

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 Writ of Certiorari to the United States Court
of Appeals for the Federal Circuit**

**BRIEF FOR *AMICUS CURIAE* INTEL CORP.
IN SUPPORT OF PETITIONERS**

DONALD B. VERRILLI, JR.
Counsel of Record
GINGER D. ANDERS
MUNGER, TOLLES & OLSON LLP
601 Massachusetts Avenue NW
Suite 500 E
Washington, D.C. 20001
(202) 220-1100
donald.verrilli@mto.com

JORDAN D. SEGALL
MUNGER, TOLLES & OLSON LLP
350 S. Grand Ave., 50th Floor
Los Angeles, CA 90071
(213) 683-9208

Counsel for Amicus Curiae Intel Corp.

(Additional captions on inside cover)

SMITH & NEPHEW, INC., ET AL.,

Petitioners,

v.

ARTHREX, INC., ET AL.,

Respondents.

ARTHREX, INC.,

Petitioner,

v.

SMITH & NEPHEW, INC., ET AL.,

Respondents.

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES.....	iii
INTEREST OF <i>AMICUS CURIAE</i>	1
INTRODUCTION AND SUMMARY OF THE ARGUMENT	2
ARGUMENT	5
I. ADMINISTRATIVE PATENT JUDGES ARE INFERIOR OFFICERS.	5
II. IF THIS COURT CONCLUDES THAT ADMINISTRATIVE PATENT JUDGES ARE IMPROPERLY APPOINTED, IT SHOULD SEVER THEIR REMOVAL PROTECTIONS.....	7
A. Severing the removal restrictions is consistent with this Court’s severability doctrine and avoids disruption to the <i>inter</i> <i>partes</i> review system.	8
B. Eliminating tenure protections will not undermine congressional intent because Congress has already elected to cabin the independence of administrative patent judges.	12
III. THE OTHER REMEDIAL OPTIONS PROPOSED BY THE PARTIES THREATEN SUBSTANTIAL DISRUPTION TO THE <i>INTER PARTES</i> REVIEW SYSTEM.	18

A. This Court should reject Arthrex’s startling suggestion that the Court decline to adopt any remedy.....	18
B. Expanding the scope of the Director’s authority undermines the benefits of the PTAB’s structure.	23
CONCLUSION.....	26

TABLE OF AUTHORITIES

	Page(s)
FEDERAL CASES	
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 953 F.3d 760 (Fed. Cir. 2020)	18
<i>Ayotte v. Planned Parenthood of N. New England</i> , 546 U.S. 320 (2006).....	8, 13
<i>Barr v. Am. Ass’n of Political Consultants, Inc.</i> , 140 S. Ct. 2335 (2020).....	3, 8, 9
<i>Brown v. Dep’t of the Navy</i> , 229 F.3d 1356 (Fed. Cir. 2000)	13
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016).....	11
<i>Drink Tanks Corp. v. GrowlerWerks, Inc.</i> , No. 3:16-cv-410-SI, 2016 WL 3844209 (D. Or. July 15, 2016).....	20
<i>Edmond v. United States</i> , 520 U.S. 651 (1997).....	3, 6, 10
<i>Fed. Mar. Comm’n v. S.C. State Ports Auth.</i> , 535 U.S. 743 (2002).....	17
<i>Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.</i> , 561 U.S. 477 (2010).....	6, 8, 11, 19

<i>Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.</i> , 684 F.3d 1332 (D.C. Cir. 2012).....	10, 11
<i>Milner v. Dep't of Navy</i> , 562 U.S. 562 (2011).....	19
<i>Murphy v. NCAA</i> , 138 S. Ct. 1461 (2018).....	8
<i>Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal</i> , 868 F.3d 1013 (Fed. Cir. 2017).....	14, 15
<i>Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.</i> , 324 U.S. 806 (1945).....	11
<i>Ramspeck v. Fed. Trial Examiners Conference</i> , 345 U.S. 128 (1953).....	16
<i>Regan v. Time, Inc.</i> , 468 U.S. 641 (1984).....	8
<i>SAS Inst., Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018).....	23
<i>Seila Law LLC v. Consumer Fin. Prot. Bureau</i> , 140 S. Ct. 2183 (2020).....	9, 11, 18, 24
<i>Thryv, Inc. v. Click-To-Call Techs., LP</i> , 140 S. Ct. 1367 (2020).....	22

