

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

IN THE
Supreme Court of the United States

UNITED STATES OF AMERICA,
Petitioner,

v.

ARTHREX, INC., *ET AL.*,
Respondents.

On Writs Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

BRIEF OF UNIFIED PATENTS, LLC
AS *AMICUS CURIAE*
IN SUPPORT OF NO PARTY AND
IN SUPPORT OF REVERSAL

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(For Continuation of Caption, See Inside Cover)

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Petitioners,

v.

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**BRIEF OF UNIFIED PATENTS, LLC
AS *AMICUS CURIAE*
IN SUPPORT OF RESPONDENTS**

INTERESTS OF *AMICUS CURIAE*¹

Unified Patents, LLC is a membership organization dedicated to deterring patent assertion entities, or PAEs, from extracting nuisance settlements from operating companies based on patents that are likely invalid before the district courts and unpatentable before the U.S. Patent Office. Unified’s more than 3,000 members are Fortune 500 companies, start-ups, automakers, industry groups, medical device manufacturers, cable companies, banks, open-source developers, manufacturers, and others dedicated to reducing the drain on the U.S. economy of now-routine baseless litigations asserting infringement of patents of dubious validity.

Unified studies the ever-evolving business models, financial backings, and practices of patent assertion entities (“PAEs”), sometimes called “patent trolls.” To better understand PAEs, Unified prepares annual patent litigation reports. *See, e.g.*, Unified Patents, 2019 Litigation Annual Report *available at*

¹ Pursuant to this Court’s Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. Pursuant to this Court’s Rule 37.6, *amicus* states that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amicus* or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

<https://portal.unifiedpatents.com/litigation/annual-report>. The reports distinguish between practicing companies, PAEs, and traditional plaintiffs—such as universities, small companies, and individual inventors—that patent inventions but do not market products. *Id.*

Unified also files post-issuance administrative challenges—including inter partes review petitions—regarding PAE patents it believes are unpatentable or invalid. This includes both international and domestic administrative challenges. Thus, Unified is a deterrence entity that seeks to deter the assertion of poor-quality patents. In 2019, Unified was the fifth most frequent inter partes review petitioner before the Patent Trial and Appeal Board (“PTAB” or “Board”), and Unified was by far the leading third-party filer in the United States. Sometimes, “bad patents slip through.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). When that happens, Unified petitions the government for redress. Unified thereby pursues and frequently exonerates “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

In this case, Unified is concerned with ensuring that *inter partes* review and other related Patent Office proceedings remain timely and cost-effective tools for any member of the public to protect itself from improperly issued patent claims. And that the panels of

administrative patent judges should remain free to apply their sound legal judgment and technical expertise in the public interest, free from political concerns.

STATEMENT

“[T]he primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is ‘to promote the progress of science and the useful arts[.]’” *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 626 (2008) (quoting *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 518 (1917) (quoting, in turn, U.S. Const., Art. I, § 8, cl. 8)).

Ensuring that issued patent monopolies have claims with the appropriate scope is critical to accomplishing the patent system's constitutionally mandated purpose. *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) (“It is as important to the public that competition should not be repressed by worthless patents as that the patentee of a really valuable invention should be protected in his monopoly.”); *see also Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 126 (2006) (Breyer, J., dissenting from dismissal) (“[S]ometimes *too much* patent protection can impede rather than ‘promote the Progress of Science and useful Arts.’”) (citation omitted) (emphasis in original). The founding fathers understood this: President Madison asked Congress that “further restraints be imposed on the issue of patents to wrongful claimants, and further guards provided against fraudulent exactions of fees by persons possessed of

patents.” Letter From James Madison to Congress, 11 April 1816.

This Court long has understood that “the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is—for all practical purposes—to debilitate the patent system.” *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 18 (1966).

It follows that the correction of errors in issued patents—particularly the issuance of patent claims that encompass more than what the patentee invented—should be done by impartial agency personnel overseen by a presidentially appointed executive. And that any oversight is transparent so inventors and the public may have full confidence in the process and the results.

Happily, Congress ensured just that situation when it passed the inter partes review statute. Before the decision below, APJs could apply their expertise without fear or favor, and the Director oversaw that work through a variety of mechanisms sufficient to satisfy this Court’s standards.

