

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

---

---

IN THE  
**Supreme Court of the United States**

UNITED STATES,  
*Petitioner,*

v.

ARTHREX, INC., *et al.*,  
*Respondents.*

---

SMITH & NEPHEW, INC., *ET AL.*,  
*Petitioners,*

v.

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

---

ARTHREX, INC.,  
*Petitioner,*

v.

SMITH & NEPHEW, INC., *ET AL.*,  
*Respondents.*

---

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

---

**BRIEF OF *AMICI CURIAE* AMERICANS FOR PROSPERITY  
FOUNDATION AND TECHFREEDOM IN SUPPORT OF  
PETITIONER IN NO. 19-1458**

---

MICHAEL PEPSON  
*Counsel of Record*  
CYNTHIA FLEMING CRAWFORD  
AMERICANS FOR PROSPERITY FOUNDATION  
1310 N. Courthouse Road, Ste. 700  
Arlington, VA 22201  
(571) 329-4529  
mpepson@afphq.org  
*Counsel for Amicus Curiae*

December 30, 2020

---

---

**TABLE OF CONTENTS**

Table of Authorities.....ii

Brief of *Amici Curiae* in Support of Petitioners .....1

Interest of *Amici Curiae*.....1

Summary of Argument.....3

Argument.....6

    I.    This Court Should Vacate and Set Aside the  
        Board’s Decision.....6

        A. The Blue-Pencil Remedy Exceeds the Judicial  
           Power Under Article III.....6

        B. The Separation of Powers Requires Meaningful  
           Relief.....9

        C. Federal Courts May Not Arrogate to  
           Themselves Congress’s Prerogative (and Duty)  
           to Make Public Policy Decisions .....12

    II.   Judicial Removal of APJ Independence Would  
        Create Due Process Problems .....18

    III.  This Court Should Reject Parade-of-Horribles  
        Arguments Against Providing Arthrex  
        Complete Relief .....24

Conclusion.....27

**TABLE OF AUTHORITIES**

| <b>Cases</b>   | <b>Page(s)</b> |
|--|----------------|
| <i>Barnhart v. Sigmon Coal Co.</i> ,<br>534 U.S. 438 (2002).....                               | 16             |
| <i>Barr v. Am. Ass’n of Political<br/>Consultants</i> ,<br>140 S. Ct. 2335 (2020).....         | 8, 10, 12      |
| <i>Buckley v. Valeo</i> ,<br>424 U.S. 1 (1976).....  | 9              |
| <i>Caperton v. A. T. Massey Coal Co.</i> ,<br>556 U.S. 868 (2009).....                         | 22             |
| <i>Collins v. Mnuchin</i> ,<br>938 F.3d 553 (5th Cir. 2019).....                               | 8, 10          |
| <i>Commodity Futures Trading Comm’n v.<br/>Schor</i> ,<br>478 U.S. 833 (1986).....             | 23, 24         |
| <i>DaimlerChrysler Corp. v. Cuno</i> ,<br>547 U.S. 332 (2006).....                             | 8              |
| <i>Ethicon Endo-Surgery, Inc. v. Covidien</i> ,<br>812 F.3d 1023 (Fed. Cir. 2016).....         | 21             |
| <i>Free Enter. Fund v. Pub. Co. Accounting<br/>Oversight Bd.</i> ,<br>561 U.S. 477 (2010)..... | 18             |

|   |          |
|---|----------|
| <i>Henson v. Santander Consumer USA</i> ,<br>137 S. Ct. 1718 (2017).....  | 14, 15   |
| <i>Humphrey’s Ex’r v. United States</i> ,<br>295 U.S. 602 (1935).....   | 23       |
| <i>In re Alappat</i> ,<br>33 F.3d 1526 (Fed. Cir. 1994) .....   | 19       |
| <i>In re Murchison</i> ,<br>349 U.S. 133 (1955).....  | 21       |
| <i>James B. Beam Distilling Co. v.</i><br><i>Georgia</i> ,<br>501 U.S. 529 (1991).....                          | 10       |
| <i>Lucia v. SEC</i> ,<br>138 S. Ct. 2044 (2018).....  | 11       |
| <i>Marbury v. Madison</i> ,<br>5 U.S. (1 Cranch) 137 (1803) .....   | 4, 8, 11 |
| <i>Murphy v. NCAA</i> ,<br>138 S. Ct. 1461 (2018).....  | 8, 11    |
| <i>Nichols v. United States</i> ,<br>136 S. Ct. 1113 (2016).....  | 17       |
| <i>Nidec Motor Corp. v. Zhongshan Broad</i><br><i>Ocean Motor Co.</i> ,<br>868 F.3d 1013 (Fed. Cir. 2017) ..... | 20       |
| <i>Noel Canning v. NLRB</i> ,<br>705 F.3d 490 (D.C. Cir. 2013).....   | 11       |

