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Federal Circuit Order in Appeal Nos. 15-1424, -1433
(5/18/20)

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

LAKSHMI ARUNACHALAM,
Appellant

v.

SAP AMERICA, INC.,
Appellee

2015-1424, 2015-1433

Appeals from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in Nos.
IPR2013-00194, IPR2013-00195.

**ON PETITION FOR PANEL REHEARING AND
REHEARING EN BANC**

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
MOORE, REYNA, WALLACH, TARANTO, CHEN, and HUGHES,
*Circuit Judges.**

PER CURIAM.

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O R D E R

Appellant Lakshmi Arunachalam filed a combined petition for panel rehearing and rehearing en banc (titled as Motion to Reconsider Dismissal of Appeal and to Reinstate Appeal and Combined Petition for Panel Hearing, Rehearing, and Petition for En Banc Rehearing). The petition was referred to the panel that issued the order and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

- (1) The petition for panel rehearing is denied.
- (2) The petition for rehearing en banc is denied.

FOR THE COURT

December 28, 2016
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

* Circuit Judge O'MALLEY and Circuit Judge STOLL did not participate.

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

LAKSHMI ARUNACHALAM,
Appellant

v.

SAP AMERICA, INC.,
Appellee

2015-1424, -1433

Appeals from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in Nos.
IPR2013-00194 and IPR2013-00195.

LAKSHMI ARUNACHALAM,
Appellant

v.

SAP AMERICA, INC.,
Appellee

2015-1429, -1869

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Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. CBM2013-00013 and CBM2014-00018.

ON MOTION

PER CURIAM.

ORDER

These appeals are from final written decisions of the Patent Trial and Appeal Board finding various claims of U.S. Patent Nos. 5,987,500 (“the ’500 patent”), 8,037,158 (“the ’158 patent”), and 8,108,492 (“the ’492 patent”) invalid. SAP America, Inc.’s motions concern whether Lakshmi Arunachalam is barred from pursuing these appeals based on rulings entered against Dr. Arunachalam’s company, Pi-Net International Inc., in an earlier case that found various claims of these patents invalid. Dr. Arunachalam moves to disqualify SAP’s counsel. SAP opposes. Dr. Arunachalam replies, and SAP moves for leave to file a sur-reply in response to the reply.

I.

Dr. Arunachalam is the owner of Pi-Net and named inventor of the ’158, ’492, and ’500 patents, which share a specification and relate to methods and apparatuses for providing “real-time, two-way transactional capabilities on the Web.” When the applications were filed, a Web user could largely perform only one-way, browse-only interactions. The prior art Common Gateway Interface (CGI) taught a standard interface for running external programs on a Web server that enabled the creation of documents dynamically when the server received a request from the Web browser. However, according to the specification, CGI only allowed for severely limited two-

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way interactions because each CGI application had to be customized for a particular type of application.

The patents purported to address this problem by proposing a “configurable value-added network [(VAN)] switch for enabling real-time transactions on the World Wide Web,” comprising “means for switching to a transactional application in response to a user specification from a World Wide Web application, means for transmitting a transaction request from the transactional application, and means for processing the transaction request.” Another aspect of the inventions was a routing method whereby information entries and attributes are stored and associated with an object identity assigned a unique network address.

In March 2012, Pi-Net, through counsel, filed suit against JPMorgan Chase & Co., alleging that JPMorgan’s various online banking services infringed claim 4 of the ’158 patent, claims 1–8 and 10–11 of the ’492 patent and claims 1–6, 10–12, 14–16, and 35 of the ’500 patent. After considering arguments and expert witness testimony from both parties, the district court granted summary judgment for JPMorgan. The court found, in relevant part, that the specification “does not actually define, in language that would allow a person of ordinary skill in the art to make and use the invention, what a ‘VAN switch’ is and how it accomplishes ‘object routing’ or real-time transactions.” *JPMorgan*, 42 F. Supp. 3d 579, 592 (D. Del. 2014). In doing so, the district court credited the testimony of the defendant’s expert witness who opined that “a person of skill in the art would essentially had to have developed her own protocol to implement and operate the claimed VAN Switch’ as the specification provides no description or guidance.” *Id.* at 592–93.

The court further found that the specification failed to teach a person of ordinary skill in the art “how to make or use point-of-service applications and transactional appli-

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cations . . . or back-end transactional applications,” noting the “specification offers no explanation or information on any software programs.” *Id.* at 593. In light of the specification’s failure to enable a person of ordinary skill in the art to make or use the inventions without undue experimentation, the court granted summary judgment of invalidity for lack of enablement. Pi-Net appealed, but that appeal was subsequently dismissed for failure to prosecute after being unable to file a brief that complied with this court’s word-limit requirements. *Pi-Net Int’l, Inc. v. JPMorgan Chase & Co.*, 600 F. App’x 774 (Fed. Cir. 2015). Pi-Net filed a petition for rehearing at this court, a petition for a writ of certiorari at the Supreme Court of the United States, and a petition for rehearing at the Supreme Court, all of which were denied.

Meanwhile, SAP challenged the validity of the patents in review proceedings before the Board. In September 2014 and March 2015 decisions resulting from separate covered business method review proceedings, the Board concluded that independent claims 1–6 and 9–11 of the ’158 patent were also invalid for multiple reasons. And in two additional September 2014 decisions resulting from *inter partes* review proceedings, the Board concluded that claims 1–8 and 10–12 of the ’492 patent and claims 1–6, 10–12, 14–17, and 35 of the ’500 patent were invalid. Dr. Arunachalam appealed, and this court stayed proceedings pending final disposition of *JPMorgan*.

II.

A.

SAP’s motions raise the issue of whether *JPMorgan* bars Dr. Arunachalam from relitigating the validity of the patent claims at issue here despite not all of the claims being involved in that litigation. We hold that it does.

“[W]here a patent has been declared invalid in a proceeding in which the ‘patentee has had a full and fair

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chance to litigate the validity of his patent,' the patentee is collaterally estopped from relitigating the validity of the patent." *Miss. Chem. Corp. v. Swift Agric. Chems. Corp.*, 717 F.2d 1374, 1376 (Fed. Cir. 1983) (quoting *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971)). We have explained that collateral estoppel is not limited "to patent claims that are identical. Rather, it is the identity of the *issues* that were litigated that determines whether collateral estoppel should apply." *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013).

Collateral estoppel here properly rests upon 35 U.S.C. § 112, which requires "one skilled in the art, having read the specification, [to be able to] practice the invention without 'undue experimentation.'" *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 665 F.3d 1269, 1288 (Fed. Cir. 2012) (internal citation omitted). Claim 4 of the '158 patent, claims 1–8 and 10–11 of the '492 patent, and claims 1–6, 10–12, 14–16, and claim 35 of the '500 patent were found invalid in *JP Morgan*. Claims 1, 2, 3, 5, 6, and 9–11 of the '158 patent, claim 12 of the '492 patent, and claim 17 of the '500 patent were not asserted in *JPMorgan*. But each of those claims suffers from at least one of the same fatal lack-of-enablement flaws: the district court in *JPMorgan* found that nothing in the intrinsic evidence of the '158 patent teaches how to make or use the "point-of service application" limitation also recited in claims 1–3, 5, 6, and 9–11; and the remaining '492 and '500 patent claims also recite the VAN switch limitation.

Moreover, it is clear from *JPMorgan* that the issue of whether the patent enables one of ordinary skill in the art to practice the contemplated transactions was determined after Dr. Arunachalam's company, represented by counsel, had a full and fair opportunity to present argument, evidence and expert testimony. Dr. Arunachalam notes that this court "dismissed the appeal without a hearing or an opening brief[.]" But what matters is that she was

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given the opportunity to appeal the decision. Compare *Frandsen v. Westinghouse Corp.*, 46 F.3d 975, 977 (10th Cir. 1995) (applying collateral estoppel when appeal dismissed prior to decision on the merits); *Martinez v. Hooker*, 601 F. App'x 644, 649 (10th Cir. 2015) (applying collateral estoppel when parties settled while case was on appeal); *In re Thomas*, No. 98-6041, 1999 WL 777313 (6th Cir. 1999) (applying collateral estoppel when no appeal in prior case was taken); with *Bell v. Dillard Dep't Stores, Inc.*, 85 F.3d 1451, 1456 (10th Cir. 1996) (collecting cases that hold collateral estoppel does not apply when a party was prevented from appealing ruling in prior litigation).

The *JPMorgan* appeal was dismissed after Dr. Arunachalam failed for over nine months to file an opening brief that complied with this court's rules. See *Pi-Net Int'l, Inc. v. JPMorgan Chase & Co.*, 600 F. App'x 774. Dr. Arunachalam contends that health issues prevented filing a compliant brief. However, her company was represented by counsel for significant periods of that time, including at the time the appeal was dismissed. Dr. Arunachalam also argues that this court denied "her constitutional right to file a brief." However, the Supreme Court has long sanctioned the sua sponte dismissal of a case for lack of prosecution. See *Link v. Wabash R.R. Co.*, 370 U.S. 626, 630-31 (1962) (footnote and citation omitted).

Dr. Arunachalam argues that collateral estoppel should not be applied because the "PTAB and District Court are subject to different standards for claim construction." But precedent negates this argument. See *In re Freeman*, 30 F.3d 1459, 1468-69 (Fed. Cir. 1994) (holding a patentee in a proceeding before the United States Patent and Trademark Office was barred by issue preclusion from asserting a claim construction already rejected in a district court infringement action brought by the patentee against a third party; see also *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015)

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("[W]here a single issue is before a court and an administrative agency, preclusion also often applies").

Dr. Arunachalam raises other arguments such as the district court judge in *JPMorgan* was biased and should have recused based on the ownership of a mutual fund. These arguments have been considered and rejected by this court. See, e.g., *Pi-Net Int'l, Inc. v. JPMorgan Chase & Co.*, No. 2014-1495 (Fed. Cir. June 3, 2015); *In re Arunachalam*, No. 2016-110 (Fed. Cir. Mar. 11, 2016); see also 28 U.S.C. § 455(d)(4)(i) ("Ownership in a mutual or common investment fund that holds securities is not a 'financial interest' in such securities unless the judge participates in the management of the fund.").

In sum, because "the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity" here, "collateral estoppel applies." *Ohio Willow*, 735 F.3d at 1342. Accordingly, the final decision in *JPMorgan* bars any effort by appellant here to relitigate the issue of whether the patent claims are invalid. And, because granting Dr. Arunachalam the relief requested would make no difference because the patents would remain invalid, her appeals are moot. We therefore dismiss the appeals, without disturbing the Board's decisions. See *Nasatka v. Delta Sci. Corp.*, 58 F.3d 1578, 1580 (Fed. Cir. 1995) (quoting *Air Line Pilots Ass'n Int'l v. UAL Corp.*, 897 F.2d 1394, 1396 (7th Cir. 1990)) (dismissing an appeal as moot where granting the relief requested would "make no difference" to the legal interests of the parties).

B.

Dr. Arunachalam separately moves to disqualify the Sterne Kessler law firm, which represents SAP in these proceedings. A member of Dr. Arunachalam's team contacted a member of the Sterne Kessler law firm in March 2009 for possible representation in matters before the United States Patent and Trademark Office involving

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different patents. The law firm did not represent Dr. Arunachalam's company in those proceedings. She submits, however, that during those meetings, she "gave a presentation that included claim charts" and had "extensive discussions on potential infringers, infringement scenarios, claim limitations, [and] claim charts," and gave her analysis of prior art references.

Dr. Arunachalam states that she "put Rob Sterne on notice on March 12, 2013 that his firm is disqualified from representing any party adverse to me and my companies and cannot represent SAP. He refused and to my second request to disqualify, he did not respond." It appears that, despite her contentions, neither Dr. Arunachalam nor her legal counsel in these proceedings moved for the Board to disqualify the Sterne Kessler law firm. See 37 C.F.R. § 41.5(d) (noting that a party may request the Board disqualify counsel after notice and opportunity for a hearing). The law firm provides evidence indicating that as of March 12, 2013, before the filing date of these actions, the attorneys involved in those previous discussions with Dr. Arunachalam were placed behind an ethical wall.

The attorneys appearing for SAP in this case were not involved in those preliminary discussions. Nor is it alleged they received any confidential information. The law firm refutes that any confidential information was exchanged and also submits evidence of screening procedures being employed. We have been offered no reason to think that any information Dr. Arunachalam provided would actually have been relevant and useful to the issues in this case. Further, she knowingly allowed the law firm to continue to represent SAP in this litigation for more than three years before moving to disqualify. See *Atasi Corp. v. Seagate Tech.*, 847 F.2d 826, 832 (Fed. Cir. 1988) (acknowledging application of waiver to disqualification arguments); *Trust Corp. of Mont. v. Piper Aircraft Corp.*, 701 F.2d 85, 87 (9th Cir. 1983) ("It is well settled

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that a former client who is entitled to object to an attorney representing an opposing party on the ground of conflict of interest but who knowingly refrains from asserting it promptly is deemed to have waived that right.”)* Under such circumstances, we reject imposing imputed disqualification.

Dr. Arunachalam also argues the law firm is “conflict[ed] out” because a former member of SAP’s counsel, now withdrawn, was a law clerk to a judge of this court. But it is undisputed that the attorney’s clerkship at this court ended well before this case and the *JPMorgan* case were docketed. Therefore, the former law clerk’s participation in this case was not a violation of this court’s rules against former employees working on cases pending during employment. See Fed. Cir. R. 50 (“No former employee of the court may participate or assist, by representation, consultation, or otherwise, in any case that was pending in the court during the period of employment.”).

Dr. Arunachalam raises two additional arguments in support of her motion: that Dr. Arunachalam has named one of SAP’s counsel as a witness in a recent suit Dr. Arunachalam filed in the United States District Court for the District of Delaware and that during a deposition Dr. Arunachalam raised various allegations against the same counsel, including that she had “defraud[ed] the USPTO/PTAB with false technical information[.]” The court has considered these arguments for disqualification and finds them without any merit.

* Although Dr. Arunachalam currently is proceeding pro se, she was represented at least initially in the underlying proceedings and has prosecuted a number of cases in which she has demonstrated a propensity for engaging in pro se motions practice, including filing motions for disqualification.

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Accordingly,

IT IS ORDERED THAT:

- (1) The stays of proceedings are lifted.
- (2) The motions to dismiss the appeals are granted.
The appeals are dismissed.
- (3) The motion for disqualification is denied.
- (4) The motion to file a sur-reply is denied.
- (5) Each side shall bear its own costs.

FOR THE COURT

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

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ISSUED AS A MANDATE: 9-23-16

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**
717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

PETER R. MARKSTEINER
CLERK OF COURT

CLERK'S OFFICE
202-275-8000

May 18, 2020

Lakshmi Arunachalam
222 Stanford Avenue
Menlo Park, CA 94025

Re: Arunachalam v. SAP America, Inc., Appeal Nos. 15-1424, -1433

Dear Ms. Arunachalam,

This letter responds to your submission titled "Motion to Remand in Light of Arthrex, Inc. v. Smith & Nephew, Inc." received by the Clerk's Office on May 14, 2020. Final judgment has been entered in this case and it is now closed in this court.

The above appeal was decided and mandated on September 23, 2016 and the petition for rehearing was denied on December 28, 2016. Thus, no action will be taken on the submitted documents. Further related filings in this closed case will receive no response.

Very truly yours,

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

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**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
00275.

ON PETITIONS FOR REHEARING EN BANC

ANTHONY P. CHO, Carlson, Gaskey & Olds, PC, Bir-
mingham, MI, for appellant. Also represented by DAVID
LOUIS ATALLAH, DAVID J. GASKEY, JESSICA E. FLEETHAM;
TREVOR ARNOLD, JOHN W. SCHMIEDING, Arthrex, Inc., Na-
ples, FL; ROBERT KRY, JEFFREY A. LAMKEN, MoloLamken
LLP, Washington, DC.

CHARLES T. STEENBURG, Wolf, Greenfield & Sacks, PC,
Boston, MA, for appellees. Also represented by RICHARD

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GIUNTA, TURHAN SARWAR, NATHAN R. SPEED; MICHAEL N. RADER, New York, NY; MARK J. GORMAN, Smith & Nephew, Inc., Cordova, TN; MARK ANDREW PERRY, Gibson, Dunn & Crutcher LLP, Washington, DC.

MELISSA N. PATTERSON, Appellate Staff, Civil Division, United States Department of Justice, Washington, DC, for intervenor. Also represented by COURTNEY DIXON, SCOTT R. MCINTOSH, JOSEPH H. HUNT; SARAH E. CRAVEN, THOMAS W. KRAUSE, JOSEPH MATAL, FARHEENA YASMEEN RASHEED, DANIEL KAZHDAN, NICHOLAS THEODORE MATICH, IV, MOLLY R. SILFEN, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA.

CHARLES R. MACEDO, Amster Rothstein & Ebenstein LLP, New York, NY, for amicus curiae New York Intellectual Property Law Association. Also represented by DAVID P. GOLDBERG; ROBERT M. ISACKSON, Leason Ellis LLP, White Plains, NY; ROBERT JOSEPH RANDO, The Rando Law Firm P.C., Syosset, NY; KSENIA TAKHISTOVA, East Brunswick, NJ.

MATTHEW S. HELLMAN, Jenner & Block LLP, Washington, DC, for amicus curiae The Association of Accessible Medicines. Also represented by YUSUF ESAT, Chicago, IL; JEFFREY FRANCER, The Association for Accessible Medicines, Washington, DC.

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN,
HUGHES, and STOLL, *Circuit Judges*.

MOORE, *Circuit Judge*, with whom O'MALLEY, REYNA, and CHEN, *Circuit Judges*, join, concurs in the denial of the petitions for rehearing en banc.

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O'MALLEY, *Circuit Judge*, with whom MOORE and REYNA, *Circuit Judges*, join, concurs in the denial of the petitions for rehearing en banc.

DYK, *Circuit Judge*, with whom NEWMAN and WALLACH, *Circuit Judges* join, and with whom HUGHES, *Circuit Judge*, joins as to Part I.A, dissents from the denial of the petitions for rehearing en banc.

HUGHES, *Circuit Judge*, with whom WALLACH, *Circuit Judge*, joins, dissents from the denial of the petitions for rehearing en banc.

WALLACH, *Circuit Judge*, dissents from the denial of the petitions for rehearing en banc.

PER CURIAM.

O R D E R

Petitions for rehearing en banc were filed by appellant Arthrex, Inc.; appellees Smith & Nephew, Inc. and Arthrocare Corp.; and intervenor United States. Responses to the petitions were invited by the court and filed by all three parties. Two motions for leave to file amici curiae briefs were filed and granted by the court. The petitions for rehearing, responses, and amici curiae briefs were first referred to the panel that heard the appeals, and thereafter to the circuit judges who are in regular active service. A poll was requested, taken, and failed.

Upon consideration thereof,

IT IS ORDERED THAT:

- 1) The petitions for panel rehearing are denied.
- 2) The petitions for rehearing en banc are denied.

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3) The mandate of the court will issue on March 30, 2020.

FOR THE COURT

March 23, 2020
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

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**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2017-00275.

MOORE, *Circuit Judge*, with whom O'MALLEY, REYNA, and CHEN, *Circuit Judges*, join, concurring in the denial of the petitions for rehearing *en banc*.

I concur in the court's decision to deny the petitions for rehearing *en banc* as rehearing would only create unnecessary uncertainty and disruption. The *Arthrex* panel followed Supreme Court precedent to conclude that the administrative patent judges (APJs) of the USPTO's Patent Trial and Appeal Board were improperly appointed principal officers. It further followed the Supreme Court's direction by severing a portion of the statute to solve that

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constitutional problem while preserving the remainder of the statute and minimizing disruption to the *inter partes* review system Congress created. The panel's curative severance and subsequent decisions from this court have limited the now constitutionally composed Board's burden of addressing cases on remand. I see no merit to the alternative courses laid out by the dissents. I agree with the government that we are not free to affirm despite the constitutional infirmity. Finally, I do not agree with Judge Dyk that we ought to propose a USPTO restructuring of our making and stay all proceedings (presumably this and other *inter partes* review appeals) while both Congress and the USPTO consider Judge Dyk's legislative proposal. If Congress prefers an alternate solution to that adopted by this court, it is free to legislate, and in the meantime, the Board's APJs are constitutionally appointed and *inter partes* reviews may proceed according to Congress' initial intent.

I

In *Arthrex*, the court followed Supreme Court precedent in reaching its conclusion that APJs were principal officers who were not constitutionally appointed. The Supreme Court explained that, while there is no "exclusive criterion for distinguishing between principal and inferior officers . . . '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." *Edmond v. United States*, 520 U.S. 651, 661–63 (1997). *Arthrex* recognized *Edmond's* broad framework as well as factors the Supreme Court considers when addressing an Appointments Clause issue. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329–30 (Fed. Cir. 2019). After weighing those factors and considering the relationship between the Presidentially-appointed Director of the USPTO and the Board's APJs, the panel held that APJs were principal officers who must be

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Presidentially appointed to comport with the Constitution's Appointments Clause. *Id.* at 1335.

As the *Arthrex* panel explained, the Director has some authority over conducting the *inter partes* review process—such as institution decisions and panel composition—and may issue guidance or designate decisions as precedential for future panels of APJs. *Id.* at 1329–32. But the Director lacks the authority to independently alter a panel's final written decision, and he lacks sufficient control over the panel's decision before it issues on behalf of the Executive. *Id.* at 1335. APJs had the authority to “render a final decision on behalf of the United States.” *Edmond*, 520 U.S. at 663, 665. The panel also recognized that the Director lacked the “powerful tool for control” that is the authority to remove APJs “at will and without cause.” *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 501 (2010).¹ The *Arthrex* decision followed Supreme Court precedent and was consistent with analyses of other circuits addressing Appointments Clause questions. *See, e.g., Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1342 (D.C. Cir. 2012); *Jones Bros., Inc. v. Sec'y of Labor*, 898 F.3d 669, 679 (6th Cir. 2018).