United States v. Grace,
461 U.S. 171 (1983)..... 10

Wong Yang Sung v. McGrath,
339 U.S. 33 (1950)..... 16

REGULATORY CASES

Social Sec. Admin. v. Long,
113 M.S.P.R. 190 (2010) 13

CONSTITUTIONAL PROVISIONS

U.S. Const. art. II, § 2, cl. 2..... 6

U.S. Const. art. III, § 1..... 15

FEDERAL STATUTES

5 U.S.C. 3105..... 14

5 U.S.C. 5372(b)(2) 15

5 U.S.C. 7513(a)..... 9, 13

5 U.S.C. 7521 13

15 U.S.C. 1501 6

Patent Act of 1952, 35 U.S.C. 1 *et seq.* *passim*

35 U.S.C. 3(a) 6

35 U.S.C. 3(b)(6)..... 15

35 U.S.C. 3(c)..... 3, 9

35 U.S.C. 6.....	15
35 U.S.C. 6(a)	25
35 U.S.C. 6(c).....	14, 23
35 U.S.C. 102.....	25
35 U.S.C. 103.....	25
35 U.S.C. 311.....	17
35 U.S.C. 314(b)	20
35 U.S.C. 315(c).....	14
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)	2
FEDERAL REGULATIONS	
77 Fed. Reg. 48680 (Aug. 14, 2012)	20
LEGISLATIVE MATERIALS	
157 Cong. Rec. S1352 (daily ed. Mar. 8, 2011).....	24
H.R. Rep. No. 112-98, pt. 1 (2011), <i>as</i> <i>reprinted in</i> 2011 U.S.C.C.A.N. 67	11
S. Rep. No. 97-275 (1981), <i>as reprinted</i> <i>in</i> 1982 U.S.C.C.A.N. 11	25

OTHER AUTHORITIES

- Am. Intellectual Prop. Law Assoc.,
Report of the Economic Survey (2017)..... 22
- Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (Sept. 14, 2017), available at <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion/> 20
- Julie E. Cohen & Mark A. Lemley,
Patent Scope and Innovation in the Software Industry, 89 Cal. L. Rev. 1 (2001)..... 22
- Michael D. Frakes & Melissa F. Wasserman, *Is the Time Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents? Evidence from Microlevel Application Data*, 99 Rev. Econ. Stat. 550 (2017) 21
- Stuart Minor Benjamin & Arti K. Rai,
Administrative Power in the Era of Patent Stare Decisis, 65 Duke L.J. 1563 (2016) 16
- PTAB Standard Operating Procedure 1*, available at <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf>..... 14, 25

PTO, <i>Trial Statistics: IPR, PGR, CBM</i> (Sept. 2020), available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf	12, 19
PTO, <i>U.S. Patent Statistics Chart, Calendar Years 1963–2019</i> (Apr. 2020), available at https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm	21
PTO, <i>Organizational Structure and Administration of the Patent Trial and Appeal Board</i> , available at https://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%202012%202015.pdf	25

INTEREST OF *AMICUS CURIAE*¹

Intel Corporation is a global leader in the design and manufacture of semiconductor products, including hardware and software products for networking, telecommunications, cloud computing, artificial intelligence, autonomous driving, and other applications. Intel’s chips power a large percentage of the world’s computers, from everyday desktops and laptops to the servers that form the backbone of the modern digital economy.

Intel holds a substantial patent portfolio; it routinely places in the top ten annually in number of patents granted by the U.S. Patent and Trademark Office. Not surprisingly, Intel is frequently involved in patent litigation before the federal courts. While Intel has defended its innovations as a patent-litigation plaintiff in the past, over the last fifteen years Intel’s experience—like that of many technology companies—has increasingly been as a defendant in suits brought by sophisticated non-practicing entities seeking return on litigation as a portfolio investment strategy. Intel has a substantial interest in high-quality patents that promote social welfare and represent genuine inventions—and an equally strong interest in the efficient functioning of the *inter partes* review system, which Congress enacted

¹ Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* state that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than *amicus curiae* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

precisely to address erroneously granted patents that hinder innovation and encourage abusive litigation.

Intel's experience with *inter partes* review confirms that it is an invaluable means of combating weak and overbroad patents, particularly those asserted by non-practicing entities. In light of the increasing offensive assertion of invalid patents by third parties who are strangers to their issuance, especially in areas of emerging technology, Intel believes that *inter partes* review performs a critical function within the patent system. Should this Court hold that the administrative patent judges who adjudicate post-grant review proceedings are invalidly appointed, Intel has a particular interest in ensuring that the remedy implemented by this Court preserves the *inter partes* review system with minimal disruption.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

In the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress empowered administrative patent judges employed by the Patent and Trademark Office (PTO) to conduct *inter partes* review proceedings, which provide a streamlined and inexpensive process for revisiting the agency's initial patentability determination. In the eight years since the inauguration of the system, *inter partes* review has proven durably popular and highly effective. *Inter partes* review is also constitutional, because administrative patent judges are inferior officers whose activities are directed and supervised by two presidentially appointed and Senate-confirmed officers, the Director of the PTO and the Secretary of Commerce. If the Court concludes

that administrative patent judges are inferior officers, however, it should take care to adopt a remedy that broadly preserves the post-issuance review system as Congress intended it to operate. The best way to do that is to ratify the narrow remedy adopted by the court below: severing the provisions of 35 U.S.C. 3(c) to the extent they apply the tenure protections of Title 5 to administrative patent judges.

I. Administrative patent judges are inferior officers. The Federal Circuit adopted an overly narrow reading of this Court’s Appointments Clause cases in holding that the Patent Trial and Appeal Board’s (PTAB) administrative patent judges are principal officers. The essential characteristic of an inferior officer is that her work is “directed and supervised at some level” by principal officers. *Edmond v. United States*, 520 U.S. 651, 663 (1997). That is clearly the case here, where the Director exerts substantial control over administrative patent judges, including by dictating the composition of individual panels of judges and controlling certain conditions of the judges’ employment.

II. If this Court concludes that administrative patent judges are improperly appointed inferior officers, severing their removal protections is the remedy that best honors congressional intent and preserves the orderly functioning of the *inter partes* review system.