|  |               |
|--|---------------|
| <i>N. Pipeline Constr. Co. v. Marathon<br/>Pipe Line Co.,<br/>458 U.S. 50 (1982)</i> .....             | 9             |
| <i>Oil States Energy Servs. v. Greene’s<br/>Energy Grp., LLC,<br/>138 S. Ct. 1365 (2018)</i> .....     | <i>passim</i> |
| <i>PHH Corp. v. Consumer Financial<br/>Protection Bureau,<br/>881 F.3d 75 (D.C. Cir. 2018)</i> .....   | 9             |
| <i>Polaris Innovations Ltd. v. Kingston<br/>Tech. Co.,<br/>792 F. App’x 820 (Fed. Cir. 2020)</i> ..... | 13, 18        |
| <i>Randall v. Sorrell,<br/>548 U.S. 230 (2006)</i> .....   | 14            |
| <i>Reno v. ACLU,<br/>521 U.S. 844 (1997)</i> .....   | 8             |
| <i>Ryder v. United States,<br/>515 U.S. 177 (1995)</i> .....   | 12            |
| <i>SAS Inst., Inc. v. Iancu,<br/>138 S. Ct. 1348 (2018)</i> .....                                      | 14, 16        |
| <i>Seila Law LLC v. Consumer Financial<br/>Protection Bureau,<br/>140 S. Ct. 2183 (2020)</i> .....     | 7, 9          |
| <i>Synar v. United States,<br/>626 F. Supp. 1374 (D.D.C. 1986)</i> .....                               | 9             |

|   |        |
|---|--------|
| <i>Thryv, Inc. v. Click-To-Call Techs., LP</i> ,<br>140 S. Ct. 1367 (2020)..... | 19     |
| <i>Tumey v. Ohio</i> ,<br>273 U.S. 510 (1927).....                              | 22     |
| <i>United States v. Rutherford</i> ,<br>442 U.S. 544 (1979).....                | 8      |
| <i>United States v. Will</i> ,<br>449 U.S. 200 (1980).....                      | 24     |
| <i>Utica Packing Co. v. Block</i> ,<br>781 F.2d 71 (6th Cir. 1986).....         | 21, 23 |
| <i>Withrow v. Larkin</i> ,<br>421 U.S. 35 (1975).....                           | 21     |
| <b>Constitution</b>   |        |
| U.S. Const. Art. I, § 1 .....   | 3      |
| U.S. Const. Art. III, § 2, cl. 1.....   | 8      |
| <b>Statutes</b>   |        |
| Pub. L. No. 112-29, 125 Stat. 284 (2011).....                                   | 5      |
| <b>Rules</b>  |        |
| Sup. Ct. Rule 37.3.....   | 1      |
| <b>Other Authorities</b>  |        |
| Federalist No. 78 (Hamilton).....   | 24     |

|  |        |
|--|--------|
| Federalist No. 79 (Hamilton) .....   | 22     |
| Gene Quinn, <i>If PTAB Judges Can Decide<br/>Cases Involving Former Defense Clients<br/>USPTO Conflict Rules Must Change,</i><br>IP Watchdog (May 2, 2017) ..... | 22     |
| Gene Quinn, <i>USPTO Response to FOIA<br/>Confirms There Are No Rules of<br/>Judicial Conduct for PTAB Judges, IP<br/>Watchdog (May 31, 2017) .....</i>          | 23     |
| Gene Quinn & Steve Brachman, <i>More<br/>Conflicts of Interest Surface with<br/>Second PTAB Judge, IP Watchdog<br/>(May 7, 2017).....</i>                        | 22     |
| Gregory Dolin,<br><i>Dubious Patent Reform,</i><br>56 B.C. L. Rev. 881 (2015) .....  | 26     |
| John M. Golden,<br><i>Working Without Chevron: The PTO as<br/>Prime Mover,</i><br>65 Duke L.J. 1657 (2016).....  | 19     |
| Kent Barnett,<br><i>Resolving the ALJ Quandary,</i><br>66 Vand. L. Rev. 797 (2013).....  | 22, 23 |