II

When an officer's appointment violates the Appointments Clause, courts “try to limit the solution to the problem, severing any problematic portions while leaving the remainder intact.” *Free Enter. Fund*, 561 U.S. at 508. As the Supreme Court explained, “we must retain those portions of the Act that are (1) constitutionally valid, (2) capable of functioning independently, and (3) consistent with Congress' basic objectives in enacting the statute.” *United*

¹ To the extent that the dissents suggest otherwise, it is the Secretary of Commerce, not the Director, who appoints (35 U.S.C. § 6(c)) and thus can remove APJs.

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States v. Booker, 543 U.S. 220, 258–59 (2005) (internal citations omitted). The *Arthrex* decision adopted the severance proposed by the USPTO, which would cause the least disruption while preserving the *inter partes* review scheme Congress intended. *Arthrex*, 941 F.3d at 1337–38.

Severing APJ removal protections gives properly appointed officers sufficient direction and supervision over APJ decision-making to render them inferior officers. The curative severance was consistent with the Supreme Court’s approach to a separation of powers violation in *Free Enterprise Fund*. 561 U.S. at 508 (severing a “for-cause” removal restriction as unconstitutional). It similarly aligned with the D.C. Circuit’s approach in *Intercollegiate*, which severed a removal restriction to rectify an Appointments Clause violation. 684 F.3d at 1340–41.

While there may have been other possible curative severances, the *Arthrex* severance, which the USPTO itself proposed, was consistent with Congress’ intent in enacting the *inter partes* review system. Although Congress originally intended that APJs have removal protections, that was not Congress’ central objective when it created the USPTO’s *inter partes* review system. The “basic purpose” of the *inter partes* review proceeding is “to reexamine an earlier agency decision.” *Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (“[T]he proceeding offers a second look at an earlier administrative grant of a patent.”); see, e.g., 157 Cong. Rec. S1326 (March 7, 2011) (Sen. Sessions) (“This will allow invalid patents that were mistakenly issued by the PTO to be fixed early in their life, before they disrupt an entire industry or result in expensive litigation.”). *Arthrex*’s severance properly retained the portions of the statute necessary to effectuate Congress’ basic objective of providing an agency mechanism where the validity of issued patents may be challenged. Congress “would have preferred a Board whose members are removable at will rather than no Board at all.” *Arthrex*, 941 F.3d at 1337–38; see *Ayotte v. Planned Parenthood of N. New*

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England, 546 U.S. 320, 330 (2006) (“After finding an application or portion of a statute unconstitutional, we must next ask: Would the legislature have preferred what is left of its statute or no statute at all?”).² So too does the USPTO, which proposed the severance that *Arthrex* adopted to preserve the system in lieu of the entire thing being struck down as unconstitutional.

The *Arthrex* panel’s severance was the “narrowest possible modification to the scheme Congress created” and the approach that minimized the disruption to the continuing operation of the *inter partes* review system. *Arthrex*, 941 F.3d at 1337. Because the APJs were constitutionally appointed as of the implementation of the severance, *inter partes* review decisions going forward were no longer rendered by unconstitutional panels. Additionally, subsequent decisions issued by this court significantly limited the number of appeals that needed to be remanded based on Appointments Clause challenges raised on appeal. See *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1174, 1175 (Fed. Cir. 2019) (holding that Appointments Clause challenges not raised prior to or in the appellant’s opening brief are waived). The window for appeals from Board decisions issued prior to October 31, 2019—the date *Arthrex* issued—has closed. And no more than 81 appeals including *Arthrex* itself can be vacated and remanded³

² Judge Hughes suggests that Congress would not have divested APJs of their removal protection to preserve the remainder of the statute and that Congress should fix the statute. To be clear, this would require holding the *inter partes* review statute unconstitutional and paralyzing the Board until Congress acts.

³ Per the Supreme Court’s decision in *Lucia*, *Arthrex*, and the other appeals with preserved Appointments Clause challenges, were vacated and remanded for

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based on preserved Appointments Clause violations.⁴ The Board decides on average 820 cases each month (39 *inter partes* reviews and 781 *ex parte* appeals).⁵ The *Arthrex*

hearings before new panels of APJs, who are now properly appointed. *Lucia v. SEC*, 138 S. Ct. 2044, 2055 (2018) (“[T]he ‘appropriate’ remedy for an adjudication tainted with an appointments violation is a new ‘hearing before a properly appointed’ official.”); see *Intercollegiate*, 684 F.3d at 1342; *Jones Bros.*, 898 F.3d at 679. *Harper v. Virginia Dep’t of Taxation* does not establish that an applied severance, which preserves an otherwise unconstitutional statute, applies retroactively. 509 U.S. 86 (1993). The panel of APJs that decided the *inter partes* review in this case was not constitutionally appointed when it rendered that decision. To forgo vacatur as Judge Dyk suggests would be in direct contrast with *Lucia* and would undermine any incentive a party may have to raise an Appointments Clause challenge. The USPTO briefed this issue and likewise rejects the argument that *Harper* creates a basis for affirming. Supp. Br. of United States, *Polaris v. Kingston*, Nos. 2018-1768, -1831, at 14.

⁴ We have thus far vacated and remanded 37 appeals which properly preserved the Appointments Clause challenge by raising it before or in their opening brief. There are 44 Board decisions rendered prior to our curative decision (October 31, 2019) where a notice of appeal has been filed by the patent owner, but no opening brief as of yet, or where an opening brief has been filed and does raise an Appointments Clause challenge. Thus, the universe of cases which could be vacated and remanded (if every one of these appellants requests remand) is 81.

⁵ See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/appeals-and-interferences-statistics-page> (to ascertain *ex parte* stats); see <https://www.uspto.gov/patents-application-process/patent->

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decision will result in at most 81 remands. And the remands are narrow in scope and will not necessitate anything like a full-blown process. *Arthrex*, 941 F.3d at 1340 (holding that the USPTO is not required to reopen the record or permit new briefing).

The severance applied in *Arthrex* resulted in minimal disruption to the *inter partes* review system and no uncertainty presently remains as to the constitutionality of APJ appointments. Rehearing this case *en banc* would have unraveled an effective cure and created additional disruption by increasing the potential number of cases that would require reconsideration on remand. Judge Dyk's suggestion that *Arthrex* be stayed to allow Congress to legislate a cure makes little sense. Staying the case, and any other pending appeal that challenges the Appointments Clause, would result in an unnecessary backlog of cases pending a congressional cure that is not guaranteed. And even if Congress did codify a new *inter partes* review scheme, those stayed cases would still need to be reprocessed on remand under the new scheme.

Nothing in the *Arthrex* decision prevents Congress from legislating to provide an alternative fix to the Appointments Clause issue. Congress can reinstate title 5 removal protections for APJs while ensuring that the *inter partes* review system complies with the Appointments Clause, if it so chooses.

III

There are several problems with the creative approach suggested in Judge Dyk's dissent. The dissent proposes that we stay this (and possibly other *inter partes* review appeals) while Congress or the USPTO considers an agency restructuring of his proposal. I am not convinced that it

trial-and-appeal-board/statistics/aia-trial-statistics-archive (to ascertain *inter parte* review stats).

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would be appropriate or wise to issue such stays. Curing the constitutional defect had immediate and significant benefits. And there is a significant difference between a court's election to sever a statutory provision as unconstitutional and issuing legislative or regulatory advisory mandates. The Constitution does not provide us authority to legislate, and, "mindful that our constitutional mandate and institutional competence are limited," we should refrain from proposing legislative or regulatory fixes. *Ayotte*, 546 U.S. at 329. The dissent goes far afield by proposing an entirely new agency framework for review for Congress to adopt. Dissent at 9–14 (Dyk, J., dissenting). We should not attempt to correct a separation of powers issue by creating one of our own.

Finally, Judge Dyk's proposed fix has not been reviewed and should not be presumed to pass constitutional muster.⁶ The dissent suggests that a reconsideration panel comprising the Director, Deputy Director, and Commissioner of Patents would suffice. *Id.* at 9–12. But it is not clear, as Judge Dyk suggests, that the Director has the authority to remove either the Deputy Director or the Commissioner of Patents without cause. Section 3(b)(2)(C) limits the Secretary of Commerce's ability to remove the Commissioner of Patents to situations of "misconduct or nonsatisfactory performance . . ." 35 U.S.C. § 3(b)(2)(C). And § 3(c) may afford the Deputy Director removal

⁶ Even if the USPTO were to adopt the dissent's proposed framework, *Arthrex* and all other similarly situated cases would still need to be vacated and remanded to the Board. The new framework did not exist when *Arthrex* was decided and it would not rectify the constitutional infirmity retroactively.

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protections under title 5.⁷ For the reasons given, I do not believe it proper or prudent to stay cases while Congress considers Judge Dyk's restructuring of the USPTO.

IV

The *Arthrex* panel followed Supreme Court precedent in reaching its decision. The severance provided has minimized disruption and preserved Congress' intent as best possible while ensuring that the Constitution's structural protections are minded. Given that the *Arthrex* decision is squarely rooted in Supreme Court precedent, I agree with the court's denial of rehearing *en banc*. If the curative severance adopted by this court is not consistent with Congress' intent, Congress can legislate to restore the removal protections and adopt a different curative mechanism.

⁷ Section 3(c) expressly says that title 5 protections apply to the agency's "officers and employees" of which the Deputy Director is undeniably one. Moreover, in other sections of the same statute when Congress intended to exempt an officer from title 5 protections it stated so explicitly. *See, e.g.*, 35 U.S.C. § 3(b)(2)(C) ("[T]he Commissioners may be removed from office by the Secretary . . . without regard to the provisions of title 5 . . .").

**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2017-00275.

O'MALLEY, *Circuit Judge*, with whom MOORE and REYNA, *Circuit Judges*, join, concurring in the denial of the petitions for rehearing en banc.

I join Judge Moore's concurrence in full. I agree that the panel correctly concluded that, under the Supreme Court's Appointments Clause jurisprudence, Administrative Patent Judges ("APJs") are principal officers who were not properly appointed to their adjudicative positions. I also agree that, rather than invalidate the entirety of the America Invents Act ("AIA"), Congress would prefer to preserve the patent review scheme it created under that Act.

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In severing from the AIA the application of the removal restrictions in 5 U.S.C. § 7513 (“Title 5”) to APJs, the panel hewed closely to the principles guiding judicial severance: refraining from rewriting the statute or invalidating more of it than was absolutely necessary. See *R.R. Ret. Bd. v. Alton R.R. Co.*, 295 U.S. 330, 362 (1935); *Helman v. Dep’t of Veterans Affairs*, 856 F.3d 920, 930 (Fed. Cir. 2017). While I agree with Judge Dyk and Judge Hughes that Title 5’s protections for government employees are both important and long-standing, I do not believe Congress would conclude that those protections outweigh the importance of keeping the remainder of the AIA intact—a statute it debated and refined over a period of more than six years.

I write separately to address one issue: the suggestion in Judge Dyk’s dissent that the court’s decision to sever the application of Title 5’s removal protections from the remainder of the AIA retroactively renders all prior APJ decisions constitutional, thereby obviating the need for panel rehearings in any cases decided under the AIA. Respectfully, that suggestion confuses the *remedy* the panel deemed appropriate in this case with the constitutional *fix* it deemed necessary to allow APJs to render future decisions in proceedings under the AIA.

That dissent urges that, “to be consistent with *Harper*,” retroactive application of *Arthrex* and its “remedy” is necessary. Dyk Op. at 17. But that contention misreads *Harper v. Virginia Dep’t of Taxation*, 509 U.S. 86 (1993). *Harper* addressed whether a prior Supreme Court decision holding certain taxes unconstitutional applied to taxes levied before that decision issued. *Harper* is best described by the Supreme Court itself: “when (1) the Court decides a case and applies the (new) legal rule of that case to the parties before it, then (2) it and other courts must treat that same (new) legal rule as ‘retroactive,’ applying it, for example, to all pending cases, whether or not those cases involve predecision events.” *Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 752 (1995). Judge Dyk argues that the general

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rule requiring that we give retroactive effect to constitutional decisions “applies to remedies as well, such as the remedy in this case,” meaning, in his view, that once severance occurs, all actions taken by APJs before that point, even if unconstitutional at the time, are rendered constitutional *nunc pro tunc*. Dyk Op. at 17 (citing *Reynoldsville*, 514 U.S. at 759). I disagree. While the principle of retroactive application requires that we afford the same remedy afforded the party before the court to all others still in the appellate pipeline, judicial severance is not a “remedy”; it is a forward-looking judicial fix.

It is true that if, as the panel concluded, the appointment of APJs ran afoul of the Constitution, that fact was true from the time of appointment forward, rendering all APJ decisions under the AIA unconstitutional when rendered. But, no one claims that our declaration of that fact in this case would permit us to reopen closed cases decided under that unconstitutional structure. *See, e.g., Reynoldsville*, 514 U.S. at 758 (“New legal principles, even when applied retroactively, do not apply to cases already closed.”). All that *Harper* and *Reynoldsville* say is that we must afford all litigants with pending matters the same remedy we afford to the Arthrex appellant.¹ In other words, we may not give prospective-only effect to our rulings, both as to the merits and as to the precise remedy.

But our curative severance of the statute, does not “remedy” the harm to Arthrex, whose patent rights were adjudicated under an unconstitutional scheme. So too, in *Harper*: the Court’s ruling that the state taxes at issue had been collected unconstitutionally did not remedy the harm

¹ This does not mean, of course, that we must provide a remedy to litigants who waived the issue. *United States v. Booker*, 543 U.S. 220, 268 (2005) (“[W]e expect reviewing courts to apply ordinary prudential doctrines” including those relating to waiver and harmless-error).

caused by the unlawful collection of taxes. The Court remanded for additional relief to the litigants before it in the form of reimbursement of the unconstitutionally collected taxes or “some other order” to rectify the “unconstitutional deprivation.” *Harper*, 509 U.S. at 98–99, 100–101. We did the same here: the remedy afforded the parties in *Arthrex* is a new hearing before a properly appointed panel of judges. Under the Supreme Court’s Appointments Clause jurisprudence, *Arthrex* is entitled to that relief because “the ‘appropriate’ remedy for an adjudication tainted with an appointments violation is a new ‘hearing before a properly appointed’ official.” *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2055 (2018) (quoting *Ryder v. United States*, 515 U.S. 177, 183, 188 (1995)); see also *NLRB v. Noel Canning*, 573 U.S. 513, 521, 557 (2014); *Bowsher v. Synar*, 478 U.S. 714, 736 (1986). Our decision that the statute can be rendered constitutional by severance does not remedy any past harm—it only avoids continuing harm in the future. It is only meaningful prospectively, once severance has occurred.²

The Government agrees. See Supp. Br. of United States, *Polaris v. Kingston*, Nos. 2018-1768, -1831, at 13–14. Presented with an opportunity to brief this very issue, the Government expressly rejected the suggestion in Judge Dyk’s concurrence in *Bedgear, LLC v. Fredman Bros. Furniture Co.*, 783 F. App’x 1029 (Fed. Cir. 2019) (and his dissent here) that the *Arthrex* panel’s severance order applies

² That dissent’s attempt to distinguish *Lucia* is predicated on this same misunderstanding of *Harper*. Because judicial severance of one portion of an unconstitutional statute is, by necessity, only applicable prospectively, I agree with the *Arthrex* panel that a new hearing before a new panel of APJs is the only appropriate remedy for those whose proceedings were tainted by the constitutional violation.

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retroactively. *Id.* (“[N]either *Arthrex*’s determination that the statutory restrictions on removal of APJs violated the Appointments Clause, nor the panel’s invalidation of those restrictions, was sufficient to eliminate the impact of the asserted constitutional violation on the original agency decision.”).

The cases on which the dissent relies do not counsel a contrary conclusion. For example, the suggestion that, in *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), “[t]he Court did not view [severance] as fixing the problem only prospectively” reads too much into the case. Dyk Op. at 21. *Free Enterprise* considered the petitioners’ request for a declaratory judgment that the Public Company Accounting Oversight Board is unconstitutional and for an injunction preventing the Board from exercising any of its powers prospectively. 561 U.S. at 510. The Court held that statutory restrictions on the Securities and Exchange Commission’s power to remove Board members were “unconstitutional and void,” and invalidated the removal provision. *Id.* at 509–10. The Court further held that, because it found the unconstitutional removal provisions could be excised from the remainder of the statute, “petitioners [were] not entitled to broad injunctive relief against the Board’s *continued* operations.” *Id.* at 513 (emphasis added). The decision did not render all prior Board actions constitutional. The Court simply explained that, by virtue of having severed the non-removal provisions, the Board could act in the future free of the taint of those unconstitutional provisions.

Like *Harper*, neither *Reynoldsville* nor *Edmond v. United States*, 520 U.S. 651, 662–63 (1997), support the dissent’s position that rehearing before a new panel is unnecessary. In *Reynoldsville*, the Court made clear—as it did in *Harper*—that any remedy provided the party bringing the original constitutional challenge must be afforded to all other parties with cases that remained open. 514 U.S. at 758–59. It held that a court may not fashion a

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remedy for a party before it and then declare that the remedy not apply to any other party still in the pipeline—i.e., whose claim was decided under an unconstitutional scheme and remains open. *Id.* at 753–54. And in *Edmond*, the challenged appointment was found constitutional. 520 U.S. at 655, 666. Severance was not even at issue. Neither case addressed retroactive application of orders fixing constitutional violations by severance.

By contrast, *Booker* makes clear that, even once judicial severance of a statute occurs, individuals adjudged under the statute as originally written still are entitled to a remedy if their cases are pending on direct review. In *Booker*, the Supreme Court held that 18 U.S.C. § 3553(b)(1)—the provision of the federal sentencing statute making the United States Sentencing Guidelines mandatory—violated the Sixth Amendment’s requirement that juries, not judges, find facts relevant to sentencing. 543 U.S. at 244. Accordingly, the Court severed and excised § 3553(b)(1) from the statutory scheme. And, the Court ruled that any defendant whose sentence was “authorized by the jury’s verdict—a sentence lower than the sentence authorized by the Guidelines as written . . . may seek resentencing under the system set forth in today’s opinions.” *Id.* at 267–68 (emphasis added). In permitting a defendant to seek resentencing post-severance, the Supreme Court made clear that judicial severance of a statute is necessarily a prospective act. *Id.*; see also *Free Enter.*, 561 U.S. at 513. This is the same conclusion reached by the DC Circuit in *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d 1332 (2012), with which the panel decision in this case rightly agrees.

The dissent’s attempt to read retroactive application of severance orders designed to obviate future or ongoing constitutional violations into *Harper* and the other Supreme Court case law it cites, respectfully, is misplaced. Those cases address retroactive application of remedies, not the forward-looking curative act of severance.

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**United States Court of Appeals
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ARTHREX, INC.,
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SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2017-00275.

DYK, *Circuit Judge*, with whom NEWMAN and WALLACH, *Circuit Judges* join, and with whom HUGHES, *Circuit Judge*, joins as to Part I.A, dissenting from the denial of rehearing en banc.

I respectfully dissent from the court's decision not to rehear this case en banc.

The panel here holds that the appointment of Administrative Patent Judges ("APJs"), when conducted in accordance with the America Invents Act ("AIA"), would be unconstitutional if those APJs were protected by the

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removal provisions of Title 5. The panel avoids this result by severing the Title 5 removal provisions as applied to APJs, and thereby “render[ing] the APJs inferior officers and remedy[ing] the constitutional appointment problem.” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1325 (Fed. Cir. 2019).

As discussed in Part I, I conclude that even if the panel were correct that the present structure of IPR proceedings violates the Appointments Clause, the draconian remedy chosen by the panel—invalidation of the Title 5 removal protections for APJs—rewrites the statute contrary to Congressional intent. That remedy should not be invoked without giving Congress and the United States Patent and Trademark Office (“PTO”) itself the opportunity to devise a less disruptive remedy. In Part II, I conclude that even if the Title 5 remedy were adopted, this would not require invalidation of preexisting Board decisions. In Part III, I address the question of whether APJs are principal officers.

I

A

The panel’s invalidation of Title 5 removal protections and severance is not consistent with Supreme Court precedent. Severability analysis requires “looking to legislative intent.” *United States v. Booker*, 543 U.S. 220, 246 (2005) (collecting cases). In performing this analysis, the court cannot sever portions of the statute that would be consistent with “Congress’ basic objectives in enacting the statute.” *Booker*, 543 U.S. at 259. Severance is appropriate if the remaining statute “will function in a manner consistent with the intent of Congress.” *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 685 (1987) (emphasis omitted). The panel departs from these requirements. By eliminating Title 5 removal protections for APJs, the panel is performing major surgery to the statute that Congress could not possibly have foreseen or intended.

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Removal protections for administrative judges have been an important and longstanding feature of Congressional legislation, and this protection continued to be an important feature of the AIA enacted in 2011, as Judge Hughes detailed in his concurrence in *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, 792 F. App'x 820, 828–830 (Fed. Cir. 2020) (Hughes, J., concurring).

