No. 20–74

In the Supreme Court of the United States

United States of America,

Petitioner,

v.

Image Processing Technologies LLC, et al.

Respondents.

On Petition for a Writ of Certiorari to United States Court of Appeals for the Federal Circuit

MEMORANDUM IN RESPONSE FOR RESPONDENT ROVI GUIDES, INC.

MICHAEL E. JOFFRE
Counsel of Record
JASON D. EISENBERG
WILLIAM H. MILLIKEN
Sterne, Kessler, Goldstein & Fox, PLLC
1100 New York Avenue, N.W.
Washington, D.C. 20005
(202) 772-8856
mjoffre@sternekessler.com

Counsel for Respondent Rovi Guides, Inc.

August 26, 2020

QUESTIONS PRESENTED

The Appointments Clause requires principal "Officers of the United States" to be appointed by the President with the advice and consent of the Senate. The court of appeals held that administrative patent judges of the U.S. Patent and Trademark Office are principal officers because they issue final decisions on behalf of the agency that are not reviewable by any other Executive Branch officer and because they are removable from office only for cause. Accordingly, the court of appeals held, Congress's decision to vest in the Secretary of Commerce the power to appoint those judges was unconstitutional. In an attempt to remedy this constitutional defect, the court of appeals severed and invalidated the removal protections applicable to administrative patent judges, thereby rendering them removable at will by the Secretary of Commerce.

The questions presented in the Government's petition for certiorari are:

1. Whether the court of appeals correctly held that administrative patent judges are principal officers, where they issue final decisions on behalf of the Executive Branch and are removable only for cause.

2. Whether the court of appeals permissibly considered Rovi's Appointments Clause challenge, where Rovi raised the issue to the first tribunal with authority to adjudicate it.

RULE 29.6 STATEMENT

Respondent Rovi Guides, Inc. states that its parent corporations are Rovi Corporation, TiVo Corporation, and Xperi Holding Corporation.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases

U.S. Constitution

Statutes

Other Authorities

MEMORANDUM IN RESPONSE FOR RESPONDENT ROVI GUIDES, INC.

In *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), the Federal Circuit correctly held that administrative patent judges of the Patent Trial and Appeal Board are "principal officers" under the Appointments Clause, meaning that Congress's decision to vest their appointment in the Secretary of Commerce was unconstitutional. In an attempt to remedy the constitutional violation, the court of appeals severed and invalidated "the portion of the Patent Act restricting removal" of administrative patent judges. *Id.* at 1325. This remedy, the court held, rendered the judges "inferior officers" who may validly be appointed by the Secretary of Commerce. *Id.* The full Federal Circuit denied rehearing en banc, *see* 953 F.3d 760 (Fed. Cir. 2020), and all parties to the *Arthrex* case have petitioned for certiorari. *See* No. 19-1434 (filed June 25, 2020); No. 19-1452 (filed June 29, 2020); No. 19-1458 (filed June 30, 2020).

Arthrex has petitioned for review of two questions: (i) whether the court of appeals' severance remedy was proper and (ii) whether the court of appeals correctly held that elimination of administrative patent judges' tenure protections was sufficient to render them inferior officers. The Government has also petitioned for review on two questions: (i) whether the court of appeals correctly held that administrative patent judges were principal officers and (ii) whether Arthrex forfeited its Appointments Clause challenge by raising it for the first time on appeal. The Government has

argued that the Court should grant certiorari on all questions presented—i.e., the underlying constitutional question (Arthrex's question (ii) and the Government's question (i)); the severance question (Arthrex's question (i)); and the forfeiture question (the Government's question (ii)). *See* Mem. for the United States at 5, Nos. 19-1452, 19-1458, 19-1459 (July 22, 2020).

Following the denial of rehearing en banc in *Arthrex*, the Federal Circuit vacated and remanded several pending cases—including this one—in which the appellant had raised an Appointments Clause challenge in its opening brief in the court of appeals. The Government then filed the instant omnibus petition for certiorari in these cases. The omnibus petition raises the same two questions presented in the Government's *Arthrex* petition and requests that the Court hold the omnibus petition pending the disposition of the petitions for certiorari in *Arthrex*. *See* Pet. 26.