|   |            |
|---|------------|
| Kent Barnett,<br><i>To the Victor Goes the Toil—Remedies<br/>for Regulated Parties in Separation-of-<br/>Powers Litigation,</i><br>92 N.C. L. Rev. 481 (2014).....  | 12         |
| Nicholas J. Doyle,<br><i>Confirmation Bias and the Due Process<br/>of Inter Partes Review,</i><br>57 IDEA 29 (2016).....  | 21         |
| Oral Arg. Tr., <i>Collins et al. v. Mnuchin et<br/>al.</i> , Nos. 19-422, 19-563 (Dec. 9, 2020).....  | 5          |
| Philip Hamburger, <i>Is Administrative Law<br/>Unlawful?</i> (2014).....  | 19         |
| Samuel F. Miller, <i>Lectures on the<br/>Constitution of the United States</i> (1891).....  | 2          |
| Saurabh Vishnubhakat,<br><i>Disguised Patent Policymaking,</i><br>76 Wash & Lee L. Rev. 1667 (2019). .....  | 19, 20     |
| The Patent Trial and Appeal Board and<br>the Appointments Clause: Implications<br>of Recent Court Decisions: Hearing<br>Before the Subcommittee on Courts,<br>Intellectual Property, and the Internet<br>of the H. Comm. on the Judiciary,<br>116th Cong. (2019)..... | 13, 14, 26 |

**BRIEF OF *AMICI CURIAE***  
**IN SUPPORT OF PETITIONER ARTHREX**

Under Supreme Court Rule 37.3, Americans for Prosperity Foundation (“AFPF”) and TechFreedom respectfully submit this *amici curiae* brief in support of Petitioner Arthrex, Inc. (“Arthrex”).<sup>1</sup>

**INTEREST OF *AMICI CURIAE***

*Amicus curiae* AFPF is a 501(c)(3) nonprofit organization committed to educating and training Americans to be courageous advocates for the ideas, principles, and policies of a free and open society. Some of those key ideas are the separation of powers, due process, the rule of law, and constitutionally limited government. As part of this mission, it appears as *amicus curiae* before federal and state courts.

AFPF takes no position here as to broader public policy questions relating to patents, including debates and normative questions relating to balancing the interests of innovators with those of implementers. Instead, AFPF’s interest in this case solely lies in the enforcement of the Constitution’s separation of powers and due process requirements, and ensuring that patent disputes are litigated within a constitutionally permissible framework. AFPF has a particular interest in this case because it believes businesses and individuals, like Arthrex, are entitled

---

<sup>1</sup> All parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part and no person other than *amicus* made any monetary contributions intended to fund the preparation or submission of this brief.

to a meaningful remedy for separation-of-powers violations that would afford them complete redress under the facts and circumstances of their case.

TechFreedom is a nonprofit, nonpartisan think tank based in Washington, D.C. It is dedicated to promoting technological progress that improves the human condition. It seeks to advance public policy that makes experimentation, entrepreneurship, and investment possible.

In the courts, TechFreedom generally focuses on issues germane to the Federal Trade Commission or the Federal Communications Commission. It does not involve itself with patent law, and it has no expertise on the *inter-partes* review process. The organization is fundamentally committed, however, to the notion that only Congress may write our laws. The judiciary simply applies those laws as written, while ensuring that the other branches stay within their constitutional lanes. The judiciary does this, moreover, only as it “decide[s] and pronounce[s] a judgment and carr[ies] it into effect between persons and parties who bring a case before it for decision.” Samuel F. Miller, *Lectures on the Constitution of the United States* 314 (1891).

In this case, the Federal Circuit properly exercised the judicial power when, in the process of resolving a concrete dispute, it concluded that the statute governing administrative patent judges violates the Appointments Clause. It then illicitly wielded the legislative power, however, when it “considered several potential fixes” to the statute and “chose the one it viewed” as best. Pet. App. 290 (Hughes, J., joined by Wallach, J., dissenting from denial of

rehearing en banc). The Federal Circuit should instead have “defer[red] to Congress to fix the problem.” *Id.* TechFreedom urges the Court to reject the Federal Circuit’s attempt to rewrite the law.

### SUMMARY OF ARGUMENT

“All legislative Powers” are “vested” in Congress. U.S. Const. Art. I, § 1. When a federal court finds a constitutional defect in a statute, therefore, it may not sit as a council of revision, which would require wielding legislative power to edit the statute until it deems the problem solved. Here, however, the Federal Circuit did just that.