A. When a statute contains a constitutional flaw, courts apply a “strong presumption of severability.” *Barr v. Am. Ass’n of Political Consultants, Inc.*, 140 S. Ct. 2335, 2350 (2020). The preference for severance rather than invalidation of the statute avoids ahistorical speculation about congressional preferences in favor of salvaging the duly enacted statute to the greatest extent

possible. Here, the court of appeals' narrow remedy—severing administrative patent judges' tenure protections so that they are removable at-will—is the narrowest remedy that is sufficient to cure any Appointments Clause violation by rendering administrative patent judges inferior officers (assuming they are not already). That remedy also best preserves the fundamental purpose of *inter partes* review, which is to provide a streamlined and cost-effective forum for invalidating patents that issued improperly.

B. Arthrex's principal argument against the court of appeals' severance remedy is that severing Title 5's tenure protections will diminish the adjudicative independence that is, in Arthrex's view, "essential" to Congress's purpose in creating *inter partes* review. Pet. for Cert., *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 19-1458 (U.S. filed June 30, 2020) 20, 24 ("Arthrex Pet."). That argument is incompatible with the statutory design, which already subjects administrative patent judges to significant control by the Director. Limitations on the independence of administrative patent judges include, *inter alia*: removal protections that are weaker than those enjoyed by other administrative law judges; the Director's plenary authority to select the judges that compose any given *inter partes* review panel; the Director's right to expand panels to secure uniformity for Board decisions; and the Director's power to control the pay of administrative patent judges.

These restraints on administrative patent judges' independence serve important congressional purposes, particularly avoiding inconsistent adjudications. Moreover, the unique nature of *inter partes* review lessens concerns about undesirable political pressure on adjudicators. Unlike administrative enforcement proceedings,

inter partes review is an intra-agency error-correction mechanism. Any bias or political pressure in favor of the Executive's prerogatives therefore would, if anything, favor patent owners who face losing the patent rights granted by the agency.

III. The other remedial options proposed by Arthrex or considered by the court below are inferior to severing the administrative law judges' removal protections. Arthrex's suggestion that the Court simply invalidate the *inter partes* review system and let Congress fix the problem would throw the patent system into chaos and severely undermine the important error-correction role that *inter partes* review has served for the past eight years. Alternatively, granting the Director new authority to review and revise PTAB decisions once they issue is grossly incompatible with the statutory structure. It would also undermine the benefits of having multi-member panels of subject-matter experts decide *inter partes* reviews, in a context in which accurate fact-finding is a paramount consideration.

ARGUMENT

I. ADMINISTRATIVE PATENT JUDGES ARE INFERIOR OFFICERS.

The Federal Circuit wrongly held that the PTAB's administrative patent judges are principal officers whose appointments by a head of department are invalid under the Appointments Clause. U.S. Pet. App. 6a-22a. That Clause requires that principal officers be appointed by the President and confirmed by the Senate, but permits "inferior Officers" to be appointed by "the

Heads of Departments.” U.S. Const. art. II, § 2, cl. 2; *Edmond v. United States*, 520 U.S. 651, 659 (1997). In *Edmond*, the Court explained that the essential characteristic of an inferior officer is that her “work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” 520 U.S. at 663.

The court of appeals read *Edmond* as imposing a rigid requirement that an officer is inferior only if at least one of two conditions is satisfied: she is removable at will by another official, or her decisions are subject to direct review by principal officers. In fact, the Court in *Edmond* made clear that the determination whether particular officers are inferior depends on the cumulative effect of the various superior officers’ powers to superintend them. See *id.* at 664-665 (examining the sundry supervisory powers of the Coast Guard Judge Advocate General over the Coast Guard Court of Criminal Appeals). Subsequent decisions confirm that the inferior-officer inquiry is a pragmatic one that asks whether, in light of the statutory and regulatory scheme as a whole, the officer’s work is subject to meaningful supervision by principal officers. *E.g.*, *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010) (members of the Public Company Accounting Oversight Board were inferior officers because the SEC had removal powers and “other oversight authority”).

Viewed holistically, there is little question that the PTO’s administrative patent judges are “directed and supervised” by the Director of the PTO and, ultimately, by the Secretary of Commerce, both of whom are appointed by the President and confirmed by the Senate. See 15 U.S.C. 1501; 35 U.S.C. 3(a). Although the PTAB’s

final written decisions are not reviewable by the Director or the Secretary, administrative patent judges are subject to substantial control by the Director, both with respect to the broad policies that the judges must apply in adjudicating individual cases, and with respect to the judges' judicial assignments and certain conditions of their employment. See pp. 12-17, *infra*. Those features ensure that, to the extent that administrative patent judges' decisions reflect policy judgments, those judgments are meaningfully supervised by the Director. Intel therefore agrees with the United States' argument that administrative patent judges are inferior officers whose appointment by the Secretary of Commerce comports with the Appointments Clause. U.S. Br. 16-45.

II. IF THIS COURT CONCLUDES THAT ADMINISTRATIVE PATENT JUDGES ARE IMPROPERLY APPOINTED, IT SHOULD SEVER THEIR REMOVAL PROTECTIONS.

