 out of about 260 fall into that category—less than 3%. See 83 Fed. Reg. 29,312, 29,324 (June 22, 2018); Gov't C.A. Reh'g Pet. 4. And the removal standard applicable to those few APJs is no less restrictive in any relevant respect. See 5 U.S.C. § 7543(a) ("misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in a transfer of function").

form the basis for a constructive termination claim. See *id.* at 1339-1340, 1343 (remanding for new hearing where employee claimed, among other things, that "the agency provided him with absolutely no viable or meaningful assignments" and "deliberately 'idled' him in an effort to persuade him to resign").

Even if the Director did have at-will authority over assignments, that would still be a poor substitute for removal from office. Removal power matters because "the *in terrorem* effect of possible at-will termination" gives the superior "leverage to induce the subordinate to do the superior's will." Gov't Pet. 24; see also *Bowsher* v. *Synar*, 478 U.S. 714, 726 (1986) ("Once an officer is appointed, it is only the authority that can remove him * * * that he must fear and, in the performance of his functions, obey."). The threat of not being assigned any work does not have anything near the same potency as the threat of losing one's job. Some less-than-diligent officers may even welcome what amounts to a permanent paid vacation. Designation authority thus is no substitute for actual removal power. Cf. *Free Enter. Fund*, 561 U.S. at 504 ("Broad power over Board functions is not equivalent to the power to remove Board members.").

3. *The Director's Other Supervisory Powers Do Not Make Up for the Absence of Review and the Restrictions on Removal*

Confronted with the absence of review and the sharp limits on removal, the government and Smith & Nephew concoct a variety of schemes by which the Director could supposedly use other powers to direct the outcomes of specific cases. The government asserts that the Director could promulgate rules or policy guidance instructing APJs how to decide particular fact patterns—including fact patterns that match specific cases. Gov't Pet. 20. It

claims that the Director could remove APJs from panels to achieve desired outcomes. *Ibid.* It asserts that the Director could vacate an institution decision to terminate a proceeding where he anticipates an undesirable outcome. *Id.* at 21. Smith & Nephew contends that the Director could even require panels to circulate draft opinions and then de-institute review if he dislikes the proposed result. S&N Pet. 19-20.

All of those contrived schemes defy Congress's clear statutory design. Congress directed *the Board*, not the Director, to decide cases, and only *the Board* can rehear decisions. See 35 U.S.C. §§ 6, 316, 318; *Facebook, Inc.* v. *Windy City Innovations, LLC*, 953 F.3d 1313, 1341 (Fed. Cir. 2020) (additional views) (explaining statute's "bilateral structure" that assigns rulemaking to the Director and adjudication to the Board). The Director thus cannot use his general rulemaking authority or other powers to usurp the Board's role in deciding specific cases—whether by promulgating case-specific policy guidance, manipulating panel composition, or selectively de-instituting review. See *RadLAX Gateway Hotel, LLC* v. *Amalgamated Bank*, 566 U.S. 639, 645-646 (2012) (noting the "old and familiar rule" that "the specific governs the general"); *United States* v. *Giordano*, 416 U.S. 505, 512-514 (1974) (holding that Attorney General could not rely on general authority where more specific provision addressed power at issue).

This Court rejected essentially the same argument in *Free Enterprise Fund*. The statute in that case did not grant the SEC any express authority to control PCAOB investigations. 561 U.S. at 504. But the government proposed that the SEC could promulgate a rule requiring the PCAOB to obtain SEC approval for specific investigatory steps. *Id.* at 505. The Court disagreed. Construing the SEC's general rulemaking authority to per-

mit control over discrete investigations, it explained, would conflict with the statute's more specific provisions. *Ibid.* The same reasoning applies here.