Before the passage of the Administrative Procedure Act (“APA”) in 1946, administrative law judges (then called “hearing examiners”) did not have any removal protections or any special status distinguishing them from other agency employees. See *Ramspeck v. Fed. Trial Examiners Conference*, 345 U.S. 128, 130 (1953). “Many complaints were voiced against the actions of the hearing examiners, it being charged that they were mere tools of the agency concerned and subservient to the agency heads in making their proposed findings of fact and recommendations.” *Id.* at 131. To address these concerns in the APA, Congress “provide[d] for a special class of semi-independent subordinate hearing officers,” H.R. Rep. No. 79-1980, at 10 (1946). “Since the securing of fair and competent hearing personnel was viewed as ‘the heart of formal administrative adjudication,’ the Administrative Procedure Act contain[ed] a number of provisions designed to guarantee the independence of hearing examiners.” *Butz v. Economou*, 438 U.S. 478, 514 (1978) (quoting Final Report of the Attorney General’s Committee on Administrative Procedure 46 (1941) (citation omitted)).

One such provision was Section 11 of the APA, which provided that Administrative Law Judges (“ALJs”) generally would be “removable . . . only for good cause,” Administrative Procedure Act, ch. 324, § 11, 60 Stat. 237, 244 (1946). These provisions were continued in the Civil Service Reform Act of 1978. H.R. Rep. No. 95-1403, at 304 (1978) (“An administrative law judge appointed under section 3105 of this title may be removed by the agency in which he is employed only for good cause established and

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determined by the Civil Service Commission on the record after opportunity for hearing.”). This for-cause removal protection was codified in 5 U.S.C. § 7521.¹

While the protections of section 7521 were inapplicable to administrative judges of the PTO (since they were not “appointed under section 3105”), similar concerns led to the enactment of protections for PTO administrative judges. Current APJs trace their lineage to the PTO’s examiners-in-chief, who were originally nominated by the President and confirmed by the Senate. *Arthrex*, 941 F.3d at 1334; 35 U.S.C. § 3 (1952). Beginning with the 1975 amendments to Title 35, the examiners-in-chief (now APJs) were “remove[d] . . . from the political arena by changing these positions from ones of Presidential appointment.” *Hearings Before Subcommittee No. 3 of the Committee on the Judiciary House of Representatives*, 92d Cong. 43 (1971) (statement Of Edward J. Brenner, Former Commissioner Of Patents). The 1975 amendment gave the Secretary of Commerce the sole authority to appoint examiners-in-chief “under the classified civil service.” 35 U.S.C. § 7 (1976); see also An Act to Amend Title 35, United States Code,

¹ “An action may be taken against an administrative law judge appointed under section 3105 of this title by the agency in which the administrative law judge is employed only for good cause established and determined by the Merit Systems Protection Board on the record after opportunity for hearing before the Board.” 5 U.S.C. § 7521 (emphasis added). Though Executive Order 13843, dated July 10, 2018, placed all administrative law judges in the excepted service, and thus “not subject to the requirements of 5 CFR, part 302” and further amended 5 C.F.R. § 6.4 to eliminate the application of title 5 protections to administrative law judges in general, the order was limited by this statutory provision. 83 Fed. Reg. 32756–57 (“Except as required by statute . . .”).

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“Patents”, and For Other Purposes, Pub. L. 93-601, §§ 1-2, 88 Stat. 1956 (1975) (codified as amended at 35 U.S.C. §§ 3, 7 (1976)); *Polaris*, 792 F. App’x at 828–29 (Hughes, J., concurring). This had the result of extending the Civil Service protections for competitive service employees to the examiners-in-chief (now APJs). See *Arnett v. Kennedy*, 416 U.S. 134, 150–51 (1974), *overruled in part on other grounds by Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532 (1985). This included both provisions concerning appointment and removal.

Until 1999, despite several amendments, Congress retained the status of APJs as federal employees in the competitive service under Title 5. *Polaris*, 792 F. App’x at 829 (Hughes, J., concurring) (citing Patent Law Amendment Acts of 1984, Pub. L. 98-622, title II, sec. 201, § 7(a), 98 Stat. 3383, 3386 (1984) (codified as amended at 35 U.S.C. § 7 (1988), and the 1978 Civil Service Reform Act, Pub. L. 95-454, 92 Stat. 1121)). In 1999, Congress eliminated the requirement that APJs be appointed under competitive service provisions, but added the current 35 U.S.C. § 3(c) language, which extended Title 5 removal protections to APJs. Patent and Trademark Office Efficiency Act, Pub. L. 106-113, ch. 1, sec. 4713, § 3(c), 113 Stat. 1501A (codified as amended at 35 U.S.C. § 3(c) (2000)).² Thus, although APJs were not subject to appointment as competitive service employees, “APJs remained subject to discipline or dismissal subject to the efficiency of the service standard.” *Polaris*, 792 F. App’x at 830 (Hughes, J., concurring). Significantly, the language of § 3(c) remained unaltered

² In fact, even when certain prior bills of the 1999 Act were considering making the PTO exempt from Title 5, a special carve out provision was always contemplated for “quasi-judicial examiners,” who would still be removable “only for such cause as will promote the efficiency” of the agency. S. Rep. No 105-42, at 9, 48 (1997).

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despite the otherwise major overhaul in AIA legislation. *See id.* at 830; 35 U.S.C. § 3(c) (2012). Those removal protections were seen as essential to fair performance of the APJs quasi-judicial role.

In sum, ALJs in general and APJs in particular have been afforded longstanding and continuous protection from removal. The panel gives little weight to the existing statutory protections in its severance analysis. Moreover, here, the provision being partially invalidated is not even part of the Patent Act but is instead in Title 5.³ Elimination of those protections cannot be squared with Congressional design.

To be sure, I do not suggest that the inappropriateness of the Title 5 invalidation should lead to invalidation of the entire AIA statutory scheme. What I do suggest is that Congress almost certainly would prefer the opportunity to itself fix any Appointments Clause problem before imposing the panel's drastic remedy.

There is no question that Congress could pass a far simpler and less disruptive fix and that such a fix is available—Congress could amend the statute to provide agency review of APJ decisions.⁴ Soon after the issuance of the

³ The panel relies on *Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012), to justify its severance decision. However, that case is neither binding nor apposite to the situation here. In *Intercollegiate*, the severed removal protections were part of the same substantive statute that authorized the Copyright Royalty Judges and there was no showing that excising the removal protections was contrary to Congressional intent. *Id.* at 1340–41; *see also* 17 U.S.C. § 802.

⁴ In fact, Congressional fixes of PTAB Appointments Clause problems have been a feature of past Congressional

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panel *Arthrex* opinion, the House Judiciary Committee held hearings to discuss the remedial implications of this case. *The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions: Hearing Before the Subcommittee on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary*, 116th Cong. (2019) (“*Arthrex* Hearing”).⁵ At the hearing, subcommittee members expressed concern that striking the removal protections for APJs would be “inconsistent with the idea of creating an adjudicatory body” capable of “providing independent impartial justice.” *Id.* at 45:30 (statement of Rep. Hank Johnson). They agreed that it was Congress, not this court, that bears the “responsibility to consider a legislative fix,” *id.* at 46:00–47:00 (statement of Rep. Hank Johnson), and “question[ed] whether [the panel decision was] the right way to achieve the apparent objective behind the Appointments Clause jurisprudence, namely, to ensure that there is an official sufficiently accountable to the President, who signs off on important executive branch decisions,” *id.* at 53:00 (statement of Rep. Jerrold Nadler).

Both subcommittee members and witnesses urged that providing agency review of PTAB decisions was a preferable solution. They noted how this could be achieved: (1) establishing a review board comprised of properly appointed principal officers with authority to review APJ

legislation. See Patent and Trademark Administrative Judges Appointment Authority Revision, Pub. L. 110-313, § 1, 122 Stat. 3014, 3014 (2008) (codified as amended at 35 U.S.C. § 6(a) (2012)) (providing for appointments of APJs by Secretary of Commerce instead of by the Director).

⁵ Citations are to the video recording of the hearing, available at <https://judiciary.house.gov/calendar/event-single.aspx?EventID=2249>.

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decisions, or (2) providing review of APJ decisions by the Director.⁶

If Congress provided such agency review of APJ panel decisions, this would cure the core constitutional issue identified by the panel by subjecting all APJ decisions to review by a principal officer. If APJs were subject to review by executive officials at the PTO, then they would no longer be principal officers. The APJs would “have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers, and hence they [would be] inferior officers within the meaning of Article II.” *Edmond*, 520 U.S. at 665; *id.* at 664–65 (concluding that the judges of the Coast Guard Court of Criminal Appeals are inferior officers because the Court of Appeals for the Armed Forces has the “power to reverse decisions of the court” if it “grants review upon petition of the accused”); *id.* at 662 (“Whether one is an ‘inferior officer’ depends on whether he has a superior.”); *see also Freytag v. Comm’r*, 501 U.S. 868, 881–82 (1991) (holding that a Tax Court special trial judge is an “inferior officer” even though “special trial judges . . . render [final] decisions of the Tax Court in [certain] cases”); *Helman v. Dep’t of Veterans Affairs*, 856 F.3d 920, 929 (Fed. Cir. 2017) (“[T]he special trial judges [were] inferior officers [in *Freytag*].”). Even the panel here appears to agree. *Arthrex*, 941 F.3d at 1329–31 (in finding an Appointments Clause violation, relying on there being “no provision or procedure providing the Director the power to single-handedly review, nullify or reverse a final written decision issued by a panel of APJs”).

⁶ *Id.* at 1:04:00 (statement of John F. Duffy); *id.* at 1:16:20 (statement of Arti K. Rai); *id.* at 1:42:12 (statement of Rep. Hank Johnson); *see also id.* at 1:11:00 (statement of John M. Whealan); *id.* at 1:44:23–1:46:30 (witnesses arguing for unilateral review by the Director).

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Supreme Court precedent and circuit authority support a temporary stay to allow Congress to implement a legislative fix in the Appointments Clause context. *Buckley v. Valeo*, 424 U.S. 1, 144 (1976) (finding the Federal Election Commission’s exercise of enforcement authority to be a violation of the Appointments Clause, but “draw[ing] on the Court’s practice in the apportionment and voting rights cases and stay[ing] . . . the Court’s judgment” to “afford Congress an opportunity to reconstitute the Commission by law or to adopt other valid enforcement mechanisms”); *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50 (1982) (staying a judgment holding that “the broad grant of jurisdiction to the bankruptcy courts contained in 28 U.S.C. § 1471 [(1976)] is unconstitutional” for over three months in order to “afford Congress an opportunity to reconstitute the bankruptcy courts or to adopt other valid means of adjudication, without impairing the interim administration of the bankruptcy laws”); *see also Bowers v. Synar*, 478 U.S. 714, 736 (1986) (“Our judgment is stayed for a period not to exceed 60 days to permit Congress to implement the [constitutional] fallback [reporting] provisions [of the Balanced Budget and Emergency Deficit Control Act].”); *Md. Comm. for Fair Representation v. Tawes*, 377 U.S. 656, 676 (1964) (after finding a reapportionment violation, suggesting that the state legislature be given the opportunity “to enact a constitutionally valid state legislative apportionment scheme”); *Aurelius Inv., LLC v. Puerto Rico*, 915 F.3d 838, 863 (1st Cir. 2019) (“[O]ur mandate in these appeals shall not issue for 90 days, so as to allow the President and the Senate to validate the currently defective appointments or reconstitute the Board in accordance with the Appointments Clause.”).

B

So too, it may well be that Congressional legislation would be unnecessary because the agency itself could fix the problem by creating an agency review process. As discussed below, the Director may be able to designate a

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special panel to rehear decisions rendered by the original panel of APJs, that rehearing panel to be composed of only officers not subject to Title 5 removal protections, i.e., an executive rehearing panel with panel members appointed by the President or essentially removable at will by the Secretary of Commerce—the Director, the Deputy Director, and the Commissioner of Patents. *See, e.g.*, Patent Trial and Appeal Board Standard Operating Procedure 2 (version 10), <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>. Far from raising separation of powers concerns, this approach permits the agency to chart its own course as to the appropriate fix.

Section 6(c) requires that “[e]ach appeal . . . and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board.” 35 U.S.C. § 6(c). It also specifies that “[o]nly the Patent Trial and Appeal Board may grant rehearings.” *Id.* Section 6(a) provides that “[t]he Director, the Deputy Director, the Commissioner of Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board.” 35 U.S.C. § 6(a). And the statute provides that panel members “shall be designated by the Director.” 35 U.S.C. § 6(c).⁷

There is no requirement in the statute or regulations that the rehearing panel be the same as the original panel. We have previously held that the statutory grant of authority under section 6(c) (then 35 U.S.C. § 7 (1988)) to “designate the members of a panel hearing an appeal . . .

⁷ The Director is “responsible for providing policy direction and management supervision for the Office,” 35 U.S.C. § 3(a)(2)(A), with the authority to “govern the conduct of the proceedings in the Office,” 35 U.S.C. § 2(b)(2)(A). He is also “vested” with “[t]he powers and duties of the United States Patent and Trademark Office.” 35 U.S.C. § 3(a)(1).

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extend[s] to [the] designation of a panel to consider a request for rehearing.” *In re Alappat*, 33 F.3d 1526, 1533 (Fed. Cir. 1994), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (interpreting an earlier version of the statute); *see also Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1381 (2018) (“[T]he Director can add more members to the panel—including himself—and order the case reheard.”) (Gorsuch, J., dissenting, with Chief Justice Roberts joining). “In those cases where a different panel of the Board is reconsidering an earlier panel decision, the Board is still the entity reexamining that earlier decision; it is simply doing so through a different panel.” *Id.* at 1533–34. The regulations do not specify the composition of a rehearing panel, simply stating that “[w]hen rehearing a decision on petition, a panel will review the decision for an abuse of discretion.” 37 C.F.R. § 42.71(c) (emphasis added).

The legislative history similarly confirms the Director’s authority. In 1927, Congress, at the same time that it eliminated the provision requiring the Commissioner (now the Director) to review board of examiner decisions, made clear that the “supervisory power of the commissioner [to rehear panel decisions], as it has existed for a number of decades, remains unchanged by the bill.” S. Rep. No. 69-1313, at 4 (1927).

The Director has previously created such special rehearing panels. *See Arthrex*, 941 F.3d at 1330 (“That standing [Precedential Opinion] [P]anel, composed of at least three Board members, can rehear and reverse any Board decision and can issue decisions that are binding on all future panels of the Board.”); *see also* Patent Trial and Appeal Board Standard Operating Procedure 2 (version 10), <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

A rehearing panel consisting of the Director, the Deputy Director, and the Commissioner of Patents would itself

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comply with the Appointments Clause. The Director is a principal officer appointed by the President and confirmed by the Senate.⁸ The Deputy Director and the Commissioner of Patents are properly appointed inferior officers because they are removable by principal officers. “The power to remove officers, [the Supreme Court has] recognized, is a powerful tool for control.” *Edmond*, 520 U.S. at 664. The Deputy Director is appointed by the Secretary of Commerce (a Presidentially appointed officer) under 35 U.S.C. § 3(b)(1). The Deputy Director is removable at will by the Secretary of Commerce because “[i]n the absence of all constitutional provision, or statutory regulation as to the removal of [inferior] officers, . . . the power of removal [is] incident to the power of appointment.” *In re Hennen*, 38 U.S. 230, 259 (1839).⁹ Under the statute,

⁸ The statute also specifies that the Director is appointed and removable at will by the President. 35 U.S.C. § 3(a)(1), (4).

⁹ The Deputy Director is not an “employee” for purposes of 5 U.S.C. § 7513, which provides removal protections to PTO officers and employees through 35 U.S.C. § 3(c)’s application of Title 5 to the PTO’s “[o]fficers and employees.” Section 7511(b)(2)(C) of Title 5 excludes from the definition of “employees” subject to these protections those “employees whose position has been determined to be of a confidential, policy-determining, policy-making or policy-advocating character” by “the head of an agency for a position excepted from the competitive service by statute.” The legislative history of this provision indicates that political appointees (of which the Deputy Director is one) were not meant to be included in the definition of “employee” for purposes of § 7513 removal protections. H.R. Rep. No. 101-328, 4–5 (1989); *see also Special Counsel v. Peace Corps*, 31 M.S.P.R. 225, 231 (1986) (“The[] terms [‘policy-making,’ ‘confidential,’ and ‘policy-advocating’] . . . are, after all,

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“Commissioners [such as the Commissioner of Patents] may be removed from office by the Secretary for misconduct or nonsatisfactory performance . . . , without regard to the provisions of title 5”—essentially at-will removal. 35 U.S.C. § 3(b)(2)(C). In contrast, to be removed under Title 5, “the agency must show . . . that the employee’s misconduct is likely to have an adverse impact on the agency’s performance of its functions.” *Brown v. Dep’t of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000) (emphasis added).

The Deputy Director and the Commissioner of Patents are also inferior officers because they are supervised by the Director. Again, in *Edmond*, the Supreme Court “th[ought] it evident that ‘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.” *Edmond*, 520 U.S. at 662 (emphasis added). The Director has significant administrative oversight of the duties of these two officers. The USPTO’s organizational chart shows that the Deputy Director and the Commissioner of Patents report to the Director. See, e.g., *USPTO Fiscal Year 2019 Congressional Justification*, at 3, <https://www.uspto.gov/sites/default/files/documents/fy19pbr.pdf>. The Deputy Director is appointed by the Secretary of Commerce only “upon nomination by the Director.” 35 U.S.C. § 3(b)(1). And the Secretary of Commerce, acting through the Director, annually evaluates the Commissioner’s performance, which determines the Commissioner’s annual bonus. 35 U.S.C. § 3(b)(2)(B).

In sum, the roles that would be played by these three members of an executive rehearing panel would be

only a shorthand way of describing positions to be filled by so-called ‘political appointees.’”); *Aharonian v. Gutierrez*, 524 F. Supp. 2d 54, 55 (D.D.C. 2007) (describing the appointment of the PTO Deputy Director as a “decision[] involving high-level policymaking personnel.”).

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constitutional because the Director is a principal officer, and the Deputy Director and the Commissioner of Patents are inferior officers subject to the supervision of the Director of and the Secretary. If an appropriate stay were granted, it would seem possible that the Director, if he chose to do so, could achieve agency review without Congressional legislation.

Of course, as I discuss in the next section, either a Congressional fix or an agency fix could not be retroactive. The new rehearing procedure would have to be made available to losing parties in past cases.

II

Alternatively, I conclude that if the panel's Title 5 protection remedy remained, this would still not require a remand for a new hearing before a new panel, as the *Arthrex* panel opinion holds. *Arthrex*, 941 F.3d at 1340. This new hearing remedy is not required by *Lucia v. S.E.C.*, 138 S. Ct. 2044 (2018), imposes large and unnecessary burdens on the system of *inter partes* review, and involves unconstitutional prospective decision-making.

A

After holding the APJ removal protection provisions unconstitutional and severable, the panel set aside all panel decisions of the Board where the issue was properly raised on appeal. These cases are remanded for a new hearing before a new panel “[b]ecause the Board’s decision in this case was made by a panel of APJs that were not constitutionally appointed at the time the decision was rendered.” *Arthrex*, 941 F.3d at 1338.

This holding is in part constitutional interpretation and part statutory construction. In essence, the panel improperly makes the application of its decision prospective only, so that only PTAB decisions after the date of the panel’s opinion are rendered by a constitutionally appointed panel. In my view, the panel improperly declined

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to make its ruling retroactive. If the ruling were retroactive, the actions of APJs in the past would have been compliant with the constitution and the statute. In this respect, I think that the panel in *Arthrex* ignored governing Supreme Court authority.

B

I first address the *Arthrex* panel's claim that *Lucia* mandates remanding for a new hearing. In *Lucia*, the issue was whether Securities and Exchange Commission ("SEC") ALJs were inferior officers that had to be appointed by an agency head—the SEC. *Lucia*, 138 S. Ct. at 2051 & n.3 (2018). The Supreme Court held that "[t]he Commission's ALJs are 'Officers of the United States,' subject to the Appointments Clause." *Id.* at 2055. The ALJs were found to be unconstitutionally appointed as "Officers of the United States" because they were appointed by "[o]ther staff members, rather than the Commission proper." *Id.* at 2049, 2051.

While the case was pending, "the SEC issued an order 'ratif[ying]' the prior appointments of its ALJs," thus apparently curing the constitutional defect.¹⁰ *Id.* at 2055 n.6 (alteration in original) (quoting SEC Order, *In re: Pending Administrative Proceedings* (Nov. 30, 2017), <https://www.sec.gov/litigation/opinions/2017/33-10440.pdf>). The Supreme Court nevertheless held that "the 'appropriate' remedy for an adjudication tainted with an appointments violation is a new 'hearing before a properly appointed' official." *Id.* at 2055 (quoting *Ryder v. United States*, 515 U.S. 183, 183, 188 (1995)).

The difference between *Lucia* and *Arthrex* is that the fix in *Lucia* was an agency fix, whereas the fix in *Arthrex*

¹⁰ The Court declined to decide whether the agency cured the defect when it "ratified" the appointments, but assumed that it did so. *Lucia*, 138 S. Ct. at 2055 n.6.

is a judicial fix. Agencies and legislatures generally act only prospectively, while a judicial construction of a statute or a holding that a part of the statute is unconstitutional and construing the statute to permit severance are necessarily retrospective as well as prospective.

C

As the Supreme Court concluded in *Rivers v. Roadway Exp., Inc.*, 511 U.S. 298 (1994), in construing a statute, courts are “explaining [their] understanding of what the statute has meant continuously since the date when it became law.” *Id.* at 313 n.12 (emphasis added). The same is true as to constitutional decisions, as *Harper v. Virginia Dep’t of Taxation*, 509 U.S. 86 (1993) confirmed: “[B]oth the common law and our own decisions’ have ‘recognized a general rule of retrospective effect for the constitutional decisions of this Court.”” *Id.* at 94 (quoting *Robinson v. Neil*, 409 U.S. 505, 507 (1973)). As Justice Scalia put it in his concurrence in the later *Reynoldsville* decision:

In fact, what a court does with regard to an unconstitutional law is simply to ignore it. It decides the case “disregarding the [unconstitutional] law.” *Marbury v. Madison*, 1 Cranch 137, 178 (1803) (emphasis added), because a law repugnant to the Constitution “is void, and is as no law,” *Ex parte Siebold*, 100 U.S. 371, 376 (1880).