For the reasons explained in Arthrex's response to the Government's *Arthrex* petition and summarized below, the court of appeals correctly held that administrative patent judges are "principal officers" who, under the Appointments Clause, must be appointed by the President with the advice and consent of the Senate. However, in view of the importance of the constitutional question (and the corresponding remedial question presented by Arthrex's petition), Rovi agrees with Arthrex and the Government that the Court should grant certiorari on the constitutional question (the Government's question (i)) in *Arthrex* and hold this petition

pending the Court's disposition of *Arthrex*. Rovi does not, however, believe that review of the forfeiture question (the Government's question (ii)) is warranted.

I. THE COURT SHOULD GRANT REVIEW IN *ARTHREX* AND HOLD THIS PETITION PENDING THE DISPOSITION OF THAT CASE.

A. The constitutionality of APJ appointments and the propriety of the Federal Circuit's severance remedy are important questions worthy of this Court's review.

Rovi agrees that the Court should grant review of both the underlying constitutional question and the severability question in *Arthrex* and hold the Government's omnibus petition pending disposition of that case.[1] The Federal Circuit's holding that the administrative-patent-judge appointment scheme was unconstitutional is an important question that

---

[1] Rovi intends to file a cross-petition for certiorari concerning the severability question and the underlying constitutional question in due course. Rovi, like Arthrex, believes that the court of appeals correctly held that administrative patent judges are principal officers, but that the court's severance remedy was flawed because (i) removing employment protections from administrative patent judges is inconsistent with congressional intent and (ii) even without employment protections, administrative patent judges remain principal officers because they render final decisions on patentability that are not subject to review by any principal executive officer.

merits certiorari. *See Maricopa Cty. v. Lopez-Valenzuela*, 135 S. Ct. 428, 428 (2014) (Thomas, J., respecting denial of stay) (noting the "strong presumption in favor of granting writs of certiorari to review decisions of lower courts holding federal statutes unconstitutional"). The Federal Circuit's remedial determination is likewise highly consequential, as it removes employment protections from a large and important category of federal officers and effects a significant change to a major piece of congressional legislation. And, as Arthrex explains, the Court should review both questions together:

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

Mem. in Response for Respondent Arthrex, Inc. at 12, Nos. 19-1434, 19-1452 (July 24, 2020) ("Arthrex Response").

B. The *Arthrex* court correctly held that administrative patent judges are principal officers.

As to the merits of the Government's first question presented, the Federal Circuit correctly held that administrative patent judges are principal officers, for the reasons explained in Arthrex's response. *See* Arthrex Response at 12–23. Specifically, administrative patent judges render final decisions with respect to patentability on behalf of the executive branch, and—at least prior to the Federal Circuit's misguided severance remedy, *see supra* n.1—they were removable only for cause. Under this Court's precedent, those factors demonstrate that administrative patent judges are principal officers. *See Edmond v. United States*, 520 U.S. 651, 663–65 (1997) (noting that inferior officers must have their "work . . . directed and supervised at some level" by a principal officer). Rovi incorporates Arthrex's arguments by reference here and offers here two additional observations that bear on the merits of the constitutional question.

First, while Arthrex's response states that administrative patent judges are removable only "for such cause as will promote the efficiency of the service," Arthrex Response at 16 (quoting 5 U.S.C. § 7513(a)), Rovi believes that the applicable removal protection is instead 5 U.S.C. § 7521, which governs removal of administrative law judges. Inter partes reviews are "formal adjudication[s]," *see Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015), which means they may be heard by either the

agency itself, members of the body comprising the agency, or an administrative law judge. *See* 5 U.S.C. § 556(b). That, in turn, means that administrative patent judges must be administrative law judges (because they are not the agency itself nor members of the body comprising the agency). And administrative law judges must enjoy the removal protections outlined in 5 U.S.C. § 7521, which provides that such judges may be removed "only for good cause established and determined by the Merit Systems Protection Board on the record after opportunity for hearing before the Board."

The question of which removal protection applies has important implications for the severability question. Rovi will address those implications in its cross-petition for certiorari. For present purposes, however, it suffices to say that administrative patent judges indisputably enjoyed protection against removal prior to the *Arthrex* decision and that those removal protections weighed heavily in favor of principal-officer status.