Inter partes review builds on historical and extant Patent Office proceedings like reexamination. *See Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018). Inter partes review—and post-grant review, enacted simultaneously—allow the public a more active role and the

Patent Office a second chance to properly define the scope of the claims in a patent.

These post-issuance processes also allow the Patent Office to quickly and efficiently review issued patents when this Court corrects the Federal Circuit. *See, e.g., KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 419 (2007) (“The flaws in the analysis of the Court of Appeals relate for the most part to the court’s narrow conception of the obviousness inquiry.”). In inter partes review, Congress has created an “expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.” *See Crowell v. Benson*, 285 U.S. 22, 46 (1932). As such, inter partes review, post-grant review, and other forms of post-issuance error correction are constitutionally permitted proceedings that serve and are inextricably linked with the promotion of the useful arts.

SUMMARY OF ARGUMENT

Patent Office APJs are not principal officers. Each year, the 250 APJs at the Patent Office decide thousands of ex parte appeals and hundreds of inter partes review. The ex parte appeals are not of constitutional concern because they are part of the patent application process. The Director controls that process and is entitled to withdraw an allowed patent application at any point before issuance. The relevant statute is permissive. Section 151(a) and (b) of the Patent Act provide only that “[i]f it appears that an

applicant is entitled to a patent,” procedural requirements are met, and the applicant pays the issue fee, then “the patent may issue.”

The court of appeals held that the inter partes review process, however, was unconstitutional. In that court’s view, the relevant statute is in the form of a command that allowed a panel of APJs to tie the Director’s hands. This power elevated the APJs to the status of principal officers and rendered the statute unconstitutional as written. The Federal Circuit addressed this problem by increasing the Director’s ability to fire the APJs.

But the lower court failed to understand that review of APJ panel decisions begins before the command is invoked. This pre-issuance review complements the Director’s power to designate a new panel that orders rehearing of any aberrant decision.

The Director also has the power to remove APJs from their judicial assignments on inter partes review panels. For example, the Director may assign any recalcitrant APJs to only ex parte appeal panels. These abilities, along with the Director’s other policy and standard-setting powers, provide sufficient control over APJs to render them inferior officers.

If this Court holds that APJs are principal officers, Amicus presents three options for severing aspects of the statute that better preserve the system Congress created. First, the Court may sever the requirement that the Director “shall” issue a certificate

following the PTAB's final written decision. This fix puts inter partes review on equal footing with patent prosecution by assigning the ultimate decision to the Director. As in prosecution, the Court may expect the Director will rarely invoke this power and if so, will be subject to APA review. Second, the Court may sever the requirement that three judges sit on inter partes review panels. While the Director could continue to assign three APJs to the typical case, as required by rule, he could assign only one Board Judge, himself, to hear or rehear cases of importance or error. Finally, this Court could sever the employment protections of the three executive members of the Board. This would allow the Director to form hearing and rehearing panels using three executives who have no civil service protections.

Each alternative allows panels of three APJs—people of legal and technical skill—to handle the vast majority of Patent Office cases without suffering under the *in terrorem* effect of at-will employment. Each alternative ensures that the Director's oversight continues to be transparent.

ARGUMENT

The United States and Smith & Nephew ably explain that APJs are not principal officers under this Court's cases. Amicus will not repeat arguments so well presented. Instead, Amicus discusses the structure and function of the PTAB and how the Board member's "work is directed and supervised at some

level” by the Director. *See Edmond v. United States*, 520 U.S. 651, 663 (1997).

I. APJ_s ARE NOT PRINCIPAL OFFICERS

A. Patent Trial And Appeal Board—Members

The PTAB by statute includes four executive members: The Patent Office Director, the Deputy Director, the Commissioner for Patents, and the Commissioner for Trademarks. 35 U.S.C. § 6(a). It additionally comprises roughly 250 administrative patent judges.

The Director is appointed by the President and confirmed by the Senate. He may be removed at will by the President. *See* 35 U.S.C. § 3(a)(4).

The Secretary of Commerce appoints the other executive members. *See* 35 U.S.C. § 3(b). There is no removal statute specific to the Deputy; presumably, title 5 applies. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 765 n.7 (Fed. Cir. 2020) (Moore, J., concurring in denial of rehearing en banc). The Secretary may remove either Commissioner “for misconduct or nonsatisfactory performance” under their performance agreements “without regard to the provisions of title 5.” *Id.* § 3(b)(2)(C).