If the Court concludes that administrative patent judges' appointments are invalid, it should adopt the remedy chosen by the court of appeals and narrowly exercise the limited statutory restrictions on removing administrative patent judges from federal service. That is the remedy most consistent with this Court's severability principles, most faithful to Congress's intent in enacting the America Invents Act, and least disruptive to the *inter partes* review system as a whole. Arthrex's contrary argument—that Congress must have considered tenure protections essential to the *inter partes* review system—fails to account for the many ways in which existing law enables the Director to exercise substantial control over administrative patent judges.

A. Severing the removal restrictions is consistent with this Court’s severability doctrine and avoids disruption to the *inter partes* review system.

1. This Court applies “a strong presumption of severability.” *Barr v. Am. Ass’n of Political Consultants, Inc.*, 140 S. Ct. 2335, 2350 (2020) (AAPC). “Generally speaking, when confronting a constitutional flaw in a statute,” courts try “to limit the solution to the problem,” preferring “to sever its problematic portions while leaving the remainder intact.” *Ayotte v. Planned Parenthood of N. New England*, 546 U.S. 320, 328-329 (2006). Even when a statute contains no severability clause, “the presumption is in favor of severability,” *Regan v. Time, Inc.*, 468 U.S. 641, 653 (1984), unless it is evident that severing the unconstitutional provision would result in “a scheme sharply different from what Congress contemplated.” *Murphy v. NCAA*, 138 S. Ct. 1461, 1482 (2018).

This categorical preference for “surgical severance” rather than “wholesale destruction” obviates the need to “imaginatively reconstruct a prior Congress’s hypothetical intent.” AAPC, 140 S. Ct. at 2350-2351. If this Court concludes that administrative patent judges’ appointments are invalid, that defect would be the result of “a number of statutory provisions that, working together, produce a constitutional violation.” *Free Enter. Fund*, 561 U.S. at 509. In such cases, the Court eschews “editorial freedom” or speculation about Congress’s preferences, and instead chooses the narrowest severance option that remedies the constitutional violation. *Id.* at 509-510 (declining to “blue-pencil” a sufficient number of the Board’s responsibilities so that its members would

no longer be officers); see also *Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2210-2211 (2020) (“We think it clear that Congress would prefer that we use a scalpel rather than a bulldozer in curing the constitutional defect we identify today.”).

This Court should therefore decline Arthrex’s invitation (Pet. 16) to engage in ahistorical speculation about whether Congress was “more concerned about providing a potent new mechanism for canceling patents” or about “the impartiality of the adjudicative process through which those property rights may be revoked.” Rather, the Court’s task is to craft a minimally disruptive remedy to “salvage rather than destroy the rest of the law passed by Congress and signed by the President.” *AAPC*, 140 S. Ct. at 2350.

2. The court of appeals correctly concluded that severance of the removal protections applicable to administrative patent judges is most consistent with the Court’s longstanding severability principles.

a. The court of appeals chose a narrow remedy that does no violence to the Patent Act’s text and does not encroach on Congress’s legislative domain. Section 3(c) of the Patent Act provides that Title 5, which governs civil-service protections, applies to “Officers and employees of the Office.” 35 U.S.C. 3(c). The court severed the application of that provision to administrative patent judges, with the result that administrative patent judges are no longer entitled to be removed “only for such cause as will promote the efficiency of the service,” 5 U.S.C. 7513(a), but instead are removable at will. U.S. Pet. App. 28a. Although that remedy does not involve striking particular words from the statute, invalidating and severing a particular application of the statute is a

common remedy, even when the unconstitutional application does not correspond to a particular word in the statute. See, e.g., *United States v. Grace*, 461 U.S. 171, 183-184 (1983).

That remedy is sufficient to cure any Appointments Clause violation by rendering administrative patent judges inferior rather than principal officers. If this Court concludes that administrative patent judges are principal officers, that conclusion will likely reflect an assessment that the patent judges' adjudication of post-grant review and other proceedings is not subject to sufficient supervision by other principal officers, including the Director. Rendering the judges removable at will ensures that their work, including their adjudication of individual cases, will be "directed and supervised" by the Director. *Edmond*, 520 U.S. at 663. Although the PTAB panel's decisions will still represent the final decision of the agency, the Director's already extensive authority to provide substantive input on legal and factual issues presented by PTAB proceedings, see pp. 12-17, *infra*, "coupled with the threat of removal," ensures that PTAB decisions "will be constrained to a significant degree by a principal officer." *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1341 (D.C. Cir. 2012).

b. This Court and the courts of appeals have repeatedly concluded that severing removal protections is a minimally disruptive means of curing the constitutional violation in question. In *Free Enterprise Fund*, for instance, after holding that the adjudicators at issue were inferior officers whose removal protections unconstitutionally insulated them from presidential control, the Court concluded that severing the relevant removal pro-

tectations would be far less disruptive than “blue-pencil[ing]” the adjudicators’ various powers in order to turn them into employees rather than officers. 561 U.S. at 509; see also *Seila Law*, 140 S. Ct. at 2210. And, in *Intercollegiate Broadcast System*, the D.C. Circuit concluded that severing copyright royalty judges’ removal protections would cure their invalid appointments “with as little disruption as possible.” 684 F.3d at 1336-1337.