Second, the Government's contention that the Director of the Patent and Trademark Office has substantial supervisory authority over administrative patent judges because he "may exclude a particular judge from one case, from a category of cases, or from all cases—effectively precluding the judge from deciding any Board cases," No. 19-1434, Gov't Pet. 20, is incorrect. The Administrative Procedure Act requires that "[a]dministrative law judges shall be assigned to cases in rotation so far as practicable." 5 U.S.C. § 3105. Section 3105 would prohibit the Director

from attempting to dictate the outcome of specific cases through strategic assignments (or non-assignments) of certain administrative patent judges to certain panels. *See Aaacon Auto Transp., Inc. v. Interstate Commerce Comm'n*, 792 F.2d 1156, 1163 (D.C. Cir. 1986) (agency "cannot, of course, change ALJs if the intent or effect of its action is to interfere with the independence of the ALJ").[2]

The requirement for rotation of administration law judges exists for good reason: to "prevent[] an agency from disfavoring an examiner by rendering him inactive." S. Rep. No. 752, at 29 (1945).

---

[2] The Patent and Trademark Office has previously claimed the authority to change the composition of a Board panel on rehearing (i.e., after an initial decision) in order to align the result with the Director's policy preferences. The Federal Circuit has never squarely addressed whether such "panel stacking" is consistent with due process and the relevant statutes. In *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), several of the court's judges suggested that panel stacking would violate the APA. *See id.* at 1550 n.11 (Archer, C.J., concurring in part and dissenting in part) ("[A] case in which the Commissioner designated a panel to rehear a case in order to redo what the Commissioner believed to be incorrect historical fact-finding might well be deemed arbitrary and capricious."); *id.* at 1574–75 (Mayer, J., dissenting) ("To allow the Commissioner to gerrymander the composition of the board to insure a preordained result directly conflicts with the concept 'that in administrative proceedings of a quasi-judicial character the liberty and property of the citizen shall be protected by the rudimentary requirements of fair play.'") (quoting *Morgan v. United States*, 304 U.S. 1, 14–15 (1938)). The majority of the court, however, declined to address the question because it was raised only by an amicus. *See id.* at 1532 n.4, 1536.

Congress wanted ALJs to be "impartial" and "independent." *Id.* at 21, 29; *see also Butz v. Econcomou*, 438 U.S. 478, 513 (1978) ("[T]he process of agency adjudication is currently structured . . . to assure that the hearing examiner exercises his independent judgment on the evidence before him, free from pressures by the parties or other officials within the agency."). The Government cannot now ignore these strong interests in the impartiality and independence of administrative patent judges in an effort to save an unconstitutional appointment scheme.

II. REVIEW OF THE FORFEITURE ISSUE IS NOT WARRANTED.

A. Review of the Government's second question presented (concerning forfeiture) is not warranted. The Federal Circuit was plainly correct in concluding that Arthrex and Rovi did not forfeit their constitutional challenge by raising it first in the court of appeals, because "the Board was not capable of providing any meaningful relief to this type of [c]onstitutional challenge and it would therefore have been futile for [a litigant] to have made the challenge there." *Arthrex*, 941 F.3d at 1339. Futility is a well-recognized exception to the exhaustion requirement. *See, e.g.*, *Shalala v. Illinois Council on Long Term Care, Inc.*, 529 U.S. 1, 13 (2000) (citing *McCarthy v. Madigan*, 503 U.S. 140, 147–48 (1992)).

Moreover, to obtain reversal of the court of appeals' forfeiture holding, the Government would have to do more than simply show Arthrex's and Rovi's challenges were untimely: it would have to

show that the court of appeals *abused its discretion* in considering the argument notwithstanding its (purported) untimeliness. That is an insurmountable hurdle. This Court has squarely held that courts have discretion to address even untimely Appointments Clause arguments in light of the "strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers." *Freytag v. Commissioner*, 501 U.S. 868, 879 (1991). And, as Arthrex points out, the Government *expressly admitted* below that the court of appeals had discretion to reach the Appointments Clause issue even if it was not timely raised. *See* Arthrex Response at 31 ("Court: 'Do you agree that we have the discretion to address those issues?' Government: 'Absolutely, Your Honor.'") (quoting C.A. Arg. Audio 23:07–23:10).