The Secretary of Commerce appoints the APJ_s. 35 U.S.C. § 6(a). Despite this, they are not considered political appointees but rather “persons of competent legal knowledge and scientific ability” that serve our

nation, deciding patentability questions at the behest of applicants, petitioners, and patent owners. *Id.*

APJs may be removed from employment subject to title 5 protections. 35 U.S.C. § 3(c). The Director sets their pay, subject only to an upper bound. *Id.* § 3(b)(6).

The PTAB also has a Chief Administrative Patent Judge, one Deputy Chief Judge, two Vice Chief Judges, and multiple Lead Judges, all of whom work and guide the work of others. *See* Organizational Structure and Administration of the Patent Trial and Appeal Board at 2-3 (“PTAB Org Chart”) *available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/about-ptab>. These are non-statutory, supervisory positions created by the Director using his Section 3(b)(3) powers and are typically filled by experienced APJs. 35 U.S.C. § 3(b)(3).

The Director oversees the Board, and the Chief Judge and team assist in the day-to-day supervision required for such a large enterprise. For example, the Director currently delegates the authority to designate PTAB panels to the Chief Judge. PTAB Standard Operating Procedure 1 (Rev. 15) at 1-2 (“SOP 1”) *available at* <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/procedures/standard-operating-procedures-0>. The delegation is non-exclusive and revocable at any time. *Id.* The Director “expressly retains” the authority to

“designate, de-designate, or otherwise alter in any way at any time, panels in his or her sole discretion.”
Id.

B. Patent Trial And Appeal Board—Duties

The main bulk of the PTAB’s work is currently divided roughly equally between hearing ex parte appeals by patent applicants and conducting inter partes reviews brought against issued patents by members of the public. PTAB panels also consider a smattering of ex parte reexamination appeals, post-grant review petitions, and derivation proceedings, among other things. *See* Appeal and Interference statistics, Sep. 2020 at 5, 7 *available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics>.

Ex Parte Appeals

PTAB panels hear ex parte appeals from applicants that receive adverse decisions on their patent applications from the Patent Office’s examining corps. 35 U.S.C. § 6(b)(1); *see, e.g., Bilski v. Kappos*, 561 U.S. 593, 600 (2010). Last fiscal year, the Board decided roughly 7,000 ex parte appeals. *See* Appeal and Interference statistics, Sep. 2020 at 5, Oct. 2020 at 3.

“By default,” all APJs “work on ex parte appeals.” SOP 1 at 4. As detailed in the PTAB’s standard operating procedures, “some judges are assigned to be paneled only on ex parte appeals, while other judges also are assigned to be paneled on cases in other

jurisdictions of the Board,” including inter partes review proceedings. SOP 1 at 4-5.

Ex parte appeal work should not be of constitutional concern. A PTAB ex parte appeal panel cannot tie the Director’s hand to even the limited extent the *Arthrex* court believed a PTAB trial panel could.

In an ex parte appeal, the patent applicant asks the Board to review an examiner’s decision rejecting the claims sought. *See* 35 U.S.C. § 134(a). The Board may affirm the examiner—that is, the three-APJ panel may agree with the Director’s other representative in the matter—in which case the applicant may acquiesce or appeal to the courts. *See* 35 U.S.C. § 141(a). Or the Board may reverse the examiner, in which case no appeal is available, and the case returns to the examining corps for further processing. In the typical case, the examiner implements the Board’s decision and either allows the patent claims or rejects them on other grounds. Regardless, if it appears that the applicant is entitled to a patent, the examiner issues a notice of allowance, and an issue fee is charged. 35 U.S.C. § 151(a). But the statute is permissive. If the applicant pays the fee, “the patent *may issue*.” 35 U.S.C. § 151(b) (emphasis added). But the Patent Office may withdraw an application from issue even after applicant pays the issue fee if, for example, the Director now believes an allowed claim to be unpatentable. *See* 37 C.F.R. § 1.313 (a), (b).

Inter Partes Review

PTAB trial panels also conduct inter partes reviews, like the one at issue here. 35 U.S.C. § 6(b)(4); *see also Oil States*, 138 S. Ct. at 1371–72 (2018) (describing inter partes review process). Last fiscal year, petitioners filed about 1,400 inter partes review petitions. *See* Trial Statistics IPR, PGR, CBM, Sep. 2020, *available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics/aia-trial-statistics-archive>. Some then settle or are dismissed; the Director institutes about half of the remaining petitions. *Id.* at 6. The parties typically then settle about 20% of instituted cases before the PTAB issues a final written decision. *Id.* at 9. Thus, the PTAB is expected to issue roughly 600 Final Written Decisions based on those 1400 petitions.