Other constraints preclude those schemes too. The Due Process Clause and Administrative Procedure Act prohibit agencies from manipulating adjudications to achieve desired outcomes. See *Utica Packing Co.* v. *Block*, 781 F.2d 71, 77-78 (6th Cir. 1986) (finding due process violation where Secretary of Agriculture replaced hearing officer to change outcome); *Butz* v. *Economou*, 438 U.S. 478, 514 (1978) (discussing APA limitations); cf. *In re Alappat*, 33 F.3d 1526, 1536 (Fed. Cir. 1994) (en banc) (reserving judgment on whether "panel stacking" violates due process and APA). The Court cannot construe the Director's oversight authority broadly to avoid an Appointments Clause problem at the expense of those other constitutional and statutory protections.[4]

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[4] The government and Smith & Nephew exaggerate the Director's authority in other respects too. While the Director can promulgate rules governing how inter partes reviews are conducted, 35 U.S.C. § 316(a), he has no general rulemaking authority over substantive patentability standards, see *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008). The Director's authority to issue "policy guidance" does not encompass *binding* rules at all. See *Clarian Health W., LLC* v. *Hargan*, 878 F.3d 346, 357-358 (D.C. Cir. 2017). The Federal Circuit doubted whether the Director can de-designate previously assigned panel members. Pet. App. 16a-17a n.3. Finally, the Director cannot *compel* a decision by de-instituting review. At most, he can prevent a decision from issuing—and even then, he cannot subvert the statutory procedures for deciding or rehearing specific cases. See *Tokyo Kikai Seisakusho, Ltd.* v. *United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008).

C. The Court Should Not Defer to the Political Branches' Classification of APJs

Smith & Nephew argues that the Court should defer to Congress's and the Executive's classification of APJs as inferior officers. S&N Pet. 24-27. There is no basis for deference on that issue.

This Court generally has not deferred to the political branches over such questions. In *Freytag*, for example, the Court refused to "defer to the Executive Branch's decision" on whether special trial judges were officers or employees. 501 U.S. at 879. "The structural interests protected by the Appointments Clause," it explained, "are not those of any one branch of Government but of the entire Republic." *Id.* at 880. "Neither Congress nor the Executive can agree to waive this structural protection." *Ibid.*; see also *New York* v. *United States*, 505 U.S. 144, 182 (1992); *NLRB* v. *Noel Canning*, 573 U.S. 513, 571-572 (2014) (Scalia, J., concurring in judgment). That the political branches might find it expedient to forgo or distort the Appointments Clause's requirements is not a reason to disregard them.[5]

In any case, Congress's current method for appointing APJs is neither "longstanding" nor "considered." S&N Pet. 26. For 114 years, examiners-in-chief were appointed in the traditional manner for principal officers—by the President with the advice and consent of the Senate. Act of Mar. 2, 1861, ch. 88, §2, 12 Stat. 246, 246. Congress changed course only relatively recently, in 1975. Pub. L.

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[5] The Nineteenth Century cases Smith & Nephew cites (S&N Pet. 26) did not involve constitutional challenges, but other disputes such as criminal prosecutions under statutes that applied only to "officers." The Court's willingness to rely on Congress's classifications in those contexts is not pertinent here.

No. 93-601, § 1, 88 Stat. 1956, 1956 (1975). Even then, it vacillated, vesting appointment authority in the Director for nine years—an arrangement the government has never tried to defend. See Pub. L. No. 106-113, app. I, § 4717, 113 Stat. 1501A-521, 1501A-580 to -581 (1999); Pet. in No. 19-1458, at 4. If anything, that history suggests congressional inattention to constitutional requirements, not considered judgment.

II. Arthrex Timely Raised Its Appointments Clause Challenge

The government argues that the court of appeals should not have considered Arthrex's constitutional challenge because Arthrex raised it too late. Gov't Pet. 28-33. Smith & Nephew adds that, even if the court could consider the claim, Arthrex's failure to raise it sooner precluded a remand for a new hearing under *Lucia*, 138 S. Ct. at 2055. S&N Pet. 32-33. Neither argument is correct. The court of appeals properly held that Arthrex timely raised its challenge in the first forum able to adjudicate it. And the court had discretion to reach the claim regardless.

A. Raising the Challenge in the Patent Office Would Have Been Futile

Arthrex timely raised its Appointments Clause claim for the first time in the court of appeals because the Patent Office had no authority to resolve it.