In any event, the Government has not explained why a discretionary forfeiture determination is an issue worthy of this Court's review. *Cf. Joseph v. United States*, 135 S. Ct. 705, 707 (2014) (Kagan, J. respecting the denial of certiorari) (concurring in denial of certiorari on forfeiture issue and observing that the Court "do[es] not often review the circuit courts' procedural rules"). It is not. The Court should decline to grant certiorari on this issue.

B. If the Court chooses to review the forfeiture issue, Rovi submits that the Court should also grant review in one of the pending cases presenting a related question: whether the *Arthrex* decision constituted an intervening change in law that would create an exception to otherwise-applicable forfeiture principles. One of these cases is in fact a different

lawsuit between Arthrex and Smith & Nephew. *See* Petition for Certiorari, *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 19-1204 (filed Apr. 6, 2020) ("*Arthrex II*").

The Federal Circuit has consistently refused to entertain Appointments Clause challenges that were not raised in parties' opening briefs, even where the opening briefs were filed before the decision in *Arthrex* issued. *See, e.g.*, *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. 2019), *pet. for cert. filed*, No. 20-135 (Aug. 1, 2020); *Sanofi-Aventis Deutschland GmbH v. Mylan Pharm., Inc.*, 791 F. App'x 916 (Fed. Cir. 2019), *pet. for cert. filed*, No. 19-1451 (June 26, 2020). That approach is deeply flawed, and deeply unfair.

It is black-letter law that an intervening change in law constitutes an exception to otherwise-applicable forfeiture principles. *See, e.g.*, *Curtis Publ'g Co. v. Butts*, 388 U.S. 130, 143 (1967) ("[T]he mere failure to interpose [a constitutional] defense prior to the announcement of a decision which might support it cannot prevent a litigant from later invoking such a ground."). That is the rule in this Court, and it is the rule in virtually every court of appeals, *see Joseph*, 135 S. Ct. at 706–07 (Kagan, J., respecting the denial of certiorari) (collecting cases)—including, usually, the Federal Circuit. *See BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics, Inc.*, 898 F.3d 1205, 1208–10 (Fed. Cir. 2018) (concluding that forfeiture principles "clear[ly]" did not bar a party from newly raising an argument based on this Court's intervening decision in *SAS Institute v. Iancu*).

There is good reason for this near-unanimity. Forfeiture principles exist to ensure that parties exercise "diligence," not "clairvoyance." *Joseph*, 135 S. Ct. at 706 (Kagan, J., respecting the denial of certiorari). Insisting on a standard of clairvoyance would require parties to raise all claims—no matter how unfounded at the time—that might thereafter become viable based on later changes in the law. That would be "a very bad rule." *United States v. Vanorden*, 414 F.3d 1321, 1324 (11th Cir. 2005) (Tjoflat, J., specially concurring). And it would be a decidedly "odd result for a procedural rule designed in part to promote judicial economy." *Joseph*, 135 S. Ct. at 706 (Kagan, J., respecting the denial of certiorari).

Accordingly, if this Court is inclined to grant review to address the timeliness of Arthrex's Appointments Clause challenge, the Court should also grant review in one of the cases raising the related intervening-change-in-law issue. Granting review on both of these intertwined questions will allow the Court to issue a comprehensive ruling on the timeliness issue.

CONCLUSION

The Court should grant the petitions for certiorari in *Arthrex* with respect to the constitutional question and the remedial question and hold this case in abeyance pending resolution of *Arthrex*. If the Court grants review as to the forfeiture question in *Arthrex*, the Court should also grant review in one of the cases presenting the intervening-change-in-law question, such as *Arthrex II*, *Customedia*, or *Sanofi-Aventis*.

Respectfully submitted,

Michael E. Joffre
Counsel of Record
Jason D. Eisenberg
William H. Milliken
STERNE, KESSLER, GOLDSTEIN & FOX, PLLC
1100 New York Avenue, N.W.
Washington, D.C. 20005
(202) 772-8856
mjoffre@sternekessler.com

Counsel for Respondent
Rovi Guides, Inc.