Reynoldsville Casket Co. v. Hyde, 514 U.S. 749, 760 (1995) (Scalia, J., concurring) (alterations in original). In other words, “[w]hen [a] court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate [the

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court's] announcement of the rule.” *Harper*, 509 U.S. at 97.¹¹

The requirement for retroactivity applies to remedies as well, such as the remedy in this case. In *Reynoldsville*, the Court reversed an Ohio Supreme Court decision declining to apply a constitutional decision as to a limitations period retroactively. 514 U.S. at 759. The Court rejected the respondent’s argument that the Ohio Supreme Court’s decision was based on “remedy” rather than “non-retroactivity” and held that accepting the Ohio Supreme Court’s “remedy” would “create what amounts to an ad hoc exemption from retroactivity.” *Id.* at 758. The Court noted only four circumstances where retroactive application of a constitutional ruling is not outcome-determinative.¹² None is remotely relevant to *Arthrex*.

Thus, to be consistent with *Harper*, the statute here must be read as though the APJs had always been constitutionally appointed, “disregarding” the unconstitutional

¹¹ *Harper* overruled prior caselaw that provided for exceptions allowing prospective application of a new rule of law in constitutional and other cases. *Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 752 (1995) (“*Harper* overruled [a prior Supreme Court decision] insofar as the [prior] case (selectively) permitted the prospective-only application of a new rule of law.”).

¹² Namely, where there is: “(1) an alternative way of curing the constitutional violation; or (2) a previously existing, independent legal basis (having nothing to do with retroactivity) for denying relief; or (3) as in the law of qualified immunity, a well-established general legal rule that trumps the new rule of law, which general rule reflects both reliance interests and other significant policy justifications; or (4) a principle of law, such as that of ‘finality’ . . . , that limits the principle of retroactivity itself.” *Reynoldsville*, 514 U.S. at 759 (internal citations omitted).

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removal provisions. *Marbury v. Madison*, 5 U.S. 137, 178 (1803). Since no Congressional or agency action is required in order to render the appointment of the PTAB judges constitutional, when the PTAB judges decided cases in the past, they did not act improperly. Thus, the past opinions rendered by the PTAB should be reviewed on the merits, not vacated for a new hearing before a different panel.

To be sure, a new decision or hearing may sometimes be necessary where a deciding official might have acted differently if he had been aware of the unconstitutional nature of a restriction on his authority. That was the situation in *Booker*, where judges' decision-making might have been affected by their perception that the sentencing guidelines were mandatory and where the mandatory provision was held unconstitutional and severed. *Booker*, 543 U.S. at 249–265. *Booker* was not an Appointments Clause case, and even in *Booker*, a new sentencing hearing was not required in every case. *Id.* at 268. Here, even applying the *Booker* approach, it is simply not plausible that the PTAB judges' decision-making would have been affected by the perceived existence or non-existence of the removal protections of Title 5. As the Fifth Circuit has concluded in this respect, “[r]estrictions on removal are different” from Appointments Clause violations where “officers were vested with authority that was never properly theirs to exercise.” *Collins v. Mnuchin*, 938 F.3d 553, 593 (5th Cir. 2019) (en banc) (separate majority opinion).¹³ As discussed above,

¹³ In *Collins*, the Fifth Circuit explained:

Restrictions on removal are different. In such cases the conclusion is that the officers are duly appointed by the appropriate officials and exercise authority that is properly theirs. The problem identified by the [different] majority decision in this case is that, once appointed, they are too distant

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Lucia required a new determination, but in that case the fix was imposed only prospectively—the making of new appointments by the agency head and the ratification of earlier appointments—rather than a retroactive court decision involving severance. *See Lucia*, 138 S. Ct. at 2055 n.6.

D

While the Circuits appear to be divided as to the retroactivity issue in Appointments Clause and similar cases,¹⁴

from presidential oversight to satisfy the Constitution's requirements.

Perhaps in some instances such an officer's actions should be invalidated. The theory would be that a new President would want to remove the incumbent officer to instill his own selection, or maybe that an independent officer would act differently than if that officer were removable at will. We have found no cases from either our court or the Supreme Court accepting that theory.

938 F.3d at 593–94 (separate majority opinion)

¹⁴ In *Collins v. Mnuchin*, 938 F.3d 553 (5th Cir. 2019) (en banc), the en banc Fifth Circuit found that the Federal Housing Finance Agency (“FHFA”) was unconstitutionally structured because Congress “[g]rant[ed] both removal protection and full agency leadership to a single FHFA Director.” *Id.* at 591. It did not invalidate prior agency actions. *Id.* at 592 (separate majority opinion). It concluded that the only appropriate remedy, and one that “fixes the . . . purported injury,” is a declaratory judgment “removing the ‘for cause’ provision found unconstitutional.” *Id.* 595 (separate majority opinion).

In *Intercollegiate Broadcasting* and *Kuretski*, the D.C. Circuit reached the opposite result. *See Intercollegiate*

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the very Supreme Court decisions relied on in *Arthrex* have given retroactive effect to statutory constructions or constitutional decisions that remedied potential Appointment Clause violations. In *Free Enterprise Fund v. Public Co. Accounting Oversight Board*, 561 U.S. 477 (2010), the SEC's Public Company Accounting Oversight Board had instituted an investigation against an accounting firm, Beckstead and Watts ("B&W"). *Id.* at 487. B&W and another affiliated organization, Free Enterprise Fund, filed suit, asking the district court to enjoin the investigation as improperly instituted because members of the Board had not been constitutionally appointed. *Id.* at 487–88. The Supreme Court found that the statutory removal protections afforded to members of the Board were unconstitutional. *Id.* at 484. "By granting the Board executive power without the Executive's oversight [i.e., by limiting removal], th[e Sarbanes-Oxley] Act subvert[ed] the President's ability to ensure that the laws are faithfully

Broad. Sys., Inc. v. Copyright Royalty Bd., 684 F.3d 1332 (D.C. Cir. 2012); *Kuretski v. Comm'r*, 755 F.3d 929 (D.C. Cir. 2014). In *Intercollegiate Broadcasting*, the D.C. Circuit found that the appointments of the Copyright Royalty Judges in the Library of Congress violated the Appointments Clause because they could be removed only for cause. 684 F.3d at 1334. The court invalidated the for-cause restriction on the removal of the judges, rendering them "validly appointed inferior officers." *Id.* at 1340–41. Yet, the D.C. Circuit declared that "[b]ecause the Board's structure was unconstitutional at the time it issued its determination, we vacate and remand the determination." *Id.* at 1342. These two cases were not based on Supreme Court precedent, did not consider the Supreme Court precedent suggesting a different result, and were an apparent departure from the Court's rulings in similar circumstances.

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executed—as well as the public’s ability to pass judgment on his efforts.” *Id.* at 498. But the Court severed the unconstitutional removal provisions from the remainder of the statute, leaving the rest of relevant act fully operational and constitutional. *Id.* at 509.

The Court did not view this action as fixing the problem only prospectively. It refused to invalidate or enjoin the prior actions of the Board in instituting the investigation, explaining that “properly viewed, under the Constitution, . . . the Board members are inferior officers” and “have been validly appointed by the full Commission.” *Id.* at 510, 513. The Court remanded for further proceedings, but explained that the plaintiffs were only “entitled to declaratory relief sufficient to ensure that the reporting requirements and auditing standards to which they [we]re subject will be enforced only by a constitutional agency accountable to the Executive.”¹⁵ *Id.* at 513.

So too in *Edmond v. United States*, 520 U.S. 651 (1997), past actions by the Coast Guard Court of Criminal Appeals were not set aside. The criminal defendants’ convictions had been affirmed by the Coast Guard Court of Criminal Appeals. *Id.* at 655. The defendants contended that the Coast Guard Court of Criminal Appeals judges had not been properly appointed, rendering the convictions invalid. *See id.* The issue was “whether Congress ha[d] authorized the Secretary of Transportation to appoint civilian [judges to] the Coast Guard Court of Criminal Appeals, and if so, whether this authorization [wa]s constitutional under the

¹⁵ On remand, the parties agreed that the Supreme Court’s decision did not require invalidating the Board’s prior actions. The agreed-upon judgment stated: “[a]ll relief not specifically granted by this judgment is hereby DENIED.” Judgment, *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, No. 06-0217 (D.D.C. Feb. 23, 2011), ECF No. 66.

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Appointments Clause of Article II [because the judges were inferior officers].” *Id.* at 653.

The Court construed the relevant statutes so that “Article 66(a) d[id] not give [the] Judge Advocates General authority to appoint Court of Criminal Appeals judges; [and] that § 323(a) d[id] give the Secretary of Transportation authority to do so.” *Id.* at 658. The Court explained that “no other way to interpret Article 66(a) that would make it consistent with the Constitution” because “Congress could not give the Judge Advocates General power to ‘appoint’ even inferior officers of the United States.” *Id.* The Court then found that the judges of the Coast Guard Court of Criminal Appeals were inferior officers and that “[their] judicial appointments [by the Secretary] . . . [we]re therefore valid.” *Id.* at 666. Most significantly, the Court did not remand for a new hearing but rather “affirm[ed] the judgment of the Court of Appeals for the Armed Forces.” *Id.* Nowhere did the Court suggest that the actions taken before the Court’s construction were rendered invalid.

In Appointments Clause cases, the Supreme Court has required a new hearing only where the appointment’s defect had not been cured¹⁶ or where the cure was the result

¹⁶ See *Ryder v. United States*, 515 U.S. 177, 187–88 (1995) (declining to apply the *de facto officer* doctrine to preserve rulings made by an unconstitutionally appointed panel); *N.L.R.B. v. Noel Canning*, 573 U.S. 513, 519, 520, 557 (2014) (affirming the DC Circuit in vacating an NLRB order finding a violation because the Board lacked a quorum as “the President lacked the power to make the [Board] recess appointments here at issue”); see also *Bandimere v. Sec. & Exch. Comm’n*, 844 F.3d 1168, 1171, 1188 (10th Cir. 2016) (setting aside opinion of an improperly appointed SEC ALJ where “the SEC conceded the ALJ had not been constitutionally appointed”).

of non-judicial action.¹⁷ The contrary decision in *Arthrex* is inconsistent with binding Supreme Court precedent and creates a host of problems in identifying the point in time when the appointments became valid.¹⁸

I respectfully suggest that *Arthrex* was wrongly decided for two reasons. First, the panel's remedy invalidating the Title 5 removal protections for APJs is contrary to Congressional intent and should not be invoked without giving Congress and the PTO the opportunity to devise a less disruptive remedy. Second, even if the *Arthrex* remedy (to sever Title 5 protections) were adopted, there would be no need for a remand for a new hearing before a new panel because, under this judicial construction, APJs will be retroactively properly appointed by the Secretary of

¹⁷ See *Lucia*, 138 S. Ct. at 2055 n.6; see also *Jones Bros., Inc. v. Sec'y of Labor*, 898 F.3d 669, 679 (6th Cir. 2018) (improperly appointed ALJ's decision vacated despite Mine Commission's attempt to cure the improper appointment during judicial review by ratifying the appointment of every ALJ); *Cirko on behalf of Cirko v. Comm'r of Soc. Sec.*, 948 F.3d 148, 152 (3d Cir. 2020) (affirming district court's remand for a new hearing before properly appointed Social Security Administration ALJs despite SSA's later reappointment of all agency judges).

¹⁸ The difficulty of identifying at what point in time the appointments becomes effective is evident. Is it when the panel issues the decision, when the mandate issues, when en banc review is denied, when certiorari is denied, or (if there is an en banc proceeding) when the en banc court affirms the panel, or (if the Supreme Court grants review) when the Supreme Court affirms the court of appeals decision?

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Commerce and their prior decisions will not be rendered invalid.

III

Finally, the panel's conclusion that PTAB judges are principal officers under the existing statutory structure is open to question. It does appear to be the case under the Supreme Court's decision in *Lucia* that PTAB judges are "officers," but it seems to me far from clear that they are "principal officers." The panel concluded that they were because "'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." *Arthrex*, 941 F.3d at 1329 (quoting *Edmond*, 520 U.S. at 662–63). The panel held that no principal officer "exercise[d] sufficient direction and supervision over APJs to render them inferior officers." *Id.* Despite the quoted language in *Edmond*, I do not think that the sole distinction between "inferior officers" and "principal officers" lies in agency supervision. In *Morrison v. Olson*, 487 U.S. 654 (1988), the Supreme Court held that an independent counsel was an "inferior officer" despite the fact that she was removable only for "good cause" and "possesse[d] a degree of independent discretion to exercise the powers delegated to her," *id.* at 671, 691.

In *Morrison*, the Court was in part persuaded by the fact that the independent counsel's "grant of authority d[id] not include any authority to formulate policy for the Government or the Executive Branch." *Morrison*, 487 U.S. at 671. The First Circuit squared the holdings in *Edmond* and *Morrison* "by holding that *Edmond*'s supervision test was sufficient, but not necessary." *Aurelius*, 915 F.3d at 860. The First Circuit explained that "inferior officers are those who are directed and supervised by a presidential appointee; otherwise, they 'might still be considered inferior officers if the nature of their work suggests sufficient

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limitations of responsibility and authority.” *Id.* (quoting *United States v. Hilario*, 218 F.3d 19, 25 (1st Cir. 2000)).

Similarly, here, it seems appropriate to also examine whether the role of the officers in question includes articulation of agency policy. PTAB judges have no such role. They are not charged with articulating agency policy, and certainly are not the principal officers charged with that articulation. Their sole function is to determine the facts in individual patent challenges under the AIA; as to the law, they are obligated to follow the law as articulated by the Supreme Court and this court. It appears to be the case that review of administrative judges’ decisions by an Article I court prevented the administrative judges in *Edmond* and *Masias v. Sec’y of Health & Human Servs.*, 634 F.3d 1283 (Fed. Cir. 2011), from being “officers.” *See Edmond*, 520 U.S. at 664; *Masias*, 634 F.3d at 1294. It is hard for me to see how identical review by an Article III court (which severely cabins the authority of PTAB judges) does not prevent PTAB judges from being principal officers.

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United States Court of Appeals
for the Federal Circuit

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
00275.

HUGHES, *Circuit Judge*, with whom WALLACH, *Circuit
Judge*, joins, dissenting from the denial of the petitions
for rehearing *en banc*.

I respectfully dissent from the court's decision
declining to rehear this appeal *en banc*. I believe that,
viewed in light of the Director's significant control over the
activities of the Patent Trial and Appeal Board and
Administrative Patent Judges, APJs are inferior officers
already properly appointed by the Secretary of Commerce.
And even if APJs are properly considered principal officers,
I have grave doubts about the remedy the *Arthrex* panel

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applied to fix their appointment. In the face of an unconstitutional statute, our role is to determine whether severance of the unconstitutional portion would be consistent with Congress's intent. Given the federal employment protections APJs and their predecessors have enjoyed for more than three decades, and the overall goal of the America Invents Act, I do not think Congress would have divested APJs of their Title 5 removal protections to cure any alleged constitutional defect in their appointment. As Judge Dyk suggests in his dissent, which I join as to Part I.A, I agree that Congress should be given the opportunity to craft the appropriate fix. Dyk Op. at 6.

I

None of the parties here dispute that APJs are officers who exercise "significant authority pursuant to the laws of the United States." *Buckley v. Valeo*, 424 U.S. 1, 126 (1976) (per curiam). But "significant authority" marks the line between an officer and an employee, not a principal and an inferior officer. Despite being presented with the opportunity to do so, the Supreme Court has declined to "set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes." *Edmond v. United States*, 520 U.S. 651, 661 (1997).

Instead, the pertinent cases make clear that the hallmark of an inferior officer is whether a presidentially-nominated and senate-confirmed principal officer "direct[s] and supervise[s] [her work] at some level." *Id.* at 663. *Edmond* does not lay out a more exacting test than this, and we should not endeavor to create one in its stead. Instead, I believe the Supreme Court has engaged in a context-specific inquiry accounting for the unique systems of direction and supervision of inferior officers in each case. *See infra* Section I. Importantly, the Court has not required that a principal officer be able to single-handedly review and reverse the decisions of inferior officers, or remove them at

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will, to qualify as inferior. And I believe that the Supreme Court would have announced such a simple test if it were proper.

Finally, *Edmond* also makes clear that the Appointments Clause seeks to “preserve political accountability relative to important government assignments.” 520 U.S. at 663. The Director’s power to direct and supervise the Board and individual APJs, along with the fact that APJs are already removable under the efficiency of the service standard, provides such political accountability. APJs are therefore inferior officers.

A

The Director may issue binding policy guidance, institute and reconsider institution of an *inter partes* review, select APJs to preside over an instituted *inter partes* review, single-handedly designate or de-designate any final written decision as precedential, and convene a panel of three or more members of his choosing to consider rehearing any Board decision. The *Arthrex* panel categorized some of these as “powers of review” and others as “powers of supervision,” but I view them all as significant tools of direction and supervision.

As *Arthrex* recognized, “[t]he Director is ‘responsible for providing policy direction and management supervision’ for the [United States Patent and Trademark Office].” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1331 (Fed. Cir. 2019) (quoting 35 U.S.C. § 3(a)(2)(A)). Not only can the Director promulgate regulations governing *inter partes* review procedures, but he may also prospectively issue binding policy guidance “interpreting and applying the patent and trademark laws.” Gov’t. Br. 37. APJs must apply this guidance in all subsequent *inter partes* review proceedings. Such guidance might encompass, for instance, exemplary application of the law to specific fact patterns, such as those posed in pending cases. These powers provide the Director with control over the process and

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substance of Board decisions. Gov't. Br. 36–37. And though the Director cannot directly reverse an individual Board decision that neglects to follow his guidance, APJs who do so risk discipline or removal under the efficiency of the service standard applicable under Title 5. *See infra* Section I C. Such binding guidance, and the consequences of failing to follow it, are powerful tools for control of an inferior officer.¹

The Director also has unreviewable authority to institute *inter partes* review. 35 U.S.C. § 314(a), (d). *Cf. Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 504 (2010) (discussing the importance of the ability to “start, stop, or alter individual [PCAOB] investigations,” even where the reviewing principal officer already had significant “power over [PCAOB] activities”). Though the *Arthrex* panel did not address the Director’s ability to reconsider an institution decision, our precedent holds that the Board² may reconsider and reverse its initial institution decision. *See, e.g., Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1385–86 (Fed. Cir. 2016) (explaining that “§ 318(a) contemplates that a proceeding can be ‘dismissed’ after it is instituted, and, as our prior cases have held, administrative agencies possess

¹ To be sure, I do not mean to suggest that the Director’s extensive powers of supervision mean that he can dictate the outcome of a specific *inter partes* proceeding. Rather, his ability to issue guidance and designate precedential opinions provides the general type of supervision and control over APJs’ decision-making that renders them inferior, not principal, officers.

² The Director’s delegation of his institution power to the Board does not diminish its existence. 37 C.F.R. § 42.4(a) (stating that “[t]he Board institutes the trial on behalf of the Director”). *See also Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1033 (Fed. Cir. 2016).

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inherent authority to reconsider their decisions, subject to certain limitations, regardless of whether they possess explicit statutory authority to do so” (internal quotation and citation omitted)).

The Director also controls which APJs will hear any given instituted *inter partes* review. 35 U.S.C. § 6(c). In my view, this power of panel designation is a quintessential method of directing and controlling a subordinate. Importantly, I do not believe that in stating that the power to remove an officer at-will from federal employment is “a powerful tool for control of an inferior,” *Free Enterprise*, 561 U.S. at 510 (internal quotation omitted), the Supreme Court meant that such removal power is the only effective form of control in the context of the Appointments Clause. For example, the Judge Advocate General in *Edmond* could remove the Court of Criminal Appeal judges from judicial service without cause, but not necessarily federal employment altogether. *Edmond*, 520 U.S. at 664. See also *Free Enterprise*, 561 U.S. at 510 (relying on both at-will removal authority and “the [SEC’s] other oversight authority” in finding with “no hesitation” that the PCAOB members are inferior officers). That is akin to the Director’s authority to designate which APJs will consider a certain case. And despite acknowledging that “when a statute is silent on removal, the power of removal is presumptively incident to the power of appointment[,]” the *Arthrex* panel declined to opine on the Director’s ability to de-designate APJs from a panel under § 6(c). *Arthrex*, 941 F.3d at 1332. But *Edmond* referenced the ability to remove the judges there “from [their] judicial assignment[s],” followed by a recognition of the potent power of removal. 520 U.S. at 664. If the Director’s ability to control APJs plays a significant part in the unconstitutionality at issue, such that the remedy is to make APJs removable at will, the panel should have definitively addressed the Director’s de-designation authority. Moreover, as outlined in Section I C, *infra*, APJs already may be disciplined or removed from federal employment

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under the routine efficiency of the service standard, which is not incompatible with discipline or removal for failing to follow the Director's binding guidance.