The Federal Circuit held the administrative patent judges (“APJs”) who oversee the *inter partes* review (“IPR”) process are principal Officers of the United States. The court then concluded the statutory rules governing the APJs’ appointment and removal are inconsistent with the APJs’ principal officer status. At that point, the court should simply have noted the defect, acknowledged that only Congress can address it, and taken no further action beyond vacating the challenged decision. Instead, the court seized for itself Congress’s power to supply a statutory fix. Making matters worse, the court selected an amendment that may not fix the Appointments Clause defect, probably infringes the right to due process, and leaves the party challenging the defect without a remedy.

Some *amici* who favor the IPR process have set forth distinct statutory revisions for the IPR process, if this Court concludes APJs are principal officers. As their diverging proposals for salvaging that process confirm, fixing the IPR statute’s Appointments Clause

defect is a public policy question beyond the ken and province of the judiciary. It is a task for Congress.

The Federal Circuit purported to fix the Appointments Clause problem by stripping the APJs of their for-cause removal protection. But making the APJs removable at will simply fixes an Appointments Clause problem (if it even does that) by replacing it with a due process problem. Now deprived of the right to a hearing before an independent adjudicator, Arthrex, the party that raised the Appointments Clause problem in the first place, is left without a remedy. As Chief Justice Marshall wrote in *Marbury v. Madison*, quoting Blackstone's Commentaries, "it is a general and indisputable rule, that where there is a legal right, there is also a legal remedy by suit or action at law, whenever that right is invaded." 5 U.S. (1 Cranch) 137, 163 (1803) (quoting 3 Blackstone, Commentaries 23). "The very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws, whenever he receives an injury. One of the first duties of government is to afford that protection." *Id.*

There is nothing this Court can or should do to salvage the unconstitutional IPR process. Only Congress may cure these constitutional problems, if it chooses to do so. This Court should instead focus on the case and controversy before it and provide complete relief to Arthrex, consistent with the judicial role under Article III. The only meaningful way to redress the harms Arthrex has suffered from the constitutional violations is to vacate the agency decision without remand.

The sky will not fall if the Court does this. After all, the IPR process itself is relatively new—the product of the America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011). Congress has been on notice of its constitutional flaws, even holding hearings on possible approaches to fix these problems through the constitutionally prescribed method: duly enacted legislation. The political branches are thus well positioned to decide for themselves whether and how to address the statute’s constitutional shortfalls. Meanwhile, independent, neutral, and procedurally fair Article III courts will remain open to resolve patent disputes and grant declaratory and injunctive relief—just as they were before, and have been since, the AIA was passed nine years ago.

The bigger risk lies on the other side, in letting attacks on the structure of the Republic go unaddressed. The separation of powers and our system of checks and balances are more than just arcane concepts from middle school civics classes. Instead, as Justice Alito recently observed, this Court has “said many times that structural provisions of the Constitution, like the [A]ppointments [C]lause and rules about the removal of executive officers, are ultimately important because they affect ordinary people, they affect liberty, . . . and they affect democratic accountability.” Oral Arg. Tr. at 46:6–12, *Collins v. Mnuchin*, Nos 19-422, 19-563 (Dec. 9, 2020).

The Federal Circuit has appropriated legislative power from Congress. If the blue-pencil remedy employed here is allowed to stand, it will only further signal a green light for courts to resolve policy disputes that belong in the political branches. This

will keep happening until this Court flashes a red light at judicial lawmaking.

## ARGUMENT

### I. THIS COURT SHOULD VACATE AND SET ASIDE THE BOARD'S DECISION.

As Petitioner Arthrex explains, *see* Arthrex Br. 16–34, APJs are principal Officers of the United States, and thus the appointment of APJs by the Secretary of Commerce, and the restrictions placed on their removal, violate the separation of powers. The Federal Circuit agreed and held the underlying proceedings unconstitutional. Therefore, the Federal Circuit should have vacated the Patent Trial and Appeal Board (“PTAB”) decision, without remand and without attempting to prospectively edit the statute. Instead, the Federal Circuit revised the statute, thereby exceeding its authority *and* failing to provide a remedy to Arthrex.

#### A. The Blue-Pencil Remedy Exceeds the Judicial Power Under Article III.

As Arthrex explains, *see* Arthrex Br. 52–56, the AIA’s plain language and structure demonstrate Congress intended that removal restrictions on APJs be a key feature of the IPR process. Indeed, four Federal Circuit judges reached an identical conclusion: “The panel’s invalidation of Title 5 removal protections and severance is not consistent with Supreme Court precedent. . . . By eliminating Title 5 removal protections for APJs, the panel is performing major surgery to the statute that Congress could not possibly have foreseen or intended.” Pet.