The *Arthrex* panel identified an appointment clause infirmity in the inter partes review statute in part because the statute is not permissive.

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.

U.S. App. at 11a. But the *Arthrex* panel underestimated the Director’s power pre- and post-issuance of the Final Written Decision.

**C. The Director Exercises Sufficient Control
Over Inter Partes Review To Render APJs
Inferior Officers**

The court of appeals understood that APJs are officers of the United States. On this, all parties and amici appear to agree. The lower court then looked to whether the inter partes review statute elevated them from inferior to principal officers. The court below then explained that “whether 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.” U.S. App. at 9a (quoting *Edmond v. United States*, 520 U.S. 651, 662–63 (1997)) (internal marks removed).

The Federal Circuit condensed this Court’s caselaw into what one Judge called at oral argument “three buckets.” See, e.g., *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140, Oral argument at 40:31 available at <http://www.cafc.uscourts.gov/oral-argument-recordings>. Each bucket represents a factor that the lower court drew from *Edmond*: “(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.” U.S. App. at 9 (quoting *Edmond* at 664-65).

In the panel’s view, each factor is an indicator of “the level of control and supervision appointed officials have over the officers and their decision-making on behalf of the Executive Branch.” U.S. App. at 9. The *Arthrex* panel evaluated each factor separately and concluded that it had to bolster the third factor to preserve the statute. U.S. App. at 22a; 29a. Essentially, buckets one and three were insufficiently full despite a heavy bucket two, so in response, the panel filled bucket three to overflowing.

Respectfully, and as the United States and Smith & Nephew aptly explain, this approach was incorrect as a matter of law. It is the cumulative effect of all the presidential appointees’ supervisory powers that must be considered; to do otherwise was legal error. *See* U.S. Brief at 15, 33-39. But even had the court below used the correct approach, it failed to account for the Director’s full powers.

1. The Patent Office Director Has Sufficient Authority To Review And Reverse The PTAB Decisions

As a practical matter, review begins in the Patent Office well before a final decision. No one APJ can decide an appeal or inter partes review. Regardless of the proceeding, at least three APJs will be assigned to each case. 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 PTAB, who shall be designated by the Director.”).

The three APJs work together on all decisions. SOP 1 at 3. Only the three APJs together may make any final decision (though 2-1 decisions are allowed). “In all circumstances, all three APJs provide input on significant writing assignments except in rare circumstances where fewer than all three APJs are available and there is no statutory requirement for a three APJ panel.” *Id.*; *see also id.* (Significant writing assignments include final written decisions in inter partes review.); 37 C.F.R. § 41.2.

Aberrant action from one APJ cannot change any patent right, and even two rogue APJs would have difficulty violating any agency policy. The third APJ could sound the alarm by complaining to superiors and then drafting a dissent. The Lead Judges, the Vice Chief Judges, the Deputy Chief Judge, and the Chief Judge provide further supervision and instruction. The Chief Judge and the Director can step in and delay the issuance of any questionable decision.

As the United States has shown, the Director has further options available to ensure even more rigorous internal review pre-issuance should the need arise. United States Br. at 39-40. The Director also has the power to implement such measures. If the Chief Patent Judge, the Deputy Chief, the Vice Chiefs, and the Lead Judges cannot provide sufficient supervision, the Director can create more offices to implement the

necessary supervision. The Director has the discretion to appoint officers and employees as the “Director considers necessary” and to “define the title, authority, and duties of such officers and employees” and to delegate to them “such of the powers vested in the Office as the Director may determine.” 35 U.S.C. § 3(b)(3)(A), (B).

Similarly, the Director can promulgate any regulations needed to ensure compliance with the pre-issuance regime. *See* 35 U.S.C. § 2(b)(2)(A); *id.* § 316(a)(4) (Director may prescribe regulations “establishing and governing inter partes review”). When promulgating such rules, the Director is specifically authorized to consider “the integrity of the patent system” and “the efficient administration of the Office.” *Id.* § 316(b). Thus, rules that ensure compliance with PTO policy and standards by APJs fall neatly under the Director’s authority. Finally, the Director is “responsible for providing policy direction and management supervision for the Office.” *Id.* § 3(a)(1). The Director can issue policy guidance and meet with the Board regularly to guide policy and decision-making.