And the Director may continue to provide substantial direction and supervision after the Board issues its final written decision. As *Arthrex* recognizes, the Director may convene a Precedential Opinion Panel (POP), of which the Director is a member, to consider whether to designate a decision as precedential. *Arthrex*, 941 F.3d at 1330. But I read the Standard Operating Procedures more broadly, such that the Director may also make a precedential designation or de-designation decision single-handedly,³ thereby unilaterally establishing binding agency authority on important constitutional questions and other exceptionally important issues. Standard Operating Procedure 2, at 3–4. Indeed, it appears that the Director has done so in at least sixteen cases in 2018 and 2019. See USPTO, *Patent Trial and Appeal Board Precedential and informative decisions*, available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions> (listing decisions designated as precedential in the past year, where some are labeled as “Precedential Opinion Panel decision” and others are not). The Director may also convene a POP of his choice, of which he

³ “No decision will be designated or de-designated as precedential or informative without the approval of the Director. This SOP does not limit the authority of the Director to designate or de-designate decisions as precedential or informative, or to convene a Precedential Opinion Panel to review a matter, in his or her sole discretion without regard to the procedures set forth herein.” Patent Trial and Appeal Board, Standard Operating Procedure 2 (Revision 10) at 1 (Standard Operating Procedure 2), available at <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

is by default a member, to consider whether to rehear and reverse any opinion. Standard Operating Procedure 2, at 4. And, the Director may “determine that a panel of more than three members is appropriate” and then choose those additional members as well. *Id.* Though the *Arthrex* panel recognized these powers, it dismissed them because the Director has only one vote out of at least three. 941 F.3d at 1331–32. This assessment, however, misses the practical influence the Director wields with the power to hand-pick a panel, particularly when the Director sits on that panel. The Director’s ability to unilaterally designate or de-designate a decision as precedential and to convene a POP of the size and composition of his choosing are important tools for the direction and supervision of the Board even after it issues a final written decision.⁴

⁴ The underestimation of the Director’s power is particularly evident in light of this court’s prior *en banc* decision in *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008). *Alappat* contained strong language about the ability to control the composition and size of panels. *See, e.g., id.* at 1535 (noting that “the Board is merely the highest level of the Examining Corps, and like all other members of the Examining Corps, the Board operates subject to the Commissioner’s overall ultimate authority and responsibility”). While the duties of the Board and the Director have changed since *Alappat* was decided, the authority to determine the Board’s composition for reconsideration of an examiner’s patentability determination mirrors the current authority with respect to *inter partes* review. *Compare* 35 U.S.C. § 6(c) (2012) (giving the Director authority to designate “at least 3 members of the Patent Trial and Appeal Board” to review “[e]ach appeal, derivation proceeding, post-grant review, and inter partes review”), *with* 35 U.S.C. § 7(b) (1988) (giving the

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Combined, all of these powers provide the Director constitutionally significant means of direction and supervision over APJs—making them inferior officers under the rule of *Edmond*.

B

Despite the Director's significant powers of direction and supervision, the *Arthrex* panel concluded that APJs are principal officers in large part because no principal officer may “single-handedly review, nullify or reverse” the Board's decisions. *Arthrex*, 941 F.3d at 1329. But Supreme Court precedent does not require such power. And in the cases in which the Court emphasized a principal officer's power of review, that principal officer had less authority to direct and supervise an inferior officer's work *ex ante* than the Director has here.

In *Edmond*, for instance, the Court of Appeals for the Armed Forces, an Article I court, could review decisions of the Court of Criminal Appeals judges at issue. However, its scope of review was limited. *Edmond*, 520 U.S. at 665 (explaining that the Court of Appeals for the Armed Forces may only reevaluate the facts when there is no “competent evidence in the record to establish each element of the offense beyond a reasonable doubt”). And while the Judge Advocate General “exercise[d] administrative oversight” and could “prescribe uniform rules of procedure,” he could “not attempt to influence (by threat of removal or otherwise) the outcome of individual proceedings.” *Id.* at 664. Nonetheless, the Supreme Court found that the Court of

Commissioner power to designate “at least three members of the Board of Appeals and Interferences” to review “adverse decisions of examiners upon applications for patents”). Therefore, I believe the panel should have at least discussed how *Alappat*'s view of the power to control the Board might impact the Appointments Clause analysis.

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Criminal Appeals judges were inferior, not principal, officers. In comparison, while the Director may not unilaterally decide to rehear or reverse a Board decision, he has many powers to direct and supervise APJs both ex ante and ex post, Section I A, *supra*, that no principal officer had in *Edmond*.

Similarly, in *Freytag v. Comm'r*, 501 U.S. 868 (1991), the Supreme Court considered the status of special trial judges appointed by the Tax Court, whose independent decision-making varied based on the type of case before them. The Court held that the special trial judges were inferior officers—not employees—when presiding over “declaratory judgment proceedings and limited-amount tax cases” because they “render[ed] the decisions of the Tax Court” in those cases. *Id.* at 882. In doing so, the Court distinguished between cases in which the special trial judges acted as “inferior officers who exercise independent authority,” and cases in which they still had significant discretion but less independent authority. *Id.* The Court’s analysis distinguished between inferior officer and employee; nowhere did the Court suggest that special trial judges’ “independent authority” to decide declaratory judgment proceedings and limited-amount cases rendered them principal officers. *See id.* at 881–82. Most recently, the Court applied the framework of *Freytag* in deciding whether administrative law judges (ALJs) of the Securities and Exchange Commission (SEC) are inferior officers or employees. *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2053 (2018). The Court reasoned that SEC ALJs and *Freytag*’s special trial judges are extremely similar, but SEC ALJs arguably wield more power because their decisions become final if the SEC declines review. *Id.* at 2053–54. But again, the Court found this structure still only rendered SEC ALJs officers, not employees. *Id.* at 2054. No mention was made

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of SEC ALJs being principal officers.⁵ *See id.* at 2051 n.3 (explaining that the distinction between principal and inferior officers was “not at issue here”). Just as the special trial judges in *Freytag* and the SEC ALJs in *Lucia* were inferior officers, so too are APJs.

Nor does this court’s precedent require unfettered review as a marker of inferior officer status. In *Masias v. Sec’y of Health & Human Servs.*, we rebuffed the argument that because the Court of Federal Claims does not review decisions of the Vaccine Program’s special masters de novo, the special masters are principal officers. 634 F.3d 1283, 1293–94 (Fed. Cir. 2011). There, we recognized that the Court of Federal Claims may only “set aside any findings of fact or conclusions of law of the special master found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law” *Id.* at 1294. This limited review means that many of the special masters’ decisions are effectively final because the Court of Federal Claims has no basis to set aside findings of fact or conclusions of law. We reasoned that such limited review of special masters’ decisions by the Court of Federal Claims resembled the review in *Edmond*, and that “the fact that the review is limited does not mandate that special masters are necessarily ‘principal officers.’” *Id.* at 1295.

Finally, the panel analogized the *Arthrex* issue to the one addressed by the D.C. Circuit in *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012). *See Arthrex*, 941 F.3d at 1334. But the facts of

⁵ In fact, the Court declined “to elaborate on *Buckley*’s ‘significant authority’ test” marking the line between officer and employee, citing two parties’ briefs which argued that the test between officer and employee, not principal and inferior officer, should include some measure of the finality of decision making. *Lucia*, 138 S. Ct. at 2051–52.

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Intercollegiate are significantly different than those in *Arthrex*. The Librarian of Congress—the principal officer who supervises the Copyright Royalty Judges (CRJs) at issue—was much more constrained in her ability to direct and supervise the CRJs than the Director. The governing statute grants CRJs broad discretion over ratemaking. See 17 U.S.C. § 802(f)(1)(A)(i) (stating that “[CRJs] shall have full independence in making” numerous copyright rate-related decisions). The Librarian “approv[es] the CRJs’ procedural regulations, . . . issu[es] ethical rules for the CRJs, [and] . . . oversee[s] various logistical aspects of their duties,” such as publishing CRJs’ decisions and providing administrative resources. *Intercollegiate*, 684 F.3d at 1338. In fact, it appears the only way the Librarian can exercise substantive control over the CRJs’ ratemaking decisions is indirectly through the Register of Copyrights, whom she, not the President, appoints. See 17 U.S.C. § 701(a). The Register corrects any legal errors in the CRJs’ ratemaking decisions, 17 U.S.C. § 802(f)(1)(D), and provides written opinions to the CRJs on “novel question[s] of law,” 17 U.S.C. § 802(f)(1)(B), or when the CRJ requests such an opinion. 17 U.S.C. § 802(f)(1)(A)(ii). But the CRJs may not consult with the Register about a question of fact. 17 U.S.C. § 802(f)(1)(A)(i). The Librarian therefore exerts far less control over CRJs than the Director can over APJs using all the powers of direction and supervision discussed in Section I A, *supra*.

The comparison to *Intercollegiate* in *Arthrex* again highlights how the unique powers of direction and supervision in each case should be viewed in totality, rather than as discrete categories weighing in favor of inferior officer status or not. In particular, breaking up the analysis into three discrete categories—Review, Supervision, and Removal—overlooks how the powers in each category impact each other. Again, for example, whereas *ex post* the Court of Appeals for the Armed Forces has more power to review the Court of Criminal Appeals judges’ decisions than the

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Director has to review a Board decision, neither the JAG nor the Court of Appeals for the Armed Forces have the Director's ex ante control, such as the power to decide whether to hear a case at all or to issue binding guidance on how to apply the law in a case. Viewed through this integrated lens, I believe APJs comfortably fit with prior Supreme Court precedent that has never found a principal officer in a challenged position to date.

C

Finally, Title 5's efficiency of the service standard does not limit the ability to discipline or remove APJs in a constitutionally significant manner. It allows discipline and removal for "misconduct [that] is likely to have an adverse impact on the agency's performance of its functions." See *Brown v. Dep't of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000). To be sure, the efficiency of the service standard does not allow discipline or removal of APJs "without cause," as in *Edmond*. See *Arthrex*, 941 F.3d at 1333. But neither the Supreme Court nor this court has required that a civil servant be removable at will to qualify as an inferior officer. To the contrary, the Supreme Court and this court have upheld for-cause removal limitations on inferior officers. See, e.g., *Morrison v. Olson*, 487 U.S. 654, 692–93 (1988) (holding that the "good cause" restriction on removal of the independent counsel, an inferior officer, is permissible); *Masias*, 634 F.3d at 1294 (stating that the Court of Federal Claims can remove special masters for "incompetency, misconduct, or neglect of duty or for physical or mental disability or for other good cause shown"). See also *Free Enterprise*, 561 U.S. at 494 (explaining that the Court previously "adopted verbatim the reasoning of the Court of Claims, which had held that when Congress 'vests the appointment of inferior officers in the heads of Departments[,] it may limit and restrict the power of removal as it deems best for the public interest'" (alteration in original) (quoting *United States v. Perkins*, 116 U.S. 483, 485

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(1886) (itself quoting *Perkins v. United States*, 20 Ct. Cl. 438, 444 (1885))).

The efficiency of the service standard allows supervisors to discipline and terminate employees for arguably an even wider range of reasons than the standards above. Failing or refusing to follow the Director's policy or legal guidance is one such reason. Together with the significant authority the Director wields in directing and supervising APJs' work, the ability to remove an APJ on any grounds that promote the efficiency of the service supports finding that APJs are inferior officers.

II

Assuming for the sake of argument that APJs are principal officers, the present appointment scheme requires a remedy. The *Arthrex* fix makes APJs removable at will by partially severing 35 U.S.C. § 3(c) as it applies Title 5's removal protections to APJs. *Arthrex*, 941 F.3d at 1337–38. Though the key question in a severance analysis is congressional intent, *Arthrex* disposed of the question in a few sentences. I believe a fulsome severance analysis should have considered Congress's intent in establishing *inter partes* review against the backdrop of over thirty years of employment protections for APJs and their predecessors. And doing so would have revealed the importance of removal protections for APJs, particularly in light of Congress's desire for fairness and transparency in the patent system.

Our touchstone must remain the intent of Congress. See *United States v. Booker*, 543 U.S. 220, 246 (2005). As I outlined in my concurrence in *Polaris Innovations Ltd. v. Kingston Tech. Co.*, 792 F. App'x 820, 828–31 (Fed. Cir. 2020), the long-standing employment protections provided to APJs leads me to believe that Congress intended for them to have removal protections, regardless of changes made to the Board in the AIA. Given this history, it seems unlikely to me that Congress, faced with this Appointments Clause problem, would have chosen to strip APJs of

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their employment protections, rather than choose some other alternative.

I recognize that the panel considered several potential fixes and chose the one it viewed both as constitutional and minimally disruptive. But removing long-standing employment protections from hundreds of APJs is quite disruptive. It paradoxically imposes the looming prospect of removal without cause on the arbiters of a process which Congress intended to help implement a “clearer, fairer, more transparent, and more objective” patent system. *See, e.g., America Invents Act*, 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011) (statement of Sen. Kyl).

Given no clear evidence that Congress would have intended such a drastic change, I would defer to Congress to fix the problem. I agree with Judge Dyk that Congress “would prefer the opportunity to itself fix any Appointments Clause problem before imposing the panel’s drastic remedy.” Dyk Op. at 6. Congress can best weigh the need for a fair and transparent patent system with the need for federal employment protections for those entrusted with carrying out that system. And Congress faces fewer constraints than we do in fixing an unconstitutional statute. We should allow it to do so.

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**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2017-00275.

WALLACH, *Circuit Judge*, dissenting from denial of a petition for rehearing *en banc*.

I write to express my disagreement with the merits of the decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Given the significant direction to and supervision of an administrative patent judge (“APJ”) of the U.S. Patent and Trademark Office’s (“USPTO”) Patent Trial and Appeal Board (“PTAB”) by the USPTO Director, an APJ constitutes an inferior officer properly appointed by the Secretary of Commerce. Specifically, the Director’s ability to select a panel’s members, to

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designate a panel's decision as precedential, and to de-designate precedential opinions gives the Director significant authority over the APJs and preserves the political accountability of the USPTO. This framework strongly supports the contention that APJs are inferior officers. I respectfully disagree with the *Arthrex* decision.

The Supreme Court explained that it “ha[s] not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes[.]” *Edmond v. United States*, 520 U.S. 651, 661 (1997), but that it is “evident that ‘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 (emphasis added). The inquiry is context specific; the Supreme Court has sought to determine whether a principal officer “exercises administrative oversight over” another, by examining, for instance, whether a principal officer “is charged with the responsibility to prescribe uniform rules of procedure,” “formulate[s] policies and procedure[s] in regard to review of” the officer’s work, and may remove the officer without cause. *Id.* at 664 (internal quotation marks omitted). The oversight need not be “plenary,” *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 504 (2010), and the officer’s actions may be “significant” and done “largely independently” of the principal officer, *id.* at 504. *Edmond* instructs that the Appointments Clause is “designed to preserve political accountability relative to important Government assignments[.]” 520 U.S. at 663. The current framework for appointing, directing and supervising, and removing APJs preserves political accountability of the important work done at the USPTO.

The Director has broad authority to direct and supervise the APJs; this includes removal powers, *see* 35 U.S.C § 3(c), and supervision responsibilities, such as the promulgation of regulations, *id.* § 2(b), including those governing inter partes review, *id.* § 316(a)(4), and establishing

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USPTO policy, *id.* §§ 3(a), 6. In particular, there are specific ways the Director may direct and supervise the APJs and effectively determine the outcome of their work. First, the Director has the ability to select APJ panel members and designate which panel decisions are precedential. Specifically, the Director controls which APJ will hear any given appeal, proceeding, or review. *See id.* § 6(c) (“Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least [three] members of the [PTAB], who shall be designated *by the Director.*” (emphasis added)). Accordingly, the Director holds the authority to select which APJ will be on a panel and is free to exclude an APJ from a panel for any reason. I see this as overwhelming support for the proposition that APJs are inferior officers.

Second, the Director possesses an additional supervisory tool in exercising his or her statutory authority to form a standing Precedential Opinion Panel of at least three PTAB members who can rehear and reverse any PTAB decision. *See* Patent Trial and Appeal Board Standard Operating Procedure 2 at 2–4 <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>. The Precedential Opinion Panel’s opinion is precedential and binds all future panels of the PTAB. *Id.* at 3. The Director selects the members of the Precedential Opinion Panel and, by default, serves as a member of the panel as well. *Id.* at 4. The ability to select is the ability to direct. Moreover, the Director has the authority to de-designate precedential opinions as she or he sees fit. *Id.* at 12. These tools certainly preserve political accountability at the USPTO. Even though the *Arthrex* panel focused on the Director’s authority—or lack thereof—over APJs as an essential building block in its analysis, the panel failed to give adequate weight to these compelling features of the Director’s authority.

Other indicia support the view that APJs are inferior officers, but I view panel selection and precedential

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determinations as key, and noticeably absent from the discussion in *Arthrex*. Accordingly, I respectfully disagree with the *Arthrex* decision.

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Federal Circuit Order in Appeal Nos. 15-1429, -1869
(5/18/20)

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

LAKSHMI ARUNACHALAM,
Appellant

v.

SAP AMERICA, INC.,
Appellee

2015-1429, 2015-1869

Appeals from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in Nos.
CBM2013-00013, CBM2014-00018.

**ON PETITION FOR PANEL REHEARING AND
REHEARING EN BANC**

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
MOORE, REYNA, WALLACH, TARANTO, CHEN, and HUGHES,
*Circuit Judges.**

PER CURIAM.

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O R D E R

Appellant Lakshmi Arunachalam filed a combined petition for panel rehearing and rehearing en banc (titled as Motion to Reconsider Dismissal of Appeal and to Reinstate Appeal and Combined Petition for Panel Hearing, Rehearing, and Petition for En Banc Rehearing). The petition was referred to the panel that issued the order and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

- (1) The petition for panel rehearing is denied.
- (2) The petition for rehearing en banc is denied.

FOR THE COURT

December 28, 2016
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

* Circuit Judge O'MALLEY and Circuit Judge STOLL did not participate.

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**
717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

PETER R. MARKSTEINER
CLERK OF COURT

CLERK'S OFFICE
202-275-8000

May 18, 2020

Lakshmi Arunachalam
222 Stanford Avenue
Menlo Park, CA 94025

Re: Arunachalam v. SAP America, Inc., Appeal Nos. 15-1429, -1869

Dear Ms. Arunachalam,

This letter responds to your submission titled "Motion to Remand in Light of Arthrex, Inc. v. Smith & Nephew, Inc." received by the Clerk's Office on May 14, 2020. Final judgment has been entered in this case and it is now closed in this court.

The above appeal was decided and mandated on September 23, 2016 and the petition for rehearing was denied on December 28, 2016. Thus, no action will be taken on the submitted documents. Further related filings in this closed case will receive no response.

Very truly yours,

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

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**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
00275.

Decided: October 31, 2019

ANTHONY P. CHO, Carlson, Gaskey & Olds, PC, Bir-
mingham, MI, argued for appellant. Also represented by
DAVID LOUIS ATALLAH, DAVID J. GASKEY, JESSICAE
ZILBERBERG.

CHARLES T. STEENBURG, Wolf, Greenfield & Sacks, PC,
Boston, MA, argued for appellees. Also represented by
RICHARD GIUNTA, TURHAN SARWAR; MICHAEL N. RADER,
New York, NY.

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MELISSA N. PATTERSON, Appellate Staff, Civil Division, United States Department of Justice, Washington, DC, argued for intervenor. Also represented by COURTNEY DIXON, SCOTT R. MCINTOSH, JOSEPH H. HUNT; SARAH E. CRAVEN, THOMAS W. KRAUSE, JOSEPH MATAL, FARHEENA YASMEEN RASHEED, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA.

Before MOORE, REYNA, and CHEN, *Circuit Judges*.

MOORE, *Circuit Judge*.

Arthrex, Inc. appeals from the final written decision of the Patent Trial and Appeal Board holding claims 1, 4, 8, 10–12, 16, 18, and 25–28 of U.S. Patent No. 9,179,907 unpatentable as anticipated. Arthrex appeals this decision and contends that the appointment of the Board’s Administrative Patent Judges (“APJs”) by the Secretary of Commerce, as currently set forth in Title 35, violates the Appointments Clause, U.S. Const., art. II, § 2, cl. 2. We agree and conclude that the statute as currently constructed makes the APJs principal officers. To remedy the violation, we follow the approach set forth by the Supreme Court in *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 561 U.S. 477 (2010) and followed by the D.C. Circuit in *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d 1332 (2012). As the Supreme Court instructs, “[g]enerally speaking, when confronting a constitutional flaw in a statute, we try to limit the solution to the problem, severing any ‘problematic portions while leaving the remainder intact.’” *Free Enterprise Fund*, 561 U.S. at 508 (quoting *Ayotte v. Planned Parenthood of Northern New Eng.*, 546 U.S. 320, 328–29 (2006)). We conclude that severing the portion of the Patent Act restricting removal of the APJs is sufficient to render the APJs inferior officers and remedy the constitutional appointment problem. As the final written decision on

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appeal issued while there was an Appointments Clause violation, we vacate and remand. Following *Lucia v. S.E.C.*, 138 S. Ct. 2044 (2018), the appropriate course of action is for this case to be remanded to a new panel of APJs to which Arthrex is entitled.

BACKGROUND

Arthrex owns the '907 patent, which is directed to a knotless suture securing assembly. Smith & Nephew, Inc. and Arthrocare Corp. (collectively "Petitioners" or "Appellees") filed a petition requesting *inter partes* review of claims 1, 4, 8, 10–12, 16, 18, and 25–28 of the '907 patent.

Inter partes review is a "hybrid proceeding" with 'adjudicatory characteristics' similar to court proceedings." *Saint Regis Mohawk Tribe v. Mylan Pharms.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018). After a petitioner files a petition requesting that the Board consider the patentability of issued patent claims, the Director of the United States Patent and Trademark Office ("USPTO") determines whether to institute an *inter partes* review proceeding. 35 U.S.C. § 314.¹ A three-judge panel of Board members then conducts the instituted *inter partes* review. *Id.* § 316(c).² If an

¹ The Director delegated that authority to the Board, so now "[t]he Board institutes the trial on behalf of the Director." 37 C.F.R. § 42.4(a).