Here, severing the administrative patent judges’ removal protections is consistent with the fundamental purpose of the America Invents Act, which is to “protect the public’s ‘paramount interest in seeing that patent monopolies * * * are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945)). Congress effected this purpose not via a perfect simulacrum of “district court litigation,” but via a “hybrid proceeding” designed to efficiently “reexamine an earlier agency decision.” *Id.*; see also H.R. Rep. No. 112-98, pt. 1, at 48 (2011), as reprinted in 2011 U.S.C.C.A.N. 67 (stating that *inter partes* review provides “quick and cost effective alternatives to litigation” to “make the patent system more efficient and improve the quality of patents and the patent system”). There is little reason to think the core statutory objective of providing an agency mechanism to resolve patent validity will be undermined if administrative patent judges are removable at will.

Severance of the removal protections is also minimally disruptive to the orderly operation of the PTAB in the near term, at a time when hundreds of active *inter partes* review proceedings are pending before the

agency.² The court of appeals’ remedy does not require reappointment of administrative patent judges before they can continue their work going forward. It does not require modifying the process for recruiting and appointing administrative patent judges. And, in the event Congress decides to implement a *different* remedy for any constitutional infirmity that exists in the America Invents Act, the narrow severance remedy allows the agency to continue functioning in the ordinary course until Congress enacts that alternative remedy.

B. Eliminating tenure protections will not undermine congressional intent because Congress has already elected to cabin the independence of administrative patent judges.

Arthrex’s primary argument against the court of appeals’ remedy is that Congress must have considered tenure protections “essential” to Congress’s “overarching purpose” in creating *inter partes* review, which Arthrex defines as providing for “independent and impartial adjudication” in *inter partes* review proceedings. Arthrex Pet. 20, 24. That argument is belied by the fact that—by statutory design—administrative patent judges are *already* subject to substantial control by the Executive Branch and (before any remedy in this case) enjoy only limited protections against removal, even compared to other Article I adjudicators. Given the constraints on independence that Congress has already imposed on administrative patent judges, there is little

² See PTO, *Trial Statistics: IPR, PGR, CBM* (Sept. 2020) at 10, available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf (last visited Nov. 23, 2020) (“PTO Trial Statistics”).

reason to think, as Arthrex argues, that Congress would have favored abandoning the *inter partes* review system wholesale over abrogating administrative patent judges' removal protections. See *Ayotte*, 546 U.S. at 330 (in remedying an unconstitutional statute the Court must ask whether "the legislature [would] have preferred what is left of its statute to no statute at all").

1. Existing law gives the Director and the Secretary substantial control over administrative patent judges' performance of their duties and their conditions of employment.

First, the Secretary of Commerce currently may remove administrative patent judges from government service "for such cause as will promote the efficiency of the service." 5 U.S.C. 7513(a). That is the default Title 5 provision that governs the removal of federal employees generally. Under that generic standard, administrative patent judges may be disciplined or removed for "misconduct [that] 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). That would include failure to follow legitimate policy directives and other reasons that have a nexus to the PTO's mission. See Pet. for Cert., *United States v. Arthrex, Inc.*, No. 19-1434 (U.S. filed June 25, 2020) 19 ("U.S. Pet."). Administrative law judges, by contrast, are removable only under a more stringent "good cause" standard. 5 U.S.C. 7521. The Merit Systems Protection Board has consistently recognized that administrative law judges are substantively different from, and more insulated from removal than, federal employees subject to the efficiency-of-the-service standard. See, e.g., *Social Sec. Admin. v. Long*, 113 M.S.P.R. 190, 196 (2010), *aff'd*, 635 F.3d 526 (Fed. Cir. 2011).

Second, the Director has plenary authority to designate the members of the Board that compose any given three-member *inter partes* review panel. See 35 U.S.C. 6(c). The Director may exclude a judge from any panel for any reason, including for reasons that could be characterized as encroaching on the independence of the administrative patent judges, such as the Director’s assessment of how a particular judge might adjudicate a case or issue. Indeed, the Director could exercise her discretion to accomplish the *de facto* removal of an administrative patent judge by refusing ever to assign her to *any* panel. See generally U.S. Pet. 19-20. Administrative law judges, on the other hand, are “assigned to cases in rotation so far as practicable.” 5 U.S.C. 3105.

Third, a Director who is dissatisfied with any given *inter partes* review panel’s decision can curb the independence of the panel’s members by expanding the panel to “secure and maintain uniformity of the Board’s decisions.” *PTAB Standard Operating Procedure 1* at 15.³ While expanding a panel is “not favored,” it does happen. For instance, *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal*, 868 F.3d 1013, 1015 (Fed. Cir. 2017), involved the issue of joining two petitions from the same petitioning party. At the time, PTAB panels were split on the permissibility of such joinders under 35 U.S.C. 315(c). After a three-judge panel in *Nidec* denied a joinder request, the Acting Chief Judge, acting on behalf of the Director, “expanded the panel from three to five members, and the reconstituted panel set aside

³ Available at <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf> (last visited Nov. 23, 2020).

the earlier decision” and held the joinder was proper. *Id.* at 1020.

While there is no reason to think that the Director exercises her authority to expand panels to “direct[] *individual* judges to decide cases in a certain way,” *ibid.* (emphasis added), it is clear that the Director may exercise her authority to ensure that PTAB decisions exhibit internal consistency and conform to the agency’s policy preferences. And the Director’s statutory authority to designate, de-designate, expand, and contract *inter partes* review panels in her sole discretion is a significant indicium that Congress clearly did not intend administrative patent judges to be wholly independent of oversight by the Director. See 35 U.S.C. 6.