The relatively rapid pace of inter partes review is no bar to this supervision. Inter partes review moves quickly in the Patent Office. Institution decisions are made six months after petitions are filed. *See* 37 C.F.R. § 42.107; 35 U.S.C. § 314(b). Final written decisions are issued one year after institution. 35 U.S.C. § 316(a)(11). Keeping to this timeline is one of the agency’s great achievements and a testament to the

dedication of the APJs. Nonetheless, the Director has the authority to delay the issuance of any opinion by up to six months for good cause. *See id.* § 316(a)(11). The need to reconstitute the panel to ensure the decision follows the patent law and Patent Office standards as the Director understands them would satisfy good cause.

Once a decision issues, the Director can designate a new or expanded panel and sit with that panel to rehear the decision. “The Precedential Opinion Panel also may be used to resolve conflicts between Board decisions, to promote certainty and consistency, or to rehear any case it determines warrants the Panel’s attention.” PTAB Standard Operating Procedure 2 (Rev. 10) at 3-4 (“SOP 2”) *available at* <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/procedures/standard-operating-procedures-0>. As the United States explains, when the Board issues a decision that the Director disagrees with, the Director has the power to designate a new panel to rehear the matter. U.S. Brief at 31-32. The odds of the new panel disagreeing with the Director are vanishingly small. Amicus has long-studied the PTAB and its processes. As far as Amicus is aware, there is no PTAB decision with the Director in dissent.

This has, at times, been pejoratively called “panel stacking.” *See* Richard Torczon, *It Matters: A Former Administrative Patent Judge’s Take on Arthrex*, IP Watchdog, Nov. 11, 2019 *available at*

<https://www.ipwatchdog.com/2019/11/11/matters-former-administrative-patent-judges-take-ar-threx/id=115779/>. But this approach combines control with transparency. *Id.* Typically, the Director with the Chief APJ and the Commissioner for Patents sit on these panels to consider or reconsider a case with important issues. SOP 2 at 4. The process is transparent. The public and any appellate court know that supervision of the APJs is taking place. If an appeal follows, the appellate court has the reasoning from both panel decisions to consider.

This process is far better for the patent system and the public than for APJs to be controlled by the *in terrorem* effect of having no civil service protection. In that situation, the public has to wonder whether the decision was driven by merits or fear and favoritism.

2. The Director Has Sufficient Power To Remove Or Reassign Recalcitrant APJs

The Federal Circuit also held that the Director did not have sufficient power to remove an APJ from employment. In other words, bucket three was insufficiently full. But as the United States explains, the lower court's error was in deciding that the power needed was to remove APJs from federal employment when the key was the ability to remove them from their judicial assignments. *See, e.g.*, U.S. Brief at 15, 40.

Amicus agrees that the Director has the power to designate and de-designate APJs. The Director need

not have APJs assigned to certain panels, or for that matter, assign an APJ to *any* panel. The Director can, instead, reassign the APJs to other agency work. *Id.*

But Amicus invites the Court to recognize that the agency has (and has used) a suitable alternative role for any APJ that the Director needs to remove from inter partes review panels. The Director can simply designate them solely to ex parte appeals where the APJ will review examiner decisions rejecting patent applications. As explained, *supra*, the Director retains final say in any patent application.

II. IF APJS ARE PRINCIPAL OFFICERS, THE COURT OF APPEALS CURE WAS EXCESSIVE

The APJs are inferior officers. The arguments presented by the United States and Smith & Nephew have so demonstrated. But if the Court reaches severability, Amicus offers at least three less-intrusive alternatives, each superior to the Federal Circuit's approach.

“Generally speaking, when confronting a constitutional flaw in a statute,” this Court tries “to limit the solution to the problem, severing any problematic portions while leaving the remainder intact.” *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 508 (2010) (internal marks removed).

The court below feared that PTAB decisions could tie the Director's hands. U.S. App. at 11a. In the court's view, a PTAB panel could force a blameless

Director to issue a certificate canceling or affirming claims without recourse.