² The Board consists of "[t]he Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges." 35 U.S.C. § 6(a). The Director of the USPTO is "appointed by the President, by and with the advice and consent of the Senate." *Id.* § 3(a). The Deputy Director and the Commissioners are appointed by the Secretary of Commerce; the former being nominated by the Director. *Id.* §§ 3(b)(1)–(2). The Administrative Patent Judges "are appointed by the

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instituted review is not dismissed before the conclusion of the proceedings, the Board issues a final written decision determining the patentability of challenged claims. *Id.* § 318(a). Once the time for appeal of the decision expires or any appeal has been terminated, the Director issues and publishes a certificate canceling any claim of the patent finally determined to be unpatentable. *Id.* § 318(b).

The *inter partes* review of the '907 patent was heard by a three-judge panel consisting of three APJs. The Board instituted review and after briefing and trial, the Board issued a final written decision finding the claims unpatentable as anticipated. J.A. 12, 14, 42.

ANALYSIS

A. Waiver

Appellees and the government argue that Arthrex forfeited its Appointments Clause challenge by not raising the issue before the Board. Although “[i]t is the general rule . . . that a federal appellate court does not consider an issue not passed upon below,” we have discretion to decide when to deviate from that general rule. *Singleton v. Wulff*, 428 U.S. 106, 120–21 (1976). The Supreme Court has included Appointments Clause objections to officers as a challenge which could be considered on appeal even if not raised below. *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878–79 (1991); *Glidden Co. v. Zdanok*, 370 U.S. 530, 535–36 (1962).

In *Freytag*, the Supreme Court exercised its discretion to decide an Appointments Clause challenge despite petitioners’ failure to raise a timely objection at trial. 501 U.S. at 878–79. In fact, the Court reached the issue despite the fact that it had not been raised until the appellate stage.

Secretary [of Commerce], in consultation with the Director.” *Id.* § 6(a).

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The Court explained that the structural and political roots of the separation of powers concept are embedded in the Appointments Clause. It concluded that the case was one of the “rare cases in which we should exercise our discretion to hear petitioners’ challenge to the constitutional authority.” *Id.* at 879. We believe that this case, like *Freytag*, is one of those exceptional cases that warrants consideration despite Arthrex’s failure to raise its Appointments Clause challenge before the Board. Like *Freytag*, this case implicates the important structural interests and separation of powers concerns protected by the Appointments Clause. Separation of powers is “a fundamental constitutional safeguard” and an “exceptionally important” consideration in the context of *inter partes* review proceedings. *Cascades Projection LLC v. Epson America, Inc.*, 864 F.3d 1309, 1322 (Fed. Cir. 2017) (Reyna, J., dissenting from denial of petition for hearing en banc). The issue presented today has a wide-ranging effect on property rights and the nation’s economy. Timely resolution is critical to providing certainty to rights holders and competitors alike who rely upon the *inter partes* review scheme to resolve concerns over patent rights.

Appellees and the government argue that like *In re DBC* we should decline to address the Appointments Clause challenge as waived. *DBC* recognized that the court retains discretion to reach issues raised for the first time on appeal, but declined to do so in that case. 545 F.3d 1373, 1380 (Fed. Cir. 2008). The court predicated its decision on the fact that if the issue had been raised before the Board, it could have corrected the Constitutional infirmity because there were Secretary appointed APJs and that Congress had taken “remedial action” re delegating the power of appointment to the Secretary of Commerce in an attempt to “eliminat[e] the issue of unconstitutional appointments going forward.” *Id.* at 1380. As the court noted, “the Secretary, acting under the new statute, has reappointed the administrative patent judges involved in *DBC*’s appeal.”

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Id. at 1381. Not only had Congress taken remedial action to address the constitutionality issue, the Secretary had already been implementing those remedies limiting the impact. *Id.* No such remedial action has been taken in this case and the Board could not have corrected the problem. Because the Secretary continues to have the power to appoint APJs and those APJs continue to decide patentability in *inter partes* review, we conclude that it is appropriate for this court to exercise its discretion to decide the Appointments Clause challenge here. This is an issue of exceptional importance, and we conclude it is an appropriate use of our discretion to decide the issue over a challenge of waiver.

B. Appointments Clause

Arthrex argues that the APJs who presided over this *inter partes* review were not constitutionally appointed. It argues the APJs were principal officers who must be, but were not, appointed by the President with the advice and consent of the Senate.

The Appointments Clause of Article II provides:

[The President] . . . shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law 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.

U.S. Const. art. II, § 2, cl. 2. APJs are appointed by the Secretary of Commerce, in consultation with the Director of the USPTO. 35 U.S.C. § 6(a). The issue, therefore, is whether APJs are “Officers of the United States” and if so,

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whether they are inferior officers or principal officers; the latter requiring appointment by the President as opposed to the Secretary of Commerce. We hold that in light of the rights and responsibilities in Title 35, APJs are principal officers.

An “Officer of the United States,” as opposed to a mere employee, is someone who “exercis[es] significant authority pursuant to the laws of the United States.” *Buckley v. Valeo*, 424 U.S. 1, 125–26 (1976). The Appointments Clause ensures that the individuals in these positions of significant authority are accountable to elected Executive officials. *See Lucia*, 138 S. Ct. at 2056 (Thomas, J., concurring) (citing *The Federalist* No. 76, p. 455 (C. Rossiter ed. 1961) (A. Hamilton)). It further ensures that the President, and those directly responsible to him, does not delegate his ultimate responsibility and obligation to supervise the actions of the Executive Branch. *See Free Enterprise Fund*, 561 U.S. at 496. The Appointments Clause provides structural protection against the President diffusing his accountability and from Congress dispensing power too freely to the same result. “The structural interests protected by the Appointments Clause are not those of any one branch of Government but of the entire Republic.” *Freytag*, 501 U.S. at 880. Because “people do not vote for the ‘Officers of the United States,’” the public relies on the Appointments Clause to connect their interests to the officers exercising significant executive authority. *Free Enterprise Fund*, 561 U.S. at 497–98. Arthrex argues that the APJs exercise the type of significant authority that renders them Officers of the United States. Neither Appellees nor the government dispute that APJs are officers as opposed to employees. We agree that APJs are Officers of the United States. *See John F. Duffy, Are Administrative Patent Judges Constitutional?*, 2007 *Patently-O Patent L.J.* 21, 25 (2007) (concluding that administrative patent judges are officers as opposed to mere employees).

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Under 35 U.S.C. § 6(a), APJs “hold a continuing office established by law . . . to a position created by statute.” *Lucia*, 138 S. Ct. at 2053. The APJs exercise significant discretion when carrying out their function of deciding *inter partes* reviews. They oversee discovery, 37 C.F.R. § 42.51, apply the Federal Rules of Evidence, 37 C.F.R. § 42.62(a), and hear oral arguments, 37 C.F.R. § 42.70. And at the close of review proceedings, the APJs issue final written decisions containing fact findings and legal conclusions, and ultimately deciding the patentability of the claims at issue. See 35 U.S.C. § 318(a). The government itself has recognized that there is a “functional resemblance between *inter partes* review and litigation,” and that the Board uses “trial-type procedures in *inter partes* review.” Br. of United States at 26, 31, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018). The Board’s patentability decisions are final, subject only to rehearing by the Board or appeal to this court. See 35 U.S.C. §§ 6(c), 141(c), 319. Like the special trial judges (“STJs”) of the Tax Court in *Freytag*, who “take testimony, conduct trials, rule on the admissibility of evidence, and have the power to enforce compliance with discovery orders,” 501 U.S. at 881–82, and the SEC Administrative Law Judges in *Lucia*, who have “equivalent duties and powers as STJs in conducting adversarial inquiries,” 138 S. Ct. at 2053, the APJs exercise significant authority rendering them Officers of the United States.

The remaining question is whether they are principal or inferior officers. The Supreme Court explained that “[w]hether one is an ‘inferior’ officer depends on whether he has a superior,” and “‘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.” *Edmond v. United States*, 520 U.S. 651, 662–63 (1997). There is no “exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes.” *Id.* at 661. However,

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the Court in *Edmond* emphasized three factors: (1) whether an 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. *See id.* at 664–65; *see also Intercollegiate*, 684 F.3d at 1338. These factors are strong indicators of the level of control and supervision appointed officials have over the officers and their decision-making on behalf of the Executive Branch. The extent of direction or control in that relationship is the central consideration, as opposed to just the relative rank of the officers, because the ultimate concern is “preserv[ing] political accountability.” *Edmond*, 520 U.S. at 663. The only two presidentially-appointed officers that provide direction to the USPTO are the Secretary of Commerce and the Director. Neither of those officers individually nor combined exercises sufficient direction and supervision over APJs to render them inferior officers.

1. Review Power

The Supreme Court deemed it “significant” whether an appointed official has the power to review an officer's decision such that the officer cannot independently “render a final decision on behalf of the United States.” *Edmond*, 520 U.S. at 665. No presidentially-appointed officer has independent statutory authority to review a final written decision by the APJs before the decision issues on behalf of the United States. There are more than 200 APJs and a minimum of three must decide each *inter partes* review. 35 U.S.C. § 6(c). The Director is the only member of the Board who is nominated by the President and confirmed by the Senate. The Director is however only one member of the Board and every *inter partes* review must be decided by at least three Board judges. At the conclusion of the agency proceeding, the Board issues a final written decision. 35 U.S.C. § 318(a).

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There is no provision or procedure providing the Director the power to single-handedly review, nullify or reverse a final written decision issued by a panel of APJs. If parties are dissatisfied with the Board decision, they may request rehearing by the Board or may appeal to this court. 35 U.S.C. §§ 6(c), 141(c), 319. “Only the Patent Trial and Appeal Board may grant rehearings,” upon a party’s request. *Id.* § 6(c). Again, the decision to rehear would be made by a panel of at least three members of the Board. And the rehearing itself would be conducted by a panel of at least three members of the Board.

The government argues that the Director has multiple tools that give him the authority to review decisions issued by APJs. The government argues that the Director possesses the power to intervene and become a party in an appeal following a final written decision with which he disagrees. *See* 35 U.S.C. § 143. But that authority offers no actual reviewability of a decision issued by a panel of APJs. At most, the Director can intervene in a party’s appeal and ask this court to vacate the decision, but he has no authority to vacate the decision himself. And the statute only gives the parties to the *inter partes* review the power to appeal the decision, not the Director. *See id.* § 319. If no party appeals the APJs’ decision, the Director’s hands are tied. “[T]he Director *shall* issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable. . . .” *Id.* § 318(b) (emphasis added). The Director cannot, on his own, *sua sponte* review or vacate a final written decision.

The government argues that the Director has additional review authority through his institution of the recently created Precedential Opinion Panel. That standing panel, composed of at least three Board members, can rehear and reverse any Board decision and can issue decisions that are binding on all future panels of the Board. *See* Patent Trial and Appeal Board Standard Operating Procedure 2 at 8. The Director’s authority is limited to

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“conven[ing] a Precedential Opinion Panel to review a decision in a case and determine whether to order sua sponte rehearing” and to act as one of the three default members of the panel. *Id.* at 4–5. When the Director sits on a panel as a member of the Board, he is serving as a member of the Board, not supervising the Board.

Additionally, the government points out that the Director “may designate any decision by any panel, including the Precedential Opinion Panel, as precedential . . .” *Id.* at 8. These powers do not, however, provide the type of reviewability over APJs’ decisions comparable to the review power principal officers in other cases have had. *See, e.g., Edmond*, 520 U.S. at 664–65; *Masias v. Secretary of Health and Human Servs.*, 634 F.3d 1283, 1294–95 (Fed. Cir. 2011) (special masters under the Vaccine Act were inferior officers in part because their decisions were “subject to review by the Court of Federal Claims” (an Article I court)). To be clear, the Director does not have the sole authority to review or vacate any decision by a panel of APJs. He can only *convene* a panel of Board members to *decide whether* to rehear a case for the purpose of deciding whether it should be precedential. No other Board member is appointed by the President. The government certainly does not suggest that the Director controls or influences the votes of the other two members of his special rehearing panel. Thus, even if the Director placed himself on the panel to decide whether to rehear the case, the decision to rehear a case and the decision on rehearing would still be decided by a panel, two-thirds of which is not appointed by the President. There is no guarantee that the Director would even be in the majority of that decision. Thus, there is no review by other Executive Branch officers who meet the accountability requirements of the Appointments Clause. Moreover, the Standard Operating Procedure makes clear that the Director would convene such a panel only in cases of “exceptional importance”: to potentially set precedent for the Board. In other words, this form of

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review—constrained to a limited purpose—is still conducted by a panel of APJs who do not meet the requirements of the Appointments Clause and represents the exception.

Finally, the government alleges that the Director has review authority over Board decisions because he can decide not to institute an *inter partes* review in the first instance. We do not agree that the Director's power to institute (ex ante) is any form of review (ex post). For the past several years, the Board has issued over 500 *inter partes* review final written decisions each year. The relevant question is to what extent those decisions are subject to the Director's review.

The situation here is critically different from the one in *Edmond*. In *Edmond*, the Supreme Court considered whether military judges on the Coast Guard Court of Criminal Appeals were principal as opposed to inferior officers. 520 U.S. at 655. There, the Court of Appeals for the Armed Forces, an Executive Branch entity, had the power to reverse decisions by the military judges and “review[ed] every decision of the Court of Criminal Appeals in which: (a) the sentence extends to death; (b) the Judge Advocate General orders such review; or (c) the court itself grants review upon petition of the accused.” *Id.* at 664–65. And while the Judge Advocate General (a properly appointed Executive officer) could not reverse decisions of the military judges, he could order any of those decisions be reviewed by the Court of Appeals for the Armed Forces (a presidentially-appointed Executive Branch, Article I court). *Id.* The Court deemed it “significant [] that the judges of the Court of Criminal Appeals ha[d] no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Id.* at 665 (emphasis added). That is simply not the case here. Panels of APJs issue final decisions on behalf of the USPTO, at times revoking patent rights, without any principal officers having the right to review those decisions. Thus, APJs

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have substantial power to issue final decisions on behalf of the United States without any review by a presidentially-appointed officer. We find that there is insufficient review within the agency over APJ panel decisions. This supports a conclusion that APJs are principal officers.

2. Supervision Power

The extent to which an officer's work is supervised or overseen by another Executive officer also factors into determining inferior versus principal officer status. *See Edmond*, 520 U.S. at 664. The Director exercises a broad policy-direction and supervisory authority over the APJs. The Director is "responsible for providing policy direction and management supervision" for the USPTO. 35 U.S.C. § 3(a)(2)(A). Arthrex argues the Director's oversight authority amounts to little more than high-level, arms-length control. We disagree.

The Director has the authority to promulgate regulations governing the conduct of *inter partes* review. *Id.* § 316. He also has the power to issue policy directives and management supervision of the Office. *Id.* § 3(a). He may provide instructions that include exemplary applications of patent laws to fact patterns, which the Board can refer to when presented with factually similar cases. Moreover, no decision of the Board can be designated or de-designated as precedential without the Director's approval. Patent Trial and Appeal Board Standard Operating Procedure 2 at 1. And all precedential decisions of the Board are binding on future panels. *Id.* at 11. In addition to these policy controls that guide APJ-panel decision making, the Director has administrative authority that can affect the procedure of individual cases. For example, the Director has the independent authority to decide whether to institute an *inter partes* review based on a filed petition and any corresponding preliminary response. 35 U.S.C. § 314(a). And the Director is authorized to designate the panel of judges who decides each *inter partes* review. *See* 35 U.S.C. § 6(c).

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Not only does the Director exercise administrative supervisory authority over the APJs based on his issuance of procedures, he also has authority over the APJs' pay. 35 U.S.C. § 3(b)(6).

The Director's administrative oversight authority is similar to the supervisory authority that was present in both *Edmond* and *Intercollegiate*. In *Edmond*, the Judge Advocate General "exercise[d] administrative oversight" and had the responsibility of "prescrib[ing] uniform rules of procedure" for the military judges. 520 U.S. at 664. Likewise, in *Intercollegiate*, the Librarian of Congress was responsible for approving the Copyright Royalty Judges' ("CRJs") "procedural regulations . . . and [] overseeing various logistical aspects of their duties." 684 F.3d at 1338. And the Register of Copyrights, who was subject to the control of the Librarian, had "the authority to interpret the copyright laws and provide written opinions to the CRJs." *Id.* The Director possesses similar authority to promulgate regulations governing *inter partes* review procedure and to issue policy interpretations which the APJs must follow. Accordingly, we conclude that the Director's supervisory powers weigh in favor of a conclusion that APJs are inferior officers.

3. Removal Power

The Supreme Court viewed removal power over an officer as "a powerful tool for control" when it was unlimited. *Edmond*, 520 U.S. at 664. Under the current Title 35 framework, both the Secretary of Commerce and the Director lack unfettered removal authority.

Appellees and the government argue that the Director can remove an APJ based on the authority to designate which members of the Board will sit on any given panel. See 35 U.S.C. § 6(c). The government argues that the Director could exclude any APJ from a case who he expects would approach the case in a way inconsistent with his views. The government suggests that the Director could

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potentially remove all judicial function of an APJ by refusing to assign the APJ to any panel. The government also claims that the Director could remove an APJ from an *inter partes* review mid-case if he does not want that particular APJ to continue on the case. Br. of United States at 3, 41. Section 6(c) gives the Director the power to designate the panel who hears an *inter partes* review, but we note that the statute does not expressly authorize de-designation. The government argues that because Title 35 authorizes the Director to *designate* members of a panel in an *inter partes* review proceeding, he also has the authority to change the panel composition at any time because “removal authority follows appointment authority.” Oral Arg. 35:52–54; *see also* Br. of United States at 3, 41. It is correct that when a statute is silent on removal, the power of removal is presumptively incident to the power of appointment. *See In re Hennen*, 38 U.S. 230 (1839); *Myers v. United States*, 272 U.S. 52 (1926). The government argues by analogy to these cases that the power to de-designate follows the power to designate. We do not today decide whether the Director in fact has such authority.³

³ It is not clear the Director has de-designation authority. To be sure, *someone* must have the power to remove an officer from government service, so when a statute is silent about removal, we presume that the person who appoints the officer to office has the power to remove him. But it is not clear that Congress intended panels once designated to be able to be de-designated. Such a conclusion could run afoul of Congress’ goal of speedy resolution through “quick and cost effective alternatives to litigation.” H.R. Rep. No. 112–98, pt. 1, at 48 (2011). Additionally, it is not clear whether this type of mid-case de-designation of an APJ could create a Due Process problem. However, we need not decide whether the Director

The government analogizes the Director's designation power to the Judge Advocate General's power in *Edmond*, which allowed him to remove a military judge "from his judicial assignment without cause." 520 U.S. at 664. The Director's authority to assign certain APJs to *certain panels* is not the same as the authority to remove an APJ from *judicial service* without cause. Removing an APJ from an *inter partes* review is a form of control, but it is not nearly as powerful as the power to remove from office without cause. "[T]he power to remove officers at will and without cause is a powerful tool for control of an inferior." *Free Enterprise Fund.*, 561 U.S. at 501.

The only actual removal authority the Director or Secretary have over APJs is subject to limitations by Title 5. Title 35 does not provide statutory authority for removal of the APJs. Instead, 35 U.S.C. § 3(c) provides, "[o]fficers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees." No one disputes that Title 5 creates limitations on the Secretary's or Director's authority to remove an APJ from his or her employment at the USPTO. Specifically, APJs may be removed "only for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a).⁴ This limitation requires "a

has such authority or whether such authority would run afoul of the Constitution because even if we accept, for purposes of this appeal, that he does possess that authority, it would not change the outcome.

⁴ The parties dispute which provision of Title 5 governs removal of APJs. Arthrex argues that 5 U.S.C. § 7521(a) limits removal of the APJs to removal "only for good cause established and determined by the Merit Systems Protection Board on the record after opportunity for hearing before the Board." Whereas the government argues that § 7521 does not apply to APJs because they are

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nexus between the misconduct and the work of the agency, *i.e.*, that the employee's misconduct is likely to have an adverse impact on the agency's performance of its functions." *Brown v. Department of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000).⁵ Moreover, § 7513 provides procedural limitations on the Director's removal authority over APJs. *See, e.g.*, 5 U.S.C. § 7513(b) (entitling the APJ to 30 days advanced written notice stating specific reasons for the proposed removal, an opportunity to answer with documentary evidence, entitlement to representation by an attorney, and a written decision with specific reasons); *Id.* § 7513(d) (right of appeal to the Merit Systems and Protections Board).

The government argues that the Secretary's authority to remove APJs from employment for "such cause as will promote efficiency of the service"—the same standard applied to any other federal employee—underscores that APJs are subject to significant supervision and control. It argues that Title 5's removal restrictions are less cumbersome than the restrictions on the Court of Federal Claims' removal authority over the special masters who were

appointed not under 5 U.S.C. § 3105, but under 35 U.S.C. § 6. The government argues therefore that removal of APJs is governed by the section of Title 5 related to federal employees generally, which limits removal "only for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). We agree with the government that the applicable provision to removal of APJs in Title 5 is § 7513. Section 7513 contains a lower threshold to support removal than does § 7521.

⁵ Under § 7513(b), the Director does not have unfettered authority to remove an APJ from service. We do not, however, express an opinion as to circumstances which could justify a removal for such cause as would promote the efficiency of service.