1. The government identifies no statutory requirement that a party raise an Appointments Clause claim in the Patent Office before pursuing it in the court of appeals. Absent such a requirement, judicial exhaustion standards apply. See *McCarthy* v. *Madigan*, 503 U.S. 140, 144 (1992). Those standards are "intensely practical" and balance a party's interest in access to a judicial

forum against any "countervailing institutional interests favoring exhaustion." *Id.* at 146. Applying those standards, this Court has made clear that a party need not exhaust a claim if the agency "lacks institutional competence to resolve the particular type of issue presented." *Id.* at 147-148; see also *Shalala* v. *Ill. Council on Long Term Care, Inc.*, 529 U.S. 1, 13 (2000).

That futility exception applies here. This Court has long recognized that "[a]djudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies." *Thunder Basin Coal Co.* v. *Reich*, 510 U.S. 200, 215 (1994); see also *Elgin* v. *Dep't of Treasury*, 567 U.S. 1, 17 (2012) (noting the "oft-stated principle that agencies cannot declare a statute unconstitutional"); *Free Enter. Fund*, 561 U.S. at 491; *Weinberger* v. *Salfi*, 422 U.S. 749, 765-766 (1975); *Johnson* v. *Robison*, 415 U.S. 361, 368 (1974). "An administrative agency may not invalidate the statute from which it derives its existence and that it is charged with implementing." *Jones Bros., Inc.* v. *Sec'y of Labor*, 898 F.3d 669, 673 (6th Cir. 2018) (Sutton, J.).

Arthrex's challenge is precisely such a claim. Arthrex is not challenging the constitutionality of the agency's *own* actions under the statute. See *Cont'l Air Lines, Inc.* v. *Dep't of Transp.*, 843 F.2d 1444, 1455 (D.C. Cir. 1988). It claims that the *statutory* method for appointing APJs is *itself* unconstitutional. The agency lacked authority to adjudicate that claim.

Consistent with that rule, the Board has repeatedly refused to consider this same Appointments Clause challenge. In *HTC Corp.* v. *Uniloc 2017 LLC*, No. IPR2018-01631, 2019 WL 343813 (P.T.A.B. Jan. 25, 2019), for example, the Board "decline[d] to address the merits" of the claim because "administrative agencies do not have

jurisdiction to decide the constitutionality of congressional enactments." *Id.* at *1. Similar cases abound.[6]

The court of appeals thus correctly held that Arthrex did not forfeit its challenge and was entitled to the full remedy *Lucia* provides. "[T]he Board," it explained, "could not have corrected the problem." Pet. App. 5a. Because "the Board was not capable of providing any meaningful relief to this type of Constitutional challenge," it would have been "futile for Arthrex to have made the challenge there." *Id.* at 30a.

The government asserts that the court departed from its prior decision in *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), cert. denied, 558 U.S. 816 (2009). It does not explain why that alleged intra-circuit conflict would warrant review. See *Joseph* v. *United States*, 135 S. Ct. 705, 707 (2014) (Kagan, J., respecting denial of certiorari) ("[W]e usually allow the courts of appeals to clean up intra-circuit divisions on their own * * * .").

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[6] See *Miami Int'l Holdings, Inc.* v. *Nasdaq, Inc.*, No. CBM2018-00030, 2019 WL 4896642, at *19-20 (P.T.A.B. Oct. 3, 2019); *Quest USA Corp.* v. *PopSockets, LLC*, No. IPR2018-00497, 2019 WL 3799344, at *36 (P.T.A.B. Aug. 12, 2019); *Unified Patents Inc.* v. *Fall Line Patents, LLC*, No. IPR2019-00610, 2019 WL 3729476, at *3 (P.T.A.B. Aug. 7, 2019); *Apple Inc.* v. *Uniloc Lux. S.A.*, No. IPR2018-00456, 2019 WL 3470767, at *21 (P.T.A.B. July 31, 2019); *ZTE (USA) Inc.* v. *Fundamental Innovation Sys. Int'l LLC*, No. IPR2018-00425, 2019 WL 2866003, at *12 (P.T.A.B. July 2, 2019); *Unified Patents Inc.* v. *MOAEC Techs., LLC*, No. IPR2018-01758, 2019 WL 1752807, at *9 (P.T.A.B. Apr. 17, 2019); *Samsung Elecs. Am., Inc.* v. *Uniloc Lux., S.A.*, No. IPR2018-01664, 2019 WL 1097250, at *2 (P.T.A.B. Mar. 8, 2019); *Intel Corp.* v. *VLSI Tech. LLC*, No. IPR2018-01661, 2019 WL 994657, at *10 (P.T.A.B. Mar. 1, 2019). But see *St. Jude Med., LLC* v. *Snyders Heart Valve LLC*, No. IPR2018-00109, 2019 WL 1978348, at *9 (P.T.A.B. May 2, 2019) (summarily rejecting claim).