The lower court then cured the purported constitutional infirmity by severing the title 5 job protections of the APJs. To the Federal Circuit, this preserved the scheme enacted by Congress with the least damage. But less invasive, neater solutions exist.

Making it easier to fire multiple APJs—one APJ decides nothing—that issue a decision the Director disagrees with doesn't dovetail cleanly with the purported harm and causes more damage to the congressional scheme than other changes could. Under the court's reasoning, the Director must certify the decision rendered by the now-jobless APJs.

The lower court would rely on the threat of no-cause termination to keep the APJs from issuing decisions contrary to the Director's policy direction. The solution is imperfect (and unnecessary) because the Director sets procedures and policy for the Board. APJs know the Director's instructions, and failure to follow them would qualify as inefficiency in the service. At-will employment would render the APJs subject to any future Director's whim. The APJs can only guess at what smaller transgressions could end their employment under the Federal Circuit's solution.

Fortunately, if this Court agrees with the unconstitutional problem found below, better solutions are available.

A. This Court Could Sever The Statutory Requirement That The Director “Shall” Issue A Certificate Following Every Final Written Decision

The Arthrex panel feared that the inter partes statute allows a Board panel to tie the Director’s hands. The cleanest solution is to sever the requirement that the Director “shall” issue a certificate following every final written decision. *See* 35 U.S.C. § 318(b).

In the mine-run of cases, this will effect no change. By rule, the Office issues certificates that change or confirm the challenged patent rights as prescribed by the final written decision. *See, e.g.*, 37 C.F.R. § 42.80.

In the rare case, where the Director believes the APJs decision requires revision not available through the myriad powers discussed above and in the party briefs, severing the statute allows the Director to *sua sponte* suspend that rule’s application to that decision and decline to issue the certificate. *See, e.g.*, 37 C.F.R. § 1.183. The Director could also amend the rules to something akin to the Rule 1.313 power in examination, discussed *supra*.

This allows—but does not require—the Director to consider the propriety of an APJ panel’s decision post-issuance. Given the strength of the Director’s pre-issuance review control discussed above, the Director will rarely, if ever, need to invoke this power. But it allows any Board decision to be laid at the Director’s feet.

The Director may review the panel decision and refuse to issue a certificate implementing the same. That discretion would, of course, not be unlimited. The Patent Act still requires the Director to perform his duties “in a fair, impartial, and equitable manner.” 35 U.S.C. § 3(a)(2)(A). The Patent Office is an “agency” subject to the APA’s constraints and APA review. *See Dickinson v. Zurko*, 527 U.S. 150, 154 (1999). Thus, court review would be available under the Administrative Procedures Act for any action taken by the Director in this context.

In the unlikely case where the Director refuses to issue a certificate and fails to designate a rehearing panel that would issue a revised decision, the original patent in that proceeding would be left intact. *Cf. McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 610 (1898) (“If the patentee abandoned his application for a reissue, he is entitled to a return of his original patent precisely as it stood when such application was made.”).

Any aggrieved party, whether petitioner or patentee, would have recourse through the APA. But the final written decision would not affect the relative rights between the patentee and the general public. *See, e.g.*, 35 U.S.C. § 318(c) (intervening rights created only when new or amended claims are “incorporated into a patent”).

This solution brings accountability to the single Patent Office political officer appointed by the

President and confirmed by the Senate without eliminating the transparency of the current system. The Patent Bar is nothing if not zealous. The refusal to issue a certificate in a routine case would excite complaints. If those complaints grew loud enough, it could cause the President to act. Similarly, if the Board issues an egregious decision in violation of Patent Office policy and standards, there would be pressure on the Director to refuse certification.

Finally, this solution has the further advantage of severing a part of the inter partes review statute rather than treading on APJ civil service protections in effect since at least the Office reorganization in 1999. *See, e.g.*, 35 U.S.C. § 3(c) (2000); *Cf.* U.S. v. Jackson, 390 U.S. 570, 586-87 (1968).

B. This Court Could Sever The Statutory Requirement That Three Judges Sit On Every Inter Partes Review Panel

Severing the statutory requirement that at least three judges sit on every inter partes review panel is also less harmful than the lower court's solution. The lower court understood that allowing the Director to appoint a single-member panel to hear or rehear any inter partes review would cure the constitutional infirmity. U.S. App. at 24a ("Allowing the Director to appoint a single Board member to hear or rehear any *inter partes* review . . . especially when that Board member could be the Director himself, would cure the Constitutional infirmity.")