App. 250a–251a (Dyk, J., joined by Newman, Wallach, JJ., and Hughes, J., as to Part I.A, dissenting from the denial of rehearing *en banc*).<sup>2</sup>

“ALJs in general and APJs in particular have been afforded longstanding and continuous protection from removal. . . . [H]ere, the provision being partially invalidated is not even part of the Patent Act but is instead in Title 5. Elimination of those protections cannot be squared with Congressional design.” Pet. App. 254a (Dyk, J., joined by Newman, Wallach, JJ., and Hughes, J., as to Part I.A, dissenting from the denial of rehearing *en banc*); *see also* Pet. App. 277a (Hughes, J., joined by Wallach, J., dissenting from the denial of the petitions for rehearing *en banc*) (“Given the federal employment protections APJs and their predecessors have enjoyed for more than three decades, and the overall goal of the America Invents Act, I do not think Congress would have divested APJs of their Title 5 removal protections to cure any alleged constitutional defect in their appointment.”). For this reason alone, this Court should reject any proposal to rewrite the statute to “sever” the unconstitutional removal restrictions. *Cf. Seila Law LLC v. Consumer Financial Protection Bureau*, 140 S. Ct. 2183, 2219 (2020) (Thomas, J., concurring in part and dissenting in part) (“Our modern severability precedents create tension with . . . historic practice.”).

More fundamentally, the Federal Circuit’s remedial approach ignores the separation-of-powers limits on Article III courts’ ability to “revise” federal statutes—a task Article I vests in Congress alone.

---

<sup>2</sup> References to “Pet. App.” refer to Petitioner United States’s Appendix filed in case No. 19-1434.

“[C]ourts cannot take a blue pencil to statutes[.]” *Murphy v. NCAA*, 138 S. Ct. 1461, 1486 (2018) (Thomas, J., concurring). “Under our constitutional framework, federal courts do not sit as councils of revision, empowered to rewrite legislation in accord with their own conceptions of prudent public policy.” *United States v. Rutherford*, 442 U.S. 544, 555 (1979). “[T]he power of judicial review does not allow courts to revise statutes[.]” *Seila Law*, 140 S. Ct. at 2220 (Thomas, J., concurring in part and dissenting in part); see also *Barr v. Am. Ass’n of Political Consultants*, 140 S. Ct. 2335, 2365–66 (2020) (Gorsuch, J., dissenting in part) (“I am doubtful of our authority to rewrite the law in this way. . . . To start, it’s hard to see how today’s use of severability doctrine qualifies as a remedy at all[.]”). And courts may “not rewrite a . . . law to conform it to constitutional requirements.” *Reno v. ACLU*, 521 U.S. 844, 884–85 (1997) (citation omitted).

Instead, federal courts are tasked with adjudicating discrete cases and controversies. U.S. Const. Art. III, § 2, cl. 1. “No principle is more fundamental to the judiciary’s proper role in our system of government than the constitutional limitation of federal-court jurisdiction to actual cases or controversies.” *DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332, 341 (2006). This “generally does not include the legislative power to erase, rewrite, or otherwise ‘strike down’ statutes[.]” *Collins v. Mnuchin*, 938 F.3d 553, 609 (5th Cir. 2019) (*en banc*) (Oldham, J., and Ho, J., concurring in part and dissenting in part), *cert granted*, 207 L.Ed.2d 1118 (2020). Instead, the “province of the court is, solely, to decide on the rights of individuals[.]” *Marbury*, 5 U.S. (1 Cranch) at 170.

When courts rule for a complaining party, they must focus on providing complete relief to that party, not on rewriting statutes.

### **B. The Separation of Powers Requires Meaningful Relief.**

The actions of unconstitutionally appointed (or insulated) officers must be set aside. *Cf. Seila Law*, 140 S. Ct. at 2219 (Thomas, J., concurring in part and dissenting in part) (“To resolve this case, I would simply deny the . . . CFPB petition to enforce the civil investigative demand.”); *PHH Corp. v. Consumer Fin. Prot. Bureau*, 881 F.3d 75, 139 (D.C. Cir. 2018) (*en banc*) (Henderson, J., dissenting) (“I would set aside the Director’s decision as *ultra vires* and forbid the agency from resuming proceedings.”).