Regardless, no conflict exists. At the time of *DBC*, some APJs were appointed by the Director and some by the Secretary. 545 F.3d at 1377-1379. The patent owner complained that two of the APJs who heard its case were appointed by the Director. *Id.* at 1377-1378. The court deemed the claim forfeited because, "[i]f DBC had timely raised this issue before the Board," the Board could have "provid[ed] DBC with a panel of administrative patent judges appointed by the Secretary." *Id.* at 1379. There is no suggestion in the opinion that the patent owner disputed the Board's authority to provide that relief.

By contrast, the Patent Office could not have provided any comparable remedy here. The Director is the only Board member appointed by the President and confirmed by the Senate. 35 U.S.C. §§ 3(a)-(b), 6(a). And all cases must be heard by at least three judges. *Id.* § 6(c). No possible panel configuration would have obviated Arthrex's claim.

2. The government does not dispute that the *Board* lacked authority to adjudicate Arthrex's challenge. But it insists that, if Arthrex had raised its claim before the agency, the *Director* could have granted relief by declining to institute the inter partes review. Gov't Pet. 32. That argument fails for multiple reasons.

As an initial matter, the government did not timely raise this theory below. In its briefs, the government argued only that Arthrex should have pressed its constitutional claim before the agency *even though* the agency could not address it. See Gov't C.A. Br. 23-24 ("Even where an agency 'lacks authority' to address [a claim] * * * [the] challenge may involve 'many threshold questions * * * to which the [agency] can apply its expertise.'"); Gov't C.A. Supp. Br. 11-16 (not raising theory). The court of appeals addressed the government's new

theory even though the government mentioned it for the first time at oral argument. Pet. App. 31a; C.A. Arg. Audio 27:42-27:57, 28:25-28:52. The government cannot reasonably fault the court for addressing Arthrex's claim on the merits where the court excused the government's *own* untimeliness. See *Auer* v. *Robbins*, 519 U.S. 452, 464 (1997) (refusing to consider argument "inadequately preserved in the prior proceedings").[7]

In any case, the argument lacks merit. The longstanding presumption that agencies may not adjudicate constitutional challenges to their own enabling statutes applies to the Director no less than the Board. The Board cannot adjudicate such claims in its final written decisions, and the Director cannot adjudicate such claims in his institution decisions for the same reason. In both cases, the agency lacks authority to decide the issue.

To be sure, the rule that an agency may not adjudicate the constitutionality of a statute is "not mandatory." *Thunder Basin*, 510 U.S. at 215. But there is no indication that Congress departed from that presumption here. Nothing in the statute suggests that Congress intended the Director to decide constitutional challenges to federal laws. Quite the opposite: Congress made the Director's institution decisions "final and nonappealable." 35 U.S.C. §314(d). Congress surely would not have authorized the

[7] Smith & Nephew argued that the Director could have *deferred deciding* whether to institute review while championing legislation to fix the problem. S&N C.A. Supp. Br. 13. That is a different argument. Merely *deferring* review would not have given Arthrex the relief it sought.

Director to decide the constitutionality of federal statutes while immunizing his decisions from judicial review.[8]

The Director's authority to decline review may be broad, but it is not "unfettered." Gov't Pet. 32. While the provision governing institution does not itself restrict his authority, 35 U.S.C. §314(a), external constraints apply. The Director, for example, cannot decline review for racially discriminatory reasons or because he disagrees with the Patent Act's substantive standards for patentability. This Court and the Federal Circuit have discussed whether institution decisions that stray beyond statutory limits are reviewable. See, *e.g.*, *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2141 (2016) (appeal from final decision); *In re Power Integrations, Inc.*, 899 F.3d 1316, 1321 (Fed. Cir. 2018) (mandamus). Those discussions obviously presume those limits *exist*. The prohibition against agencies declaring their enabling statutes unconstitutional is one of those external constraints on the Director's authority.