Finally, the independence of administrative patent judges is limited by the control the Director exerts over their pay. Article III judges, of course, are immunized against salary diminution. U.S. Const. art. III, § 1. The pay of administrative law judges is set by statute, which directs the Office of Personnel Management to set uniform pay rates applicable to all administrative law judges, independent of agency recommendation or ratings. 5 U.S.C. 5372(b)(2). But administrative patent judges are different: the Director himself has significant control over their pay. 35 U.S.C. 3(b)(6).

2. Congress had good reasons for circumscribing the independence of administrative patent judges and subjecting them to some measure of control by the Director. The high volume of determinations made by the PTO each year; the scientific complexity entailed in the process of adjudicating the validity of patents; and the large number of judges employed by the PTAB raise significant coordination challenges at the agency level. See

Stuart Minor Benjamin & Arti K. Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 Duke L.J. 1563, 1589 (2016). Avoiding apparent inconsistency among the hundreds of final written decisions issued each year is important for fostering public confidence in the post-grant review system. Given these realities, it is not surprising that Congress has modestly curtailed the independence of administrative patent judges to facilitate the Director's ability to ensure that the agency's policy preferences are applied consistently and adjudicative outcomes are consistent across the agency's decision-makers.

The unique nature of *inter partes* review also lessens the concerns about bias or political pressure that Arthrex raises. Arthrex Pet. 18. Unlike other administrative adjudicators, administrative patent judges do not adjudicate proceedings in which agency enforcement officers seek to penalize a private party's primary conduct. A primary reason the Administrative Procedure Act instituted removal protections for administrative law judges was a perceived need to "curtail and change the practice of embodying in one person or agency the duties of prosecutor and judge." *Wong Yang Sung v. McGrath*, 339 U.S. 33, 41 (1950); *Ramspeck v. Fed. Trial Examiners Conference*, 345 U.S. 128, 131 (1953) (describing recommendations for "separation of adjudicatory functions and personnel from investigative and prosecution personnel in the agencies"). That concern is not implicated here. Unlike an administrative enforcement proceeding, *inter partes* review is sought by a private party, not the agency itself, and no agency prosecutorial arm participates in the proceeding. As a result, there is no reason to think that administrative patent judges would systematically favor the petitioning party. Quite the

contrary. *Inter partes* review is an intra-agency error-correction mechanism in which the PTAB adjudicates whether the PTO was correct to grant a patent in the first place. See 35 U.S.C. 311. If PTAB judges were biased towards their own agency, that would cut in the *patent owner's* favor.

* * *

As the foregoing discussion demonstrates, the process of adjudication before the PTAB is *not* structured to ensure that administrative law judges exercise their judgment “free from pressures by * * * other officials within the agency.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 756 (2002) (citation omitted). Limitations on the decisional independence of administrative patent judges are baked into the America Invents Act’s statutory design—a statutory structure that confirms that Congress would have preferred the creation of *inter partes* review without removal restrictions to no *inter partes* review at all. Accordingly, remedying any constitutional defect by severing the application of Title 5’s removal restrictions to administrative patent judges would represent only an incremental reduction in the independence of those officers. And because that remedy would avoid undue disruption, it would further Congress’s intent to preserve an efficient mechanism for correcting PTO errors that dampen innovation and undermine public welfare.

III. THE OTHER REMEDIAL OPTIONS PROPOSED BY THE PARTIES THREATEN SUBSTANTIAL DISRUPTION TO THE *INTER PARTES* REVIEW SYSTEM.

The judicial remedy adopted by the court of appeals is superior to the two principal alternatives proposed by the parties and considered below: either declining to adopt any remedy and requiring that Congress repair the statute, or nullifying Congress's preference for three-judge panels in favor of reposing unilateral decision-making authority in the Director.

A. This Court should reject Arthrex's startling suggestion that the Court decline to adopt any remedy.

Arthrex argues that this Court should declare *inter partes* review as it exists today unconstitutional, adopt no remedy at all, and simply wait for Congress "to determine how best to revise the statute," if at all. Arthrex Pet. 33; see also *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 771 (Fed. Cir. 2020) (Dyk, J., dissenting from denial of rehearing en banc) (arguing that "Congress * * * would prefer the opportunity to itself fix any Appointments Clause problem" in lieu of a remedy that would preserve its ongoing operation). That contention is irreconcilable with severability doctrine and would cause untenable disruption.

Arthrex's contention that the "court of appeals should have left the solution to Congress" (Arthrex Pet. 33) is puzzling: a court's severance of a particular provision does not constrain Congress's ability to override that decision and choose a different remedy. See *Seila Law*, 140 S. Ct. at 2211 ("Our severability analysis does

not foreclose Congress from pursuing alternative responses to the problem.”); accord *Free Enterprise Fund*, 561 U.S. at 510. Arthrex’s suggestion that the Court adopt *no* remedy pending congressional action thus seems calculated to freeze the post-grant review system midstream for some indeterminate period of time. “[L]egislative action takes time; Congress has much to do; and other matters * * * may warrant higher legislative priority.” *Milner v. Dep’t of Navy*, 562 U.S. 562, 592 (2011) (Breyer, J., dissenting). Even if Congress focuses on the issue, it may be unable to achieve consensus on a specific legislative remedy. Absent a judicial remedy, then, proceedings before the PTAB would be suspended pending congressional action that might never arrive, with severe consequences for parties to *inter partes* review proceedings and for the patent system as a whole.