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deemed inferior officers in *Masias*. In *Masias*, we held that special masters authorized by the Vaccine Act were inferior officers. 634 F.3d. at 1295. The special masters were appointed and supervised by judges of the Court of Federal Claims, who are presidentially-appointed. *Id.* at 1294. The special masters could be removed only “for incompetency, misconduct, or neglect of duty or for physical or mental disability or for other good cause shown.” *Id.* (quoting 42 U.S.C. § 300aa-12(c)(2)). Though there were significant limits on removal in *Masias*, our court recognized that “decisions issued by the special masters are subject to review by the Court of Federal Claims.” *Id.* at 1294. We held that the review power over the special masters’ decisions paralleled the review by the Court of Appeals for the Armed forces in *Edmond*, and although the review was not *de novo*, it favored a finding that the special masters were not principal officers. *Id.* at 1295. That significant power of review does not exist with respect to final written decisions issued by the APJs.

The APJs are in many ways similar to the CRJs in *Intercollegiate* for purposes of determining whether an officer is principal or inferior. The CRJs issued ratemaking decisions that set the terms of exchange for musical works. *Intercollegiate*, 684 F.3d at 1338. The APJs issue written decisions determining patentability of patent claims. Both are intellectual property decisions upon which “billions of dollars and the fates of entire industries can ride.” *Id.* In *Intercollegiate*, the Librarian approved procedural regulations, issued ethical rules, and oversaw logistical aspects of the CRJs’ duties. *Id.* Additionally, the Register of Copyrights provided written opinions interpreting copyright law and could correct any legal errors in the CRJs’ decisions. *Id.* at 1338-39. Similarly, the Director has the authority to promulgate regulations governing *inter partes* review and provides written policy directives. He does not, however, have the ability to modify a decision issued by APJs, even to correct legal misstatements. The Director’s

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inability to review or correct issued decisions by the APJs likens those decisions to “the CRJs’ rate determinations [which] are not reversible or correctable by any other officer or entity within the executive branch.” *Id.* at 1340. Moreover, the limitations on removal in Title 5 are similar to the limitations on removal in *Intercollegiate*. There, the Librarian could only remove CRJs “for misconduct or neglect of duty.” *Id.* at 1340. Here, APJs can only be removed from service for “such cause as will promote the efficiency of the service,” meaning for “misconduct [that] is likely to have an adverse impact on the agency’s performance of its functions.” 5 U.S.C. § 7513; *Brown*, 229 F.3d at 1358. The D.C. Circuit in *Intercollegiate* determined that given the CRJs’ nonremovability and the finality of their decisions, “the Librarian’s and Register’s supervision functions still fall short of the kind that would render [them] inferior officers.” 684 F.3d at 1339. Likewise, APJs issue decisions that are final on behalf of the Executive Branch and are not removable without cause. We conclude that the supervision and control over APJs by appointed Executive Branch officials in significant ways mirrors that of the CRJs in *Intercollegiate*.

4. Other Limitations

We do not mean to suggest that the three factors discussed are the only factors to be considered. However, other factors which have favored the conclusion that an officer is an inferior officer are completely absent here. For example, in *Morrison v. Olson*, 487 U.S. 654 (1988), the Court concluded that the Independent Counsel was an inferior officer because he was subject to removal by the Attorney General, performed limited duties, had limited jurisdiction, and had a limited tenure. *Edmond*, 520 U.S. at 661. Unlike the Independent Counsel, the APJs do not have limited tenure, limited duties, or limited jurisdiction.

Interestingly, prior to the 1975 amendment to Title 35, “Examiners-in-Chief”—the former title of the current

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APJs—were subject to nomination by the President and confirmation by the Senate. 35 U.S.C. § 3 (1952). In 1975, Congress eliminated their Presidential appointment and instead gave the Secretary of Commerce, upon nomination by the Commissioner, the power to appoint. 35 U.S.C. § 3 (1975). There can be no reasonable dispute that APJs who decide reexaminations, *inter partes* reviews, and post-grant reviews wield significantly more authority than their Examiner-in-Chief predecessors. But the protections ensuring accountability to the President for these decisions on behalf of the Executive Branch clearly lessened in 1975.

Having considered the issues presented, we conclude that APJs are principal officers. The lack of any presidentially-appointed officer who can review, vacate, or correct decisions by the APJs combined with the limited removal power lead us to conclude, like our sister circuit in *Intercollegiate*, which dealt with the similarly situated CRJs, that these are principal officers. While the Director does exercise oversight authority that guides the APJs procedurally and substantively, and even if he has the authority to de-designate an APJ from *inter partes* reviews, we conclude that the control and supervision of the APJs is not sufficient to render them inferior officers. The lack of control over APJ decisions does not allow the President to ensure the laws are faithfully executed because “he cannot oversee the faithfulness of the officers who execute them.” *Free Enterprise Fund*, 561 U.S. at 484. These factors, considered together, confirm that APJs are principal officers under Title 35 as currently constituted. As such, they must be appointed by the President and confirmed by the Senate; because they are not, the current structure of the Board violates the Appointments Clause.

C. Severability

Having determined that the current structure of the Board under Title 35 as constituted is unconstitutional, we must consider whether there is a remedial approach we can

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take to address the constitutionality issue. “In exercising our power to review the constitutionality of a statute, we are compelled to act cautiously and refrain from invalidating more of the statute than is necessary.” *Helman v. Department of Veterans Affairs*, 856 F.3d 920, 930 (Fed. Cir. 2017) (citing *Regan v. Time, Inc.*, 468 U.S. 641, 652 (1984)). Where appropriate, we “try to limit the solution to the problem, [by] severing any problematic portions while leaving the remainder intact.” *Free Enterprise Fund*, 561 U.S. at 508. Severing the statute is appropriate if the remainder of the statute is “(1) constitutionally valid, (2) capable of functioning independently, and (3) consistent with Congress’ basic objectives in enacting the statute.” *United States v. Booker*, 543 U.S. 220, 258–59 (2005).

The government suggests possible remedies to achieve this goal. As to 35 U.S.C. § 3(c)’s requirement that “Officers and employees of the Office shall be subject to the provisions of title 5,” the government argues that we could construe Title 5’s “efficiency of the service” standard to permit removal in whatever circumstances the Constitution requires. Construing the words “only for such cause as will promote the efficiency of the service” as permitting at-will, without-cause removal is not a plausible construction. *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833, 841 (1986) (“[a]lthough this Court will often strain to construe legislation so as to save it against constitutional attack, it must not and will not carry this to the point of perverting the purpose of a statute . . . or judicially rewriting it.” (citations omitted)); *Jennings v. Rodriguez*, 138 S. Ct. 830, 842 (2018) (“The canon of constitutional avoidance ‘comes into play only when, after the application of ordinary textual analysis, the statute is found to be susceptible of more than one construction. In the absence of more than one *plausible* construction, the canon simply has no application.” (internal citations omitted)). Moreover, that statutory section pertains to nearly all federal employees. We will not construe 5 U.S.C. § 7513 one way for APJs

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and a different way for everyone else to which it applies. The government next argues that we could construe the statute as providing the Director the authority to unilaterally revise a Board decision before it becomes final. We see no language in the statute that could plausibly be so construed. The statute is clear that Board decisions must be rendered by at least three Board judges and that only the Board can grant rehearing. 35 U.S.C. § 6(c) (“Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.”). Indeed, the government recommends in the alternative that we simply sever the “three-member clause.”

Allowing the Director to appoint a single Board member to hear or rehear any *inter partes* review (appeal, derivation proceeding, and post grant review), especially when that Board member could be the Director himself, would cure the Constitutional infirmity. While the Board members would still not be subject to at-will removal, their decision would not be the “final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Edmond*, 520 U.S. at 665. This combined with the other forms of supervision and controlled exercised over APJs would be sufficient to render them inferior officers. We conclude, however, that severing three judge review from the statute would be a significant diminution in the procedural protections afforded to patent owners and we do not believe that Congress would have created such a system. Eliminating three-APJ panels from all Board proceedings would be a radical statutory change to the process long required by Congress in all types of Board proceedings. The current three-judge review system provides a broader collection of technical expertise and experience on each panel addressing *inter partes* reviews, which implicate wide cross-sections of technologies. The breadth of

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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.⁶ We are uncomfortable with such a sweeping change to the statute at our hands and uncertain that Congress would have been willing to adopt such a change. And, importantly, we see a far less disruptive alternative to the scheme Congress laid out.

The government also suggested partially severing 35 U.S.C. § 3(c), the provision that applies Title 5 to officers and employees of the USPTO. *Br. of United States* at 35 (“Alternatively, this Court could hold that 35 U.S.C. § 3(c)’s provision that USPTO officers and employees are subject to Title 5 cannot constitutionally be applied to Board members with respect to that Title’s removal restrictions, and thus must be severed to that extent.”). We think this the

⁶ In 2015, the USPTO requested comments on a proposed pilot program under which institution decisions for *inter partes* reviews would be decided by a single APJ as opposed to three-APJ panels. Multiple commenters expressed concern that such a change would reduce consistency, predictability, and accuracy in the institution decisions. *See, e.g.*, Comments of the American Bar Association Section of Intellectual Property at 3 (Nov. 12, 2015) (“a single judge panel . . . will increase the likelihood of incorrect decisions”); Comments of Various Automotive Companies at 3 (Nov. 17, 2015) (“Using just one APJ to decide a particular matter would greatly dilute . . . deliberativeness.”); Comments of Askeladden LLC at 2 (Nov. 18, 2015) (“the inherent safeguard of a three-judge arbiter gives the public confidence”); Comments of Public Knowledge and Electronic Frontier Foundation at 2 (Nov. 18, 2015) (“by changing the institution decision body from a three-judge panel to a single judge, the USPTO risks a decline in quality of institution decisions”).

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narrowest viable approach to remedying the violation of the Appointments Clause. We follow the Supreme Court's approach in *Free Enterprise Fund*, similarly followed by the D.C. Circuit in *Intercollegiate*. See 561 U.S. 477; 684 F.3d 1332. In *Free Enterprise Fund*, the Supreme Court held that a "for-cause" restriction on the removal power of the SEC's Commissioners violated the Constitution. *Id.* at 492. The Court invalidated and severed the problematic "for-cause" restriction from the statute rather than holding the larger structure of the Public Company Accounting Oversight Board unconstitutional. *Id.* at 508.

The D.C. Circuit followed this approach in *Intercollegiate*, by invalidating and severing the restriction on the Librarian's removal power over CRJs. 684 F.3d at 1340. The court held unconstitutional all language in the relevant removal statute other than, "[t]he Librarian of Congress may sanction or remove a Copyright Royalty Judge." *Id.* The Court determined that giving the Librarian of Congress unfettered removal power was sufficient such "that the CRJs' decisions will be constrained to a significant degree by a principal officer (the Librarian)." *Id.* at 1341. And the constraint of that power was enough to render the CRJs inferior officers. *Id.*

Severing Title 5's removal restrictions might arguably be achieved either by severing the words "Officers and" or by concluding that those removal restrictions are unconstitutional as applied to APJs. The government recommends a partial invalidation, namely that we sever the application of Title 5's removal restrictions to APJs. See *United States v. Nat'l Treasury Emps. Union*, 513 U.S. 454 (1995); *United States v. Grace*, 461 U.S. 171 (1983). All parties and the government agree that this would be an appropriate cure for an Appointments Clause infirmity. This as-applied severance is the narrowest possible modification to the scheme Congress created and cures the constitutional violation in the same manner as *Free Enterprise Fund* and

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Intercollegiate. Title 5's removal protections cannot be constitutionally applied to APJs, so we sever that application of the statute.

Severability turns on whether "the statute will function in a manner consistent with the intent of Congress." *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 685 (1987) (emphasis omitted). In *Free Enterprise Fund*, the Court severed the removal provision because it concluded that "nothing in the statute's text or historical context" suggested that Congress "would have preferred no Board at all to a Board whose members are removable at will." 561 U.S. at 509. Indeed, we answer affirmatively the question: "Would the legislature have preferred what is left of its statute to no statute at all?" *Ayotte*, 546 U.S. at 330. It is our view that Congress intended for the *inter partes* review system to function to review issued patents and that it would have preferred a Board whose members are removable at will rather than no Board at all.

The narrowest remedy here is similar to the one adopted in *Intercollegiate*, the facts of which parallel this case. Thus, we conclude that the appropriate remedy to the constitutional violation is partial invalidation of the statutory limitations on the removal of APJs. Title 35 U.S.C. § 3(c) declares the applicability of Title 5 rights to "Officers and employees of the Office." See also Supp. Br. of United States at 9–10 (noting that Title 5 definitions might cover APJs). Title 5 U.S.C. § 7513(a) permits agency action against those officers and employees "only for such cause as will promote the efficiency of the service." Accordingly, we hold unconstitutional the statutory removal provisions as applied to APJs, and sever that application. Like the D.C. Circuit in *Intercollegiate*, we believe severing the restriction on removal of APJs renders them inferior rather than principal officers. Although the Director still does not have independent authority to review decisions rendered by APJs, his provision of policy and regulation to guide the outcomes of those decisions, coupled with the power of

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removal by the Secretary without cause provides significant constraint on issued decisions.

The decision to partially invalidate statutory removal protections limits the effect of the severance to APJs and to their removal protections. We are mindful that the alternative of severing the “Officers and” provision from § 3(c) may not have been limited to APJs (there might have been other officers whose Title 5 rights would have been affected) and it might have removed all Title 5 protections, not just removal protections. Severing the application to APJs of removal protections is the narrowest remedy. The choice to sever and excise a portion of a statute as unconstitutional in order to preserve the statute as a whole is limited, and does not permit judicial rewriting of statutes. *Booker*, 543 U.S. at 258 (to address the constitutional infirmity, we consider “*which* portions of the . . . statute we must sever and excise as inconsistent with the Court’s constitutional requirement”); *Ayotte*, 546 U.S. at 329 (“[W]e restrain ourselves from ‘rewrit[ing] . . . law to conform it to constitutional requirements’ even as we strive to salvage it”). “Unless it is evident that the Legislature would not have enacted those provisions which are within its power, independently of that which is not, the invalid part may be dropped if what is left is fully operative as a law.” *Buckley*, 424 U.S. at 108–09 (quoting *Champlin Refining Co. v. Corporation Comm’n of Oklahoma*, 286 U.S. 210, 234 (1932)). We are not, under the guise of severability, permitted to add exceptions for APJs to the language § 3(c) officer protections. *Railroad Retirement Bd. v. Alton R. Co.*, 295 U.S. 330, 362 (1935) (when severing a statute, we must avoid “rewrit[ing] a statute”). We hold that the application of Title 5’s removal protections to APJs is unconstitutional and must be severed. And we are convinced that Congress would preserve the statutory scheme it created for reviewing patent grants and that it intended for APJs to be inferior officers. Our severance of the limits on removal of APJs achieves this. We believe that this, the

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narrowest revision to the scheme intended by Congress for reconsideration of patent rights, is the proper course of action and the action Congress would have undertaken.

Because the Board's decision in this case was made by a panel of APJs that were not constitutionally appointed at the time the decision was rendered, we vacate and remand the Board's decision without reaching the merits. The government argues that while this court has the discretion to vacate and remand in the event there is an Appointments Clause challenge, we should decline to do so because the challenge was not first brought before the Board. The government argues that Arthrex's challenge was not timely and as such we should decline to award the relief *Lucia* deems appropriate. Arthrex argues it would have been futile to raise the Appointments Clause challenge before the Board because the Board lacked the authority to grant it relief. Arthrex argues it raised the challenge at the first stage where it could have obtained relief and therefore its argument is timely. We agree with Arthrex that the Board was not capable of providing any meaningful relief to this type of Constitutional challenge and it would therefore have been futile for Arthrex to have made the challenge there. "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) (citing *Mathews v. Diaz*, 426 U.S. 67, 76 (1976); *Weinberger v. Salfi*, 422 U.S. 749, 765 (1975); *Johnson v. Robison*, 415 U.S. 361, 368 (1974); *PUC v. United States*, 355 U.S. 534, 539-40 (1958)). The PTAB itself has declined to examine this issue in other cases. See *Samsung Elecs. Am., Inc. v. Uniloc*, 2017 LLC, No. IPR2018-01653, 2019 WL 343814, at *2 (PTAB Jan. 25, 2019) (declining to consider constitutional challenge to appointments because "administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments" and "[t]his is especially true when, as here, the constitutional claim asks the agency to act contrary to

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its statutory charter”) (internal citations and quotation marks omitted); *see also Intel Corp. v VLSI Tech. LLC*, No. IPR2018-01107, 2019 PAT. APP. LEXIS 4893, at *26-27 (P.T.A.B. Feb. 12, 2019); *Unified Patents Inc. v. MOAEC Techs., LLC*, No. IPR2018-01758, 2019 WL 1752807, at *9 (P.T.A.B. Apr. 17, 2019). The only possibility of correction which the government claims the agency could have made is the Director shutting down the IPR regime by refusing to institute. Petitioners argue that if the Appointments Clause challenge had been raised at the Board, it “could have prompted the PTAB to defer institution decisions on all IPRs” and “[t]he Executive Branch could have then championed legislation to address the alleged constitutional infirmity.” Arthrex sought to have its case decided by a constitutionally appointed board. The PTO could not provide this relief.

We agree with Arthrex that its Appointments Clause challenge was properly and timely raised before the first body capable of providing it with the relief sought—a determination that the Board judges are not constitutionally appointed. Our decision in *DBC* is not to the contrary. In *DBC*, the Appointments Clause challenge was to the particular APJs who were appointed by the Director, rather than the Secretary. We observed that if the issue had been raised before the agency, the agency could have “corrected the constitutional infirmity.” *DBC*, 545 F.3d at 1379. At that time, there were APJs who had been appointed by the Secretary who could have decided the case and thus the agency could have cured the constitutional defect. In *DBC*, we observed that in *LA Tucker* and *Woodford*, had the issue been raised at the agency, the agency could have corrected the problem. *See id.* at 1378 (citing *Woodford v. Ngo*, 548 U.S. 81 (2006); *United States v. LA Tucker Truck Lines*, 344 U.S. 33 (1952)). *Ryder v. United States*, cited by the government, likewise involved a challenge made to a particular judge, and the problem could have been cured by reassigning the case to a different judge at the trial level.

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515 U.S. 177 (1995). In contrast, here the Director is the only Presidentially-appointed, Senate confirmed member of the Board. The Board was not capable of correcting the constitutional infirmity. We conclude that this Constitutional challenge is one in which the Board had no authority to provide any meaningful relief and that it was thus futile for Arthrex to have raise the challenge before the Board.

The *Lucia* court explained that Appointments Clause remedies are designed to advance structural purposes of the Appointments Clause and to incentivize Appointments Clause challenges. *Lucia*, 138 S. Ct. at 2055 n.5. We conclude that both of these justifications support our decision today to vacate and remand. See *Collins v. Mnuchin*, 938 F.3d 553, 593 (5th Cir. 2019) (recognizing, “the Court has invalidated actions taken by individuals who were not properly appointed under the Constitution.”). The Supreme Court held in *Freytag* that Appointments Clause challenges raise important structural interests and separation of powers concerns. We conclude that challenges under these circumstances should be incentivized at the appellate level and accordingly the remedy provided is appropriate. We have decided only that this case, where the final decision was rendered by a panel of APJs who were not constitutionally appointed and where the parties presented an Appointments Clause challenge on appeal, must be vacated and remanded. Appointments Clause challenges are “nonjurisdictional structural constitutional objections” that can be waived when not presented. *Freytag*, 501 U.S. at 878–79. Thus, we see the impact of this case as limited to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal.

Finally, on remand we hold that a new panel of APJs must be designated and a new hearing granted. See Appellant’s Supp. Br. at 12 (“This Court should thus order a remand to a new PTAB panel for a new oral argument.”) The Supreme Court has explained that when a judge has heard

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the case and issued a decision on the merits, “[h]e cannot be expected to consider the matter as though he had not adjudicated it before. To cure the constitutional error, another ALJ . . . must hold the new hearing.” *Lucia*, 138 S. Ct. at 2055. *Lucia* suggests that the remedy is not to vacate and remand for the same Board judges to rubber-stamp their earlier unconstitutionally rendered decision. Like *Lucia*, we hold that a new panel of APJs must be designated to hear the *inter partes* review anew on remand. To be clear, on remand the decision to institute is not suspect; we see no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314. Finally, we see no error in the new panel proceeding on the existing written record but leave to the Board’s sound discretion whether it should allow additional briefing or reopen the record in any individual case.

VACATED AND REMANDED

COSTS

The parties shall bear their own costs.

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**United States Court of Appeals
for the Federal Circuit**

ARTHREX, INC.,
Appellant

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees

UNITED STATES,
Intervenor

2018-2140

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-
00275.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

VACATED AND REMANDED

ENTERED BY ORDER OF THE COURT

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October 31, 2019

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

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NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

VIRNETX INC.,
Appellant

v.

CISCO SYSTEMS, INC.,
Appellee

**ANDREI IANCU, Director, U.S. Patent and Trade-
mark Office,**
Intervenor

2019-1671

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. 95/001,679.

ON MOTION

Before MOORE, O'MALLEY, and CHEN, *Circuit Judges*.
O'MALLEY, *Circuit Judge*.

ORDER

VirnetX Inc. moves to vacate the decision of the Patent
Trial and Appeal Board and remand for further

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proceedings in light of *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Cisco Systems, Inc. opposes the motion. The Director of the United States Patent and Trademark Office intervenes and opposes.

Although this appeal arises out of an *inter partes* reexamination and not an *inter partes* review as was at issue in *Arthrex*, we see no material difference in the relevant analysis. We therefore grant VirnetX's motion.

Accordingly,

IT IS ORDERED THAT:

(1) The Director of the United States Patent and Trademark Office is added as an intervenor. The revised official caption is reflected above.