3. The government argues that, even if the Patent Office lacked authority to resolve the challenge, Arthrex still should have raised its claim because the agency might have said something about "antecedent issues" that would facilitate review. Gov't Pet. 32-33. That argument has no support in precedent.

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[8] This Court has reserved judgment on whether Section 314(d) in fact precludes review of constitutional claims. See *Thryv, Inc.* v. *Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020); *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2141-2142 (2016). But the mere fact that the statutory text does not exempt such claims indicates that Congress did not contemplate that the Director would decide the constitutionality of federal laws.

The government cites *Elgin* v. *Department of Treasury*, 567 U.S. 1 (2012). But the plaintiff in that case bypassed the statutory review scheme entirely by suing the agency in district court. *Id.* at 7-8. This Court rejected the plaintiff's futility argument on the ground that, even if the agency could not consider a constitutional claim, the review scheme permitted the plaintiff to raise the claim in the court of appeals. *Id.* at 10. The Court mentioned agency expertise only as a reason why the plaintiff should have pursued his claim through a review scheme that included an appellate forum capable of considering it—not a reason why a plaintiff must exhaust a claim before a forum that *cannot* consider it. *Id.* at 22-23. Arthrex did precisely what *Elgin* permits: It raised its constitutional claim in the court of appeals.

This Court rejected the same argument in *Free Enterprise Fund*. The government argued in that case that the petitioners should have pursued their separation-of-powers and Appointments Clause claims through the statutory review scheme so the SEC could elaborate on its oversight powers. Gov't Br. in No. 08-861, at 19-20 (Oct. 13, 2009). This Court disagreed, deeming the issues "standard questions of administrative law, which the courts are at no disadvantage in answering." *Free Enter. Fund*, 561 U.S. at 491. The same response applies here.

Finally, whatever its theoretical underpinnings, the government's argument has no grounding in reality. Numerous patent owners have raised Appointments Clause challenges before the Patent Office, but the agency has never once responded by expounding upon the Director's alleged oversight powers in a way that might facilitate review. Instead, the Board has summarily declined to address the claims as beyond its competence. See pp. 24-25 & n.6, *supra*. That is no surprise. APJs, like most

administrative judges, have better things to do than wax poetic about statutory issues relevant only to arguments they have no authority to address. The absence of such ruminations has not impaired the government's ability to press its arguments in the Federal Circuit or in this Court in the slightest.

B. The Court of Appeals Did Not Abuse Its Discretion in Reaching the Challenge

Even if Arthrex's constitutional challenge were untimely, the court of appeals had undoubted discretion to address it. The court did not abuse that discretion here.

1. This Court has repeatedly recognized that courts have discretion to address arguments not raised below—particularly structural constitutional claims. In *Freytag* v. *Commissioner*, 501 U.S. 868 (1991), for example, the petitioners challenged the appointment of the Tax Court special trial judge who presided over their case. They not only failed to raise that challenge before the Tax Court, but *affirmatively consented* to the assignment. *Id.* at 871, 878. This Court nonetheless "exercise[d] [its] discretion to hear petitioners' challenge." *Id.* at 879. "[T]he strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers," it reasoned, outweighed any "disruption to sound appellate process." *Ibid.*

That decision was no anomaly. In *Glidden Co.* v. *Zdanok*, 370 U.S. 530 (1962), the Court addressed a challenge to the authority of certain judges raised for the first time on appeal. *Id.* at 535-537 (plurality). And in *Nguyen* v. *United States*, 539 U.S. 69 (2003), the Court addressed a challenge to the participation of a territorial judge on an Article III panel that was raised for the first time in a petition for certiorari. *Id.* at 73-74, 77-81.

This case falls squarely within that line of authority. "Like *Freytag*, this case implicates the important structural interests and separation of powers concerns protected by the Appointments Clause." Pet. App. 4a-5a. And "[t]imely resolution is critical to providing certainty to rights holders and competitors alike." *Id.* at 5a. Even Smith & Nephew agrees that the constitutional question is an "issue of exceptional importance." S&N Pet. 14. The court of appeals thus unquestionably had discretion to decide the claim.