In less than a decade after Congress enacted the America Invents Act, *inter partes* review proceedings have come to play a popular and indispensable error-correction role in the patent system. As the court of appeals observed, for the past several years, the PTAB has issued over 500 *inter partes* review final written decisions every year. U.S. Pet. App. 12a-13a. Over 12,000 petitions have been filed since the inception of *inter partes* review; more than 800 petitions have yet to be acted upon by the PTAB; and more than 500 instituted *inter partes* reviews are currently pending before the PTAB. See *PTO Trial Statistics* at 10. Parties choose to adjudicate patents in the PTAB forum for important reasons, such as *inter partes* review’s lower cost and

streamlined procedures compared to litigation in district court.⁴ See 77 Fed. Reg. 48680, 48680 (Aug. 14, 2012) (*inter partes* review is intended to “create a timely, cost-effective alternative to litigation”).

Halting hundreds of proceedings *in medias res* will be chaotically disruptive to parties whose decision to petition for *inter partes* review rested on the expectation that their claims would be timely adjudicated. That problem is compounded by the fact that *inter partes* reviews often proceed in parallel with district court litigation on the same patent. In some cases, district courts stay patent litigation when the patent-in-suit becomes the subject of an *inter partes* review; in others, they continue the litigation in parallel with *inter partes* review. See, e.g., *Drink Tanks Corp. v. GrowlerWerks, Inc.*, No. 3:16-cv-410-SI, 2016 WL 3844209, at *2 (D. Or. July 15, 2016) (describing a three-factor test for an *inter partes* review stay). Litigants in parallel proceedings have made decisions about whether to seek or oppose litigation stays; district judges have in many cases heard and decided stay motions; and the parties and the court have ordered the litigation around the resulting expectations as to how the administrative and judicial proceedings will interact. Suspending the *inter partes* review system in the uncertain hopes of a congressional fix would disrupt those settled expectations and force both litigants and judges to speculate about whether Congress will act

⁴ See, e.g., Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (Sept. 14, 2017), available at <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion/> (last visited Nov. 20, 2020) (estimating that in the first five years of the *inter partes* review system plaintiffs and defendants avoided \$2.3 billion in costs and fees by opting for *inter partes* review over litigation).

and when. Litigants will have to decide whether to abandon their *inter partes* review proceedings and restart district court litigation, potentially forfeiting a significant investment of time and money in the *inter partes* review. And judges who have imposed stays will have to decide whether to lift them and risk losing the possibility that the *inter partes* review proceeding will narrow the issues or dispose of the case entirely.

Failing to remedy any constitutional defect by severing the offending portion of the statute would also thwart *inter partes* review's vital error-correction function. It is well known that, given the immense annual volume of patent applications and the PTO's limited resources, a significant number of issued patents actually should have been rejected for failure to satisfy the Patent Act's requirements for patentability. See PTO, *U.S. Patent Statistics Chart, Calendar Years 1963–2019* (Apr. 2020)⁵ (showing that patent applications more than doubled to approximately 670,000 between 2000 and 2019); Michael D. Frakes & Melissa F. Wasserman, *Is the Time Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents? Evidence from Microlevel Application Data*, 99 *Rev. Econ. Stat.* 550 (2017) (time constraints lead patent examiners to increase grant rates for patent applications of below-average quality).

Absent a functioning *inter partes* review system to weed them out, bad patents will remain in force and inhibit innovation. That is especially true in areas at the outer bounds of technological innovation. Patentability

⁵ https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

determinations at the frontier of technology are particularly likely to be erroneous, both because of a lack of subject-matter expertise and technical knowledge among examiners and because the repository of issued patents in these areas does not provide a thorough picture of prior art. See Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 Cal. L. Rev. 1, 42-45 (2001).

With *inter partes* review (at least temporarily) paralyzed, holders of even weak or invalid patents—and especially nonpracticing entities—will be emboldened to assert them aggressively to extract license royalties or litigation settlements. Because patent litigation is so much more expensive than *inter partes* review,⁶ many accused infringers, once they no longer have the option of petitioning for *inter partes* review, will likely choose to settle or license the asserted patent rather than litigating—or worse, will be deterred from entering new markets altogether.

That result is impossible to square with Congress’s intent in establishing the *inter partes* review framework in the first place. “[C]oncerned about overpatenting and its diminishment of competition,” Congress “sought to weed out bad patent claims efficiently.” *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). Arthrex’s do-nothing proposal, while paying lip service to deference to Congress’s prerogatives, would in fact utterly defeat Congress’s intent by throwing the post-grant review system into doubt.

⁶ See Am. Intellectual Prop. Law Assoc., *Report of the Economic Survey* 41 (2017) (calculating median cost of litigating a single claim of a high-valued patent to be \$3 million).