The lower court rejected this as “a significant diminution in the procedural protections afforded to patent owners.” U.S. App. at 24a. But the Court erred in thinking it would be “[e]liminating three-APJ panels from all Board proceedings.” *Id.*

The Court could sever the requirement as applied to just inter partes review and related proceedings added with inter partes review in the 2011 statute (*e.g.*, post-grant review). *Compare* 35 U.S.C. § 6(b) (2010) *with id.* § 6(b) (2012). Present Section 6(c) calls for three-member panels in “[e]ach appeal, derivation proceeding, post-grant review, and inter partes review.” If needed, the Court could sever just the new proceedings and leave the three-APJ requirement intact for appeals.

First, severing these portions would leave the Board’s work on ex parte appeals untouched. As explained *supra*, an APJ panel in an ex parte appeal cannot tie the Director’s hand as the lower court feared possible for inter partes review.

Second, the rules provide that three APJs hear every case. *See, e.g.*, 37 C.F.R. § 41.2. So ordinary Patent Office practice would not change despite severing this portion of the statute. But the Director could waive or amend the rule as applied to the Director.

Third, allowing the Director to sit alone in review would preserve the transparency that is far more important to the patent community—the knowledge that

APJs will not face sub rosa campaigns by patent owners or unhappy petitioners. The *in terrorem* affect the Federal Circuit has created, *see* United States Brief at 41 n.5, would come not just from the Director but also the entities and inventors that appear before the PTAB every day. *See, e.g.*, IP Watchdog, What's Next After Arthrex? Reactions Suggest Limited Immediate Effect, But Some Question Whether CAFC Fix Will Hold Nov. 3, 2019, *available at* <https://www.ipwatchdog.com/2019/11/03/whats-next-arthrex-reactions-suggest-limited-immediate-effect-question-whether-cafc-fix-will-hold/id=115570/> (quoting well-known inventor Josh Malone, “Now we will see if Director Iancu is serious about restoring integrity to the patent system. If less than 100 APJs are out of a job by the end of the year, cronyism is here to stay.”).

C. This Court Could Sever Just The Statutory Protections Afforded The PTAB's Executive Members

Amicus believes that the inter partes review statute is constitutional. If the Director has insufficient review power under that statute, the Court should first consider severing a part of the statute that directly limits that power.

But if this Court views Amicus's proposed solutions as less correct than severing the employment protections of Board judges, it should consider removing those protections from the minimum number of Board judges necessary to render the statute constitutional.

In addition to the Director, there are only three executive members of the Board. This Court could sever the protections afforded to just these members of the Board.

First, the Court could sever just the protections as applied to the Deputy Director. This would allow the Director and the Deputy, controlled by the Secretary, to rehear any PTAB case. An additional PTAB judge would be impaneled to meet the statutory three-judge requirement. But two votes would be controlled by judges fireable at will by the President or a presidential appointee.

Alternatively, if the Constitution requires three unprotected judges, the Court could sever the protections of the Deputy and both Commissioners. Then the Director, the Deputy, and either Commissioner could sit as a three-judge panel and rehear any case. This panel—apparently an unconstitutional combination under the lower court’s approach—would each be subject to at-will termination. By removing the protections of the Deputy and Commissioners, the lower court could have created a three-judge panel composed of a presidential appointee and employees at will that could rehear any decision by the APJs.

Removing the protections of one or three agency officials is far less harmful to the overall scheme than removing those of 250 officials.

Where the Board errs and a decision needs to be reversed, the executives reverse it openly. If an

important issue is to be decided for the Board, the executives decide it. The executive members act for the President or under threat of termination from the Secretary. There would be no ambiguity or opacity.

Amicus offers at least three simple alternatives to the severing of employment protection from 250 officials. Each alternative preserves transparency and ensures APJ neutrality is maintained. No APJ needs to worry about immediate termination if they find a particular technical fact or interpret a patent claim a particular way that leads to the “wrong” party losing its case. Of course, incompetent officials—or those who ignore Office policy and standards—could still be reassigned or even terminated under title 5’s “efficiency of the service” standard. But the work of the Board can continue unabated.

CONCLUSION

The judgment of the Court of Appeals for the Federal Circuit should be reversed.

Respectfully submitted.

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