During oral argument in the Federal Circuit, the panel asked *both* Smith & Nephew and the government whether it had discretion to reach the constitutional claim. Both responded that it did. See C.A. Arg. Audio 20:01-20:10 (Court: "So, just to be clear, so we have the authority to choose as a matter of discretion whether to find the issue waived or not?" Smith & Nephew: "Absolutely, your honor."); *id.* at 23:07-23:10 (Court: "Do you agree that we have the discretion to address those issues?" Government: "Absolutely, your honor."). There is no ambiguity in those responses. Smith & Nephew and the government are asking this Court to review a discretionary decision they *expressly told* the court of appeals it had discretion to make. This Court could properly find a waiver of any timeliness objection in those circumstances. See *Wood* v. *Milyard*, 566 U.S. 463, 474 (2012) (faulting court of appeals for addressing argument where party "deliberately steered the [court] away from the question" below).

Even ignoring those concessions, neither Smith & Nephew nor the government shows any abuse of discretion. The government points to no factor that justified review in *Freytag* that is not also present here. Gov't Pet. 31. If anything, Arthrex has a much stronger case. In *Freytag*, the petitioners affirmatively consented to the

officer's authority. 501 U.S. at 871. At worst, Arthrex merely delayed objecting until it was before a forum capable of addressing the issue. In *Freytag*, the Tax Court clearly could have avoided the issue, if raised there, simply by not assigning the case to a special trial judge. *Id.* at 870-871. Here, the government's concocted theory for how the Director could grant relief is at best disputed. Finally, in *Freytag*, this Court exercised its discretion to reach the issue even though the court of appeals had deemed it waived. *Id.* at 872. Here, the court of appeals reached the issue, and this Court confronts only the narrower question whether *that* court abused *its* discretion. *Freytag* is an insurmountable obstacle to the government's position.

2. The government's warnings of "significant practical implications" are overblown. Gov't Pet. 26. By the government's own count, the court of appeals' decision has resulted in only about 100 remands. Gov't Pet. 27. There are about 260 APJs. Gov't C.A. Reh'g Pet. 4. That works out to only one or two cases per three-judge panel—hardly a crushing burden.

Smith & Nephew urges that the Federal Circuit has extended its decision to ex parte and inter partes reexaminations. S&N Pet. 29. But the annual volume of reexaminations is much smaller than the volume of inter partes reviews (less than 20% in recent years). See U.S. Patent & Trademark Office, *Reexamination Operational Statistics* (Dec. 2019), https://bit.ly/3iNeMbc; Patent Trial & Appeal Board, *Trial Statistics* 5 (June 2020). While a Federal Circuit panel has now extended *Arthrex* to ex parte appeals, the government has urged grounds for distinguishing those cases. See *In re Boloro Glob. Ltd.*, No. 19-2349, 2020 WL 3781201, at *1 (Fed. Cir. July 7, 2020). Finally, the Federal Circuit has denied relief

where the party raising the challenge instituted the proceeding. See *Ciena Corp.* v. *Oyster Optics, LLC*, 958 F.3d 1157, 1161 (Fed. Cir. 2020). That limitation further narrows the decision's impact.

* * * * *

Notwithstanding Smith & Nephew's and the government's failure to identify any error, Arthrex does not oppose review of the timeliness issue in the event the Court considers it appropriate. At times, there is value in having all of the parties' issues before the Court, even where some of them are dubious and easily dispensed with. Arthrex's case is the one in which the court of appeals actually decided the issues. But if the Court grants review of the timeliness question, granting review in both this case and *Polaris* would ensure the Court can reach all relevant issues.

CONCLUSION

The Court should grant the petitions with respect to the constitutional question, along with Arthrex's petition on the remedial questions in No. 19-1458. With respect to the timeliness question, if the Court considers the issue worthy of review, it should grant review in this case and *Polaris Innovations Ltd.* v. *Kingston Technology Co.*, 792 F. App'x 820 (Fed. Cir. 2020).

Respectfully submitted.

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