B. Expanding the scope of the Director’s authority undermines the benefits of the PTAB’s structure.

As an alternative to severing the removal provisions, the court of appeals considered remedies that would augment the Director’s authority to review and revise Board decisions. The court of appeals considered both (1) construing the America Invests Act to permit the Director unilaterally to revise a Board decision before it becomes final or (2) severing the “three-member” clause of 35 U.S.C. 6(c) so that the Director could appoint a single Board member (including himself) to hear or rehear any *inter partes* review. U.S. Pet. App. 22a. The court of appeals was correct to reject these judicial remedies, both as a matter of statutory construction and as a matter of policy.

1. Section 6(c) cannot plausibly be construed to permit the Director unilaterally to revise a decision by a panel of the Board. The provision states that every *inter partes* review proceeding “shall be heard by at least 3 members of the Patent Trial and Appeal Board,” and that “[o]nly the Patent Trial and Appeal Board may grant rehearings.” 35 U.S.C. 6(c) (emphasis added). As the court of appeals recognized, that language unambiguously requires that all proceedings will be heard by a three-member panel. And the sole statutory mechanism for reviewing or reconsidering a decision by a PTAB panel is “rehearing[]”—which is granted by the PTAB, not the Director. U.S. Pet. App. 24a; cf. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018) (holding that Patent Act unambiguously foreclosed Director’s claimed “partial institution” power, because that power “appear[ed]

nowhere in the text of § 318, or anywhere else in the statute for that matter”).

Severing Section 6(c)’s requirement that proceedings be heard “by at least 3 members” might be possible as a textual matter, but it would not be the narrowest severance option. See *Seila Law*, 140 S. Ct. at 2210. That remedy would not only permit the Director to hear or rehear any *inter partes* review proceeding, but would also confer on the Director broad discretion to determine the manner in which *inter partes* review proceedings are heard in the first instance. The Director could, for instance, permit *inter partes* review trials to be adjudicated by a single judge. And even if three-judge panels continued to preside over trials, the Director would have authority to override the panel’s considered judgment in rehearing proceedings. Those changes would mark a significant departure from the way in which Congress structured the PTAB—far more significant than severing administrative patent judges’ removal protections.

2. Vesting unilateral authority in the Director to override the reasoned decision-making of three-judge panels could have substantial adverse effects on the post-grant review system.

In enacting the AIA, Congress emphasized the benefits of using multi-member panels of administrative patent judges: “a panel of experts is more likely to reach the correct decision on a technical question compared to a jury composed of laypeople.” 157 Cong. Rec. S1352 (daily ed. Mar. 8, 2011) (statement of Sen. Udall). More generally, three-judge panels are used in a variety of contexts, including the federal courts of appeals, because such panels are perceived as buttressing the credibility of adjudications and being more likely to reach reliable

results than individual judges. See S. Rep. No. 97-275, at 9 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 19 (observing that three-judge panels “preserve both the appearance and reality of justice” by ensuring that decision-making is the “collective product of at least three minds”).

Permitting the Director unilaterally to overturn PTAB decisions would also sacrifice the particular benefits of adjudication by multiple subject-matter experts in a technical and fact-intensive area of the law. Determining patent invalidity is a fact-intensive inquiry that requires decision-makers to compare the described and claimed invention to other patents, scientific publications, and teachings to assess whether the invention is either identical to teachings from prior art or sufficiently similar so as to be obvious. See 35 U.S.C. 102, 103. Administrative patent judges are required to be “persons of competent legal knowledge and scientific ability.” 35 U.S.C. 6(a). The PTAB comprises more than 200 judges divided into twelve sections, each with a specific technical focus.⁷ The chief judge attempts, whenever possible, to match the technical expertise of the panel with the technology at issue in any given *inter partes* review. *PTAB Standard Operating Procedure 1* at 6-7.

Given the factual and technical demands of *inter partes* review, it is not surprising that Congress allo-

⁷ See PTO, *Organizational Structure and Administration of the Patent Trial and Appeal Board* at 2, available at <https://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%202012%202015.pdf> (last visited Nov. 23, 2020).

cated responsibility to panels of three or more adjudicators who can bring their collective judgment, fact-finding ability, and technical expertise to bear in determining the validity of a challenged patent. Unilateral review by the Director would be more appropriate if *inter partes* review primarily involved making the sort of policy judgments in which politically appointed heads of agencies are well-versed, or interpreting statutes that the PTO was charged with enforcing. But because *inter partes* review is fundamentally an error-correction mechanism for ferreting out invalid patents, accuracy is a paramount consideration—one that is well-served by having individual cases decided collectively by multiple qualified fact-finders with a diversity of experience and subject-matter expertise. For that reason, any judicial remedy that would give the Director the authority to control the outcome of individual cases would undermine the efficacy of the *inter partes* review system.

CONCLUSION

The judgment of the court of appeals that administrative patent judges are inferior officers should be reversed. If it is affirmed, however, the Court should ratify the court of appeals' remedy of severing the removal protections applicable to the PTO's corps of administrative judges.

Respectfully submitted,

DONALD B. VERRILLI, JR.
Counsel of Record
GINGER D. ANDERS
MUNGER, TOLLES & OLSON LLP
601 Massachusetts Avenue NW
Suite 500 E
Washington, D.C. 20001
donald.verrilli@mto.com
(202) 220-1100

JORDAN D. SEGALL
MUNGER, TOLLES & OLSON LLP
350 S. Grand Ave., 50th Floor
Los Angeles, CA 90071
(213) 683-9208

DECEMBER 2, 2020