This is because, as then-Judge Scalia explained, a remedy for a constitutional violation must redress the harm to the injured party. When resolving “cases specifically involving incompatible authorization and tenure (or appointment) statutes,” courts must focus on providing relief to “the injury-in-fact that confers standing upon the plaintiff.” *Synar v. United States*, 626 F. Supp. 1374, 1393 (D.D.C. 1986) (per curiam) (collecting cases), *aff’d sub nom. Bowsher v. Synar*, 478 U.S. 714 (1986); *see also N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 52 (1982) (setting aside exercise of adjudicatory authority *over plaintiff* by bankruptcy judge who lacked Article III life tenure); *Buckley v. Valeo*, 424 U.S. 1 (1976) (setting aside Federal Election Campaign Act provisions granting authority *over plaintiffs* to officials appointed in an improper manner).

Here, however, as Judge O'Malley, joined by Judges Moore and Reyna, explained:

[O]ur curative severance of the statute, does not “remedy” the harm to Arthrex, whose patent rights were adjudicated under an unconstitutional scheme. . . . [The Federal Circuit’s] decision that the statute can be *rendered* constitutional by severance does not remedy any past harm—it only avoids continuing harm in the future. It is only meaningful prospectively, once severance has occurred.

Pet. App. 245a–246a. *Cf. Am. Ass’n of Political Consultants*, 140 S. Ct. at 2366 (Gorsuch, J., concurring in part and dissenting in part) (“[P]rospective decisionmaking has never been easy to square with the judicial power.”) (citing *James B. Beam Distilling Co. v. Georgia*, 501 U. S. 529, 548–549 (1991) (Scalia, J., concurring in judgment) (judicial power is limited to “discerning what the law *is*, rather than decreeing . . . what it will *tomorrow* be”)).

Blue-penciling the statute therefore “affords [Arthrex] no relief whatsoever.” *Collins*, 938 F.3d at 609 (Oldham, J., concurring in part and dissenting in part). This Court should reject the proposal to remand the matter to the agency for a new hearing under a judicially modified statutory scheme. That approach would provide no relief to Arthrex and would leave it worse off. Arthrex is entitled to a remedy that meaningfully redresses its injuries, which were caused by an unconstitutional administrative action

suffering from a fatal defect in authority. The Court cannot fix that harm through ordering repetition.

Failing to vacate the proceedings below without remand is in tension with the principle that for every right there must be a remedy.<sup>3</sup> “It is a settled and invariable principle, that every right, when withheld, must have a remedy, and every injury its proper redress.” *Marbury*, 5 U.S. (1 Cranch) at 147. As applied here, this principle demands that where an agency official lacks statutory or constitutional authority to take a specific action, that action should be vacated. See *Noel Canning v. NLRB*, 705 F.3d 490, 515 (D.C. Cir. 2013). Cf. Pet. App. 244a (O’Malley, J., joined by Moore, JJ., concurring in the denial of the petitions for rehearing en banc) (“It is true that if . . . the appointment of APJs ran afoul of the Constitution, that fact was true from the time of appointment forward, rendering all APJ decisions under the AIA unconstitutional when rendered.”).

Furthermore, Arthrex should not be punished for asserting its constitutional right to challenge the PTAB decision below, which was void *ab initio*. As this Court has made clear, Appointments Clause remedies should “create incentives to raise Appointments Clause challenges.” *Lucia v. SEC*, 138 S. Ct. 2044, 2055 n.5 (2018) (cleaned up and citation omitted). The remedy for a violation of the Appointments Clause or separation of powers should advance the structural purpose of Article II by creating incentives for parties to raise such

---

<sup>3</sup> Severance is not “literally” a remedy, because “[r]emedies operate with respect to specific parties, not on legal rules in the abstract.” *Murphy*, 138 S. Ct. at 1486 (Thomas, J., concurring).

challenges. See *Ryder v. United States*, 515 U.S. 177, 182–83 (1995). Remanding for repetitive proceedings would have the opposite effect, perversely *disincentivizing* parties from exercising their constitutional rights. See also Kent Barnett, *To the Victor Goes the Toil—Remedies for Regulated Parties in Separation-of-Powers Litigation*, 92 N.C. L. Rev. 481, 518–46 (2014).

Moreover, the Federal Circuit’s legislative-type remedy, while hollow for Arthrex, is anything but modest, as it judicially transfers Article I legislative power to an Article III court. The Federal Circuit correctly found the IPR process violates the Constitution because APJs are principal Officers. Yet it declined to remedy the harm to Arthrex caused by the constitutional violation. Instead, it assumed Congress’s legislative powers, severed a part of the statute, and left Arthrex and others worse off than before. *Cf. Am. Ass’n of Political Consultants*, 140 S. Ct. at 2366 (Gorsuch, J., concurring in the judgment in part and dissenting in part) (noting in that case that “[a] severance remedy not only fails to help the plaintiffs, it harms strangers to this suit.”).