(2) VirnetX's motion to vacate and remand is granted. The Patent Trial and Appeal Board's decision is vacated, and the case is remanded to the Board for proceedings consistent with this court's decision in *Arthrex*.

(3) Each side shall bear its own costs.

FOR THE COURT

January 24, 2020

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

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Federal Circuit Order in Appeal Nos. 16-1607
(5/18/20)

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**NOTICE OF ENTRY OF
JUDGMENT ACCOMPANIED BY OPINION**

OPINION FILED AND JUDGMENT ENTERED:

The attached opinion announcing the judgment of the court in your case was filed and judgment was entered on the date indicated above. The mandate will be issued in due course.

Information is also provided about petitions for rehearing and suggestions for rehearing en banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

No costs were taxed in this appeal.

Regarding exhibits and visual aids: Your attention is directed Fed. R. App. P. 34(g) which states that the clerk may destroy or dispose of the exhibits if counsel does not reclaim them within a reasonable time after the clerk gives notice to remove them. (The clerk deems a reasonable time to be 15 days from the date the final mandate is issued.)

FOR THE COURT

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

16-1607 - In re: Arunachalam
United States Patent and Trademark Office, Case No. 90/010,417

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NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

IN RE: LAKSHMI ARUNACHALAM,
Appellant

2016-1607

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. 90/010,417.

Decided: October 3, 2017

LAKSHMI ARUNACHALAM, Menlo Park, CA, pro se.

NATHAN K. KELLEY, Office of the Solicitor, United
States Patent and Trademark Office, Alexandria, VA, for
appellee Joseph Matal. Also represented by KAKOLI
CAPRIHAN, SARAH E. CRAVEN, THOMAS W. KRAUSE.

Before NEWMAN, CLEVINGER, and CHEN, *Circuit
Judges.*

PER CURIAM.

Lakshmi Arunachalam, proceeding pro se, owns U.S.
Patent No. 6,212,556 (556 Patent), which is a continua-
tion-in-part of another patent that she owns, U.S. Patent
No. 5,987,500 (500 Patent). An ex parte reexamination of

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the '556 Patent resulted in the Patent Trial and Appeal Board (Board) concluding that certain claims of the patent were unpatentable as either anticipated or obvious. Dr. Arunachalam appeals the Board's decision. However, the '556 Patent claims before the Board are not materially different from certain claims of the '500 Patent that were previously invalidated by a district court. Nor are they materially different from other patent claims of Dr. Arunachalam's in which we applied collateral estoppel to bar her from challenging a prior Board unpatentability decision. As with her appeal from that prior Board decision, we conclude that collateral estoppel bars Dr. Arunachalam from challenging the Board's decision in this case. Moreover, after carefully considering her briefs, we further conclude that Dr. Arunachalam failed to show reversible error in the Board's unpatentability decision. In view of the foregoing, we *affirm* the Board's decision.

INTRODUCTION

A. Technology

The '556 Patent and the '500 Patent are generally directed to systems and methods that allow a user to engage in real-time, two-way transactions over networks, such as the Internet. *See, e.g.*, '556 Patent at [57] (Abstract); '500 Patent at [57] (Abstract). This real-time transaction can be achieved using what the patents describe as a "value-added network" (VAN) switch. *See* '556 Patent col. 2 ll. 42-56; '500 Patent col. 2 ll. 32-42. For example, the VAN switch allows a user to purchase goods and services from a merchant over the Internet, i.e., engage in a real-time, two way transaction, *see* '556 Patent col. 5 l. 53-col. 6 l. 31; '500 Patent col. 5 ll. 16-61, whereas before, the user was able to only view the offered goods and services and could not engage in a transaction, *see* '556 Patent col. 1 l. 46-col. 2 l. 39; '500 Patent col. 1 l. 34-col. 2 l. 28.

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IN RE: ARUNACHALAM

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Figure 6A of the patents help conceptualize the claimed invention.

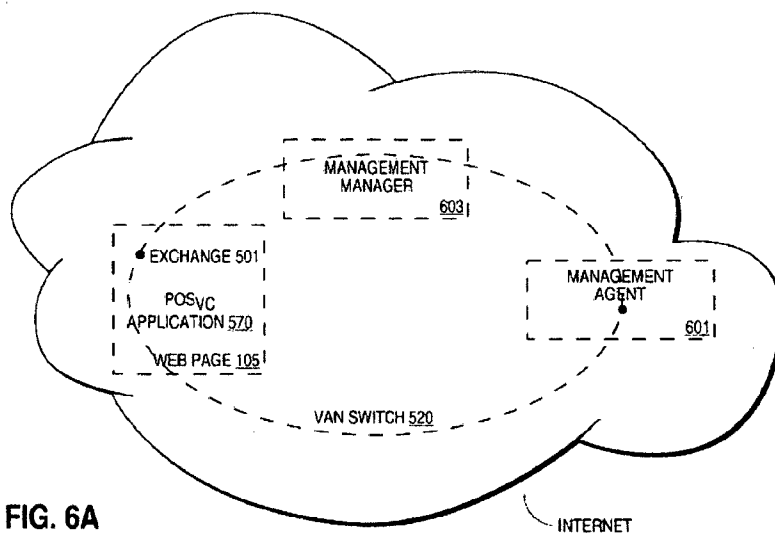


FIG. 6A

According to the patents, exchange 501 and management agent 601 “constitute a [VAN] switch” and “may take on different roles as necessary” to enable real-time, two-way transactions, ’556 Patent col. 8 ll. 17–21; *see also* ’500 Patent col. 7 ll. 42–46, but little else is said as to how the VAN switch specifically goes about handling such transactions.

Independent claim 1 of each patent exemplifies the claimed inventions.

1. *A switch for enabling real-time transactions on a value-added network, comprising:*

means for switching to a transactional application in response to a user specification from a network application;

means for transmitting a transaction request from the transactional application; and

means for processing the transaction request, including performing object routing.

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IN RE: ARUNACHALAM

'556 Patent col. 30 ll. 59–67 (emphases added).

1. *A configurable value-added network switch for enabling real-time transactions on a network*, said configurable value-added network switch comprising:

means for switching to a transactional application in response to a user specification from a network application, said transactional application providing a user with a plurality of transactional services managed by at least one value-added network service provider, said value-added network service provider keeping a transaction flow captive, said plurality of transactional services being performed interactively and in real time;

means for transmitting a transaction request from said transactional application; and

means for processing said transaction request.

'550 Patent col. 9 ll. 44–57 (emphases added).

B. Litigation History of the '500 Patent

Dr. Arunachalam, through her company, Pi-Net International, Inc. (Pi-Net), previously asserted claims 1–6, 10–12, 14–16, and 35 (asserted claims) of the '500 Patent in the United States District Court for the District of Delaware (district court), but the district court eventually declared the asserted claims invalid. *See generally Pi-Net Int'l Inc. v. JPMorgan Chase & Co.*, 42 F. Supp. 3d 579, 588–94 (D. Del. 2014) (deeming claims invalid as indefinite, for lack of enablement, and for lack of written description). The district court held that the claim terms “VAN switch,” “switching,” and “value-added network system,” which were used across the asserted claims, were indefinite. *Id.* at 590. The district court also held that the asserted claims were not enabled. *See id.* at 592 (“[T]he specification does not actually define, in language

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that would allow a person of ordinary skill in the art to make and use the invention, what a 'VAN switch' is and how it accomplishes 'object routing' or real-time transactions. Instead, the specification presents an abstract concept of real-time transactions, in which a merchant and a user interact." (citation omitted)). And the district court found that the asserted claims did not have sufficient written description. *See id.* at 594 ("The crux of the invention is 'real-time' transactions for the user; there is no disclosure of how these occur. The [district] court concludes that the [asserted claims of the '500 Patent] . . . are invalid for lack of written description.").

"Pi-Net appealed, but that appeal was subsequently dismissed for failure to prosecute after being unable to file a brief that complied with [our] word-limit requirements." *Arunachalam v. SAP America, Inc.*, No. 15-1424, slip order at 4 (Fed. Cir. Sept. 23, 2016) (*Arunachalam Order*) (citing *Pi-Net Int'l, Inc. v. JPMorgan Chase & Co.*, 600 F. App'x 774 (Fed. Cir. 2015)). "Pi-Net filed a petition for rehearing at this court, a petition for a writ of certiorari at the Supreme Court of the United States, and a petition for rehearing at the Supreme Court, all of which were denied." *Id.*

Sometime during the district court litigation, SAP America, Inc. (SAP) challenged the patentability of claims 1-6, 10-12, 14-17, and 35 (challenged claims) of the '500 Patent through an inter partes review (IPR). *See id.* at 4. The Board concluded that these challenged claims were unpatentable. *Id.* Dr. Arunachalam appealed the Board's conclusions. *Id.* SAP argued that Dr. Arunachalam was collaterally estopped from appealing the Board's decision concerning the challenged claims of the '500 Patent because the district court had already declared them invalid. *See id.* SAP extended this argument to claim 17, which was not asserted in the district court litigation. *See id.* at 4-5. We agreed with SAP. In doing so, we explained that:

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“Where a patent has been declared invalid in a proceeding in which the ‘patentee has had a full and fair chance to litigate the validity of his patent,’ the patentee is collaterally estopped from re-litigating the validity of the patent.” . . . [C]ollateral estoppel is not limited “to patent claims that are identical. Rather, it is the identity of the *issues* that were litigated that determines whether collateral estoppel should apply.”

Id. at 4–5 (alteration and citation omitted) (first quoting *Miss. Chem. Corp. v. Swift Agric. Chems. Corp.*, 717 F.2d 1374, 1376 (Fed. Cir. 1983); and then quoting *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013)).

We then concluded that Dr. Arunachalam was collaterally estopped from appealing the Board’s decision with respect to the claims of the ’500 Patent that were asserted in the district court *and* challenged in the IPR because these claims had already been declared invalid in the district court litigation. *See id.* at 5. We also concluded that she was collaterally estopped from appealing the Board’s decision with respect to challenged claim 17 of the ’500 Patent, even though that claim had not been asserted in the district court litigation, because it was not materially different than the claims of the ’500 Patent asserted in the district court. *See id.* at 7 (“[T]he differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity’ here, [so] ‘collateral estoppel applies.’” (quoting *Ohio Willow*, 735 F.3d at 1342)). Of particular relevance to our collateral estoppel decision, we noted that claim 17 contained the VAN switch limitation, which the district court previously held was not enabled in the other asserted claims of the ’500 Patent. *See id.* It was of no import that the claims of the ’500 Patent were adjudicated in different fora. *See id.* at 6–7 (first citing *In re Freeman*,

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30 F.3d 1459, 1468–69 (Fed. Cir. 1994); and then citing *B & B Hardware, Inc. v. Hargis Indus., Inc.*, ___ U.S. ___, 135 S. Ct. 1293, 1303 (2015)). Further, we observed that Dr. Arunachalam was represented at all times by counsel during the district court litigation involving the '500 Patent, and thus, she already had a full and fair opportunity to defend its patentability. *See id.* at 5–6. We, therefore, declined to disturb the Board's decision concerning the challenged claims of the '500 Patent and dismissed the appeal as moot. *See id.* at 7.

C. Litigation History of the '556 Patent

In the present case, Microsoft Corporation requested an ex parte reexamination of the '556 Patent, and the Board found that claims 1–13, 15–23, 25–27, and 29 were unpatentable as anticipated and held that claims 14 and 28 were unpatentable as obvious. Dr. Arunachalam appeals the Board's decision in the reexamination. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(4)(A) (2012).

DISCUSSION

The Patent and Trademark Office (PTO) contends that Dr. Arunachalam's appeal should be dismissed because she is collaterally estopped from arguing the patentability of the challenged claims of the '556 Patent as a result of *JPMorgan*, where the district court invalidated certain claims of the '500 Patent. *See* Appellee Br. at 17–23. Specifically, every challenged claim of the '556 Patent "recites a limitation [from the '500 Patent that was] held in *JPMorgan* to be indefinite or non-enabled," i.e., "switch,' 'switching,' and/or a 'means for switching' to enable "real-time transactions." *Id.* at 19. In liberally construing Dr. Arunachalam's briefing, we understand her to challenge the applicability of collateral estoppel in this appeal, but she offers no explanation as to why we should not apply collateral estoppel, as we did in the

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Arunachalam Order, and affirm the PTO's decision. We thus agree with the PTO.

As noted, where a patentee has had a full and fair opportunity to litigate the validity of a patent in one proceeding, but is ultimately unsuccessful, the patentee is collaterally estopped from relitigating the validity or patentability of the patent in a later proceeding. See *Miss. Chem.*, 717 F.2d at 1376. And notwithstanding any differences between the patent claims in the two proceedings, collateral estoppel is still applicable because the focus is on "the identity of issues" that has been litigated in both proceedings. *Ohio Willow Wood*, 735 F.3d at 1342.

Here, we again conduct the analysis that guided our decision in the *Arunachalam Order*. Our comparison of the challenged claims of the '556 Patent that were deemed unpatentable by the Board with the asserted claims of the '500 Patent that were declared invalid by the district court reveals that any differences between the two sets of claims are not material such that those differences would affect the patentability of the challenged claims of the '556 Patent. Compare, e.g., '556 Patent col. 30 ll. 57–59 (independent claim 1), *id.* col. 31 ll. 39–58 (independent claim 13), and *id.* col. 32 ll. 44–67 (independent claim 26), with '500 Patent col. 9 ll. 44–57 (independent claim 1), and *id.* col. 10 ll. 34–48 (independent claim 10). Every challenged claim of the '556 Patent contains the terms "switch," "switching," or a "means for switching" in the context of enabling two-way, real-time transactions—all terms that have been the bases for declaring other claims invalid as indefinite, for lack of enablement, and for lack of written description in *JPMorgan*. See 42 F. Supp. 3d at 588–94.

Moreover, despite that the '556 Patent is a continuation-in-part of the '500 Patent with additional disclosures, the '556 Patent's discussion concerning these specific terms remains nearly identical to its counterpart in the

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'500 Patent. *Compare, e.g.,* '556 Patent col. 1 l. 20–col. 10 l. 12, *with* '500 Patent col. 1 l. 11–col. 9 l. 31. The '556 Patent's additional disclosures do not further explain what a “VAN switch” is or how it enables two-way, real-time transactions. *See* '556 Patent figs. 9–22; *id.* col. 10 l. 13–col. 30 l. 57. And Dr. Arunachalam's briefs point to no evidence in the additional disclosures that addresses the § 112 issues.

In light of Dr. Arunachalam's previous opportunity to litigate the validity of the asserted claims of the '500 Patent, which contain the terms “switch,” “switching,” and a “means for switching,” we see no reason to allow her to appeal the patentability of the challenged claims of the '556 Patent, which also contain the same critical terms.¹

Furthermore, Dr. Arunachalam has failed to show the Board committed a reversible error in its decision to affirm the Examiner's anticipation and obviousness rejections over Ginter. Dr. Arunachalam's briefs list a number of claim constructions and conclusory statements, but they do not adequately explain how these constructions overcome the Examiner's findings of anticipation and obviousness. Accordingly, Dr. Arunachalam's arguments on the merits are not persuasive.

¹ We note that *Securities & Exchange Commission v. Chenery Corp.*, 318 U.S. 80 (1943) does not apply here because collateral estoppel is a legal finding that does not require new fact finding. *Canonsburg Gen. Hosp. v. Burwell*, 807 F.3d 295, 304 (D.C. Cir. 2015) (“*Chenery* does not apply to legal principles like [collateral estoppel].” (citations omitted)).

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All of Dr. Arunachalam's remaining arguments for reversing the Board's decision are unavailing.²

CONCLUSION

For the foregoing reasons, we *affirm* the Board's decision.

AFFIRMED

COSTS

No Costs.

² We deny Dr. Arunachalam's two motions seeking to have us certify certain purported legal questions to the United States Supreme Court as she has not precisely identified any question of national importance that should be decided before we resolve this appeal. See U.S. Sup. Ct. R. 19(a); see also *White v. Johnson*, 282 U.S. 367, 371 (1931) ("The [C]ourt has repeatedly held that it will not answer questions of objectionable generality." (citations omitted)).

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Questions and Answers

Petitions for Rehearing (Fed. Cir. R. 40)
and
Petitions for Hearing or Rehearing En Banc (Fed. Cir. R. 35)

Q. When is a petition for rehearing appropriate?

A. Petitions for panel rehearing are rarely successful because they most often fail to articulate sufficient grounds upon which to grant them. For example, a petition for panel rehearing should not be used to reargue issues already briefed and orally argued; if a party failed to persuade the court on an issue in the first instance, a petition for panel rehearing should not be used as an attempt to get a second "bite at the apple." This is especially so when the court has entered a judgment of affirmance without opinion under Fed. Cir. R. 36. Such dispositions are entered if the court determines the judgment of the trial court is based on findings that are not clearly erroneous, the evidence supporting the jury verdict is sufficient, the record supports the trial court's ruling, the decision of the administrative agency warrants affirmance under the appropriate standard of review, or the judgment or decision is without an error of law.

Q. When is a petition for hearing or rehearing en banc appropriate?

A. En banc decisions are extraordinary occurrences. To properly answer the question, one must first understand the responsibility of a three-judge merits panel of the court. The panel is charged with deciding individual appeals according to the law of the circuit as established in the court's precedential opinions. While each merits panel is empowered to enter precedential opinions, the ultimate duty of the court en banc is to set forth the law of the Federal Circuit, which merit panels are obliged to follow.

Thus, as a usual prerequisite, a merits panel of the court must have entered a precedential opinion in support of its judgment for a suggestion for rehearing en banc to be appropriate. In addition, the party seeking rehearing en banc must show that either the merits panel has failed to follow identifiable decisions of the U.S. Supreme Court or

Federal Circuit precedential opinions or that the merits panel has followed circuit precedent, which the party seeks to have overruled by the court en banc.

Q. How frequently are petitions for rehearing granted by merits panels or petitions for rehearing en banc accepted by the court?

A. The data regarding petitions for rehearing since 1982 shows that merits panels granted some relief in only three percent of the more than 1900 petitions filed. The relief granted usually involved only minor corrections of factual misstatements, rarely resulting in a change of outcome in the decision.

En banc petitions were accepted less frequently, in only 16 of more than 1100 requests. Historically, the court itself initiated en banc review in more than half (21 of 37) of the very few appeals decided en banc since 1982. This sua sponte, en banc review is a by-product of the court's practice of circulating every precedential panel decision to all the judges of the Federal Circuit before it is published. No count is kept of sua sponte, en banc polls that fail to carry enough judges, but one of the reasons that virtually all of the more than 1100 petitions made by the parties since 1982 have been declined is that the court itself has already implicitly approved the precedential opinions before they are filed by the merits panel.

Q. Is it necessary to have filed either of these petitions before filing a petition for certiorari in the U.S. Supreme Court?

A. No. All that is needed is a final judgment of the Court of Appeals. As a matter of interest, very few petitions for certiorari from Federal Circuit decisions are granted. Since 1982, the U.S. Supreme Court has granted certiorari in only 31 appeals heard in the Federal Circuit. Almost 1000 petitions for certiorari have been filed in that period.

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**INFORMATION SHEET****FILING A PETITION FOR A WRIT OF CERTIORARI**

There is no automatic right of appeal to the Supreme Court of the United States from judgments of the Federal Circuit. You must file a petition for a writ of certiorari which the Supreme Court will grant only when there are compelling reasons. (See Rule 10 of the Rules of the Supreme Court of the United States, hereinafter called Rules.)

Time. The petition must be filed in the Supreme Court of the United States within 90 days of the entry of judgment in this Court or within 90 days of the denial of a timely petition for rehearing. The judgment is entered on the day the Federal Circuit issues a final decision in your case. [The time does not run from the issuance of the mandate, which has no effect on the right to petition.] (See Rule 13 of the Rules.)

Fees. Either the \$300 docketing fee or a motion for leave to proceed in forma pauperis with an affidavit in support thereof must accompany the petition. (See Rules 38 and 39.)

Authorized Filer. The petition must be filed by a member of the bar of the Supreme Court of the United States or by the petitioner representing himself or herself.

Format of a Petition. The Rules are very specific about the order of the required information and should be consulted before you start drafting your petition. (See Rule 14.) Rules 33 and 34 should be consulted regarding type size and font, paper size, paper weight, margins, page limits, cover, etc.

Number of Copies. Forty copies of a petition must be filed unless the petitioner is proceeding in forma pauperis, in which case an original and ten copies of the petition for writ of certiorari and of the motion for leave to proceed in forma pauperis. (See Rule 12.)

Where to File. You must file your documents at the Supreme Court.

**Clerk
Supreme Court of the United States
1 First Street, NE
Washington, DC 20543
(202) 479-3000**

No documents are filed at the Federal Circuit and the Federal Circuit provides no information to the Supreme Court unless the Supreme Court asks for the information.

Access to the Rules. The current rules can be found in Title 28 of the United States Code Annotated and other legal publications available in many public libraries.



**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

PETER R. MARKSTEINER
CLERK OF COURT

CLERK'S OFFICE
202-275-8000

May 18, 2020

Lakshmi Arunachalam
222 Stanford Avenue
Menlo Park, CA 94025

Re: In re: Arunachalam, Appeal No. 16-1607

Dear Ms. Arunachalam,

This letter responds to your submission titled "Motion to Remand in Light of Arthrex, Inc. v. Smith & Nephew, Inc." received by the Clerk's Office on May 15, 2020. Final judgment has been entered in this case and it is now closed in this court.

The above appeal was decided on October 3, 2017 and the mandate issued on November 27, 2017. Thus, no action will be taken on the submitted documents. Further related filings in this closed case will receive no response.

Very truly yours,

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

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