### **C. Federal Courts May Not Arrogate to Themselves Congress’s Prerogative (and Duty) to Make Public Policy Decisions.**

The Federal Circuit’s vigorous deployment of the “severability” doctrine is particularly problematic in that the Circuit arrogated to itself the power to decide among various alternatives *how* the statute *should* be revised. In other words, the Federal Circuit exercised the power to determine what the “legislative fix”

should be. That choice was not a proper judicial choice under the Constitution.

To begin with, the Federal Circuit’s legislative changes are likely not in accord with what Congress would have wanted. As Judge Dyk explained: “Congress almost certainly would prefer the opportunity to itself fix any Appointments Clause problem before imposing the panel’s drastic remedy.” Pet. App. 255a. Dyk, J., joined by Newman, Wallach, JJ., and Hughes, J., as to Part I.A, dissenting from the denial of rehearing en banc); *see also Polaris Innovations Ltd. v. Kingston Tech. Co.*, 792 F. App’x 820, 828 (Fed. Cir. 2020) (Hughes, J., concurring) (“[I]t seems unlikely to me that Congress, faced with this Appointments Clause problem, would have chosen to strip APJs of their employment protections, rather than choose some other alternative.”).<sup>4</sup> Compelling evidence of this, and a telling sign that the Federal Circuit overstepped its remedial authority here, is that Congress has already held a hearing exploring legislative fixes to the IPR process to solve the constitutional problems. It did this over a year ago. *See The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions: Hearing Before the Subcommittee on Courts, Intellectual Property, and the Internet of the*

---

<sup>4</sup> Underscoring the degree to which the Federal Circuit’s deployment of the blue-pencil remedy was in error, several administrative, constitutional, and intellectual property law scholars have explained that if this Court concludes that APJs are principal Officers (which they dispute), the Court should reject the “severability” remedy the Federal Circuit imposed. *See Administrative, Constitutional, and Intellectual Property Law Professors Br.* 28–33.

H. Comm. on the Judiciary, 116th Cong. (2019), <https://judiciary.house.gov/calendar/eventsingle.aspx?EventID=2249>. If this Court were an appropriate forum for resolving these questions, then why is Congress exploring amendments to the statute?

Worse, the Federal Circuit arrogated to itself Congress’s role of deciding *how* to fix the statute.<sup>5</sup> As Judge Hughes observed: “I would defer to Congress to fix the problem. . . . Congress can best weigh the need for a fair and transparent patent system with the need for federal employment protections for those entrusted with carrying out that system. And Congress faces fewer constraints than we do in fixing an unconstitutional statute. We should allow it to do so.” Pet. App. 290a–291a (Hughes, J., joined by Wallach, J., dissenting from the denial of the petitions for rehearing *en banc*). Balancing policy goals transcends the judicial role. *See also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1357–58 (2018) (“Each side offers plausible reasons why its approach might make for the more efficient policy. But who should win that debate isn’t our call to make.”). And absent powers of divination, courts cannot “foresee which of many different possible ways the legislature might respond to the constitutional objections[.]” *Randall v. Sorrell*, 548 U.S. 230, 262 (2006) (plurality). Instead, the “proper role of the judiciary . . . [is] to apply, not

---

<sup>5</sup> The Federal Circuit panel considered several proposed approaches to fixing the statute’s constitutional problems, ultimately electing to blue-pencil the removal restrictions. *See* Pet. App. 23a–28a. According to the panel: “We believe that this, the narrowest revision to the scheme intended by Congress for reconsideration of patent rights, is the proper course of action and the action Congress would have undertaken.” Pet. App. 29a.

amend, the work of the People’s representatives.” *Henson v. Santander Consumer USA Inc.*, 137 S. Ct. 1718, 1726 (2017). The Federal Circuit’s amendment of the AIA should be rejected.

Usually arguing in the alternative, *amici* supporting the United States, Smith & Nephew, or neither party propose various statutory revisions to “cure” various constitutional problems. The array of proposed “fixes” on offer underscores how much the Federal Circuit exceeded the judicial role and walked in Congress’s shoes. *Compare, e.g.*, Intel Corp. Br. 7–26, *with* Apple Inc. Br. 26–30, *with* High-Tech Inventors Alliance Br., *with* Cross-Industry Groups Br. 27–30, *with* Unified Patents, LLC Br. 19–27, *with* Coalition Against Patent Abuse Br. 30. The Federal Circuit sought to craft public policy, and now *amici*, in their own ways, are asking this Court to do so as well.

Consider the following illustrative examples of various legislative-type fixes that have been proposed in this case to salvage the IPR process:

- “Severing” the removal restrictions, as the Federal Circuit has done. *See, e.g.*, Intel Br. 7–17. *Amici* scholars oppose this remedy. *See* Administrative, Constitutional, and Intellectual Property Law Professors Br. 28–33. Other *amici* take a more nuanced position. *E.g.*, Apple Br. 27 (“As a policy matter, Apple believes that the optimal IPR system would afford reasonable removal protections to the skilled, dedicated APJs who operate it. Congress, of course, intended just that.”).

- “Sever” the requirement that the Director “shall” issue certificates after final written decisions. Unified Patents, LLC Br. 21–23.
- “Sever” the portion of the statute requiring three APJs on the panels, which would “allow[] the Director to sit alone in review[.]” Unified Patents, LLC Br. 23–25. Other *amici* oppose this remedy on policy and other grounds. *E.g.*, Intel Br. 23–26.
- “Sever” removal protections for a more limited selection of agency officials. Unified Patents, LLC Br. 25–27.

These *amici*’s policy disagreements confirm that the Federal Circuit tried, at the remedy stage, to choose among distinct public policy options—and that it therefore erred. *See also* Arthrex Br. 58–59.

“These are battles that should be fought among the political branches and the industry. Those parties should not seek to amend the statute by appeal to the Judicial Branch.” *Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 462 (2002). “Policy arguments are properly addressed to Congress, not . . . [the Judicial Branch]. It is Congress’s job to enact policy and it is . . . [the Judicial Branch’s] job to follow the policy Congress has prescribed.” *SAS Inst., Inc.*, 138 S. Ct. at 1358. The *amici* can (and no doubt will) apprise Congress of their policy-related views on the IPR process. Congress may then make its decision.

Finally, it is unclear whether the Federal Circuit’s “severability” ruling would actually do anything to solve the constitutional problem here, if the Court

finds APJs are principal Officers. As scholars have pointed out: “The Federal Circuit’s effort to solve the appointment problem fails because the Appointments Clause does not include removal at will as a substitute for Presidential appointment and Senate confirmation for a principal office.”<sup>6</sup> See Administrative, Constitutional, and Intellectual Property Law Professors Br. 29. As these scholars explain: “The problem is not what is in the AIA, but what is not in it. If APJs are principal officers, then eliminating their current method of appointment will not cure the problem: that can only be solved by adding a requirement that APJs be appointed by the President and confirmed by the Senate, or by adding another layer of principal officers who would review APJ decisions. Both of those remedies require congressional addition, not judicial subtraction.” *Id.* at 31. This is because “[t]o supply omissions transcends the judicial function.” *Nichols v. United States*, 136 S. Ct. 1113, 1118 (2016) (cleaned up).

For these reasons, there was nothing the Federal Circuit could do here to salvage the unconstitutional scheme without essentially rewriting it. This, as

---

<sup>6</sup> “[P]rior to the 1975 amendment to Title 35, ‘Examiners-in-Chief—the former title of the current APJs—were subject to nomination by the President and confirmation by the Senate. In 1975, Congress eliminated their Presidential appointment and instead gave the Secretary of Commerce, upon nomination by the Commissioner, the power to appoint. There can be no reasonable dispute that APJs who decide reexaminations, inter partes reviews, and post-grant reviews wield significantly more authority than their Examiner-in-Chief predecessors. But the protections ensuring accountability to the President for these decisions on behalf of the Executive Branch clearly lessened in 1975.” Pet. App. 21a (citations omitted).

Judge Hughes has suggested, “constitutes an unwise invasion of the legislative domain.” *Polaris*, 792 F. App’x at 831 (Hughes, J., concurring). This Court should reject that invasion. *See also Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010) (“[E]ditorial freedom . . . belongs to the Legislature, not the Judiciary.”).

## II. JUDICIAL REMOVAL OF APJ INDEPENDENCE WOULD CREATE DUE PROCESS PROBLEMS.

Even if this Court could function as a council of revision, doing so here would put this Court squarely between a constitutional rock and a hard place. This is because even if blue-penciling the unconstitutional for-cause removal provisions solves the accountability problem, it would create an even greater due process problem.<sup>7</sup> *Cf. Oil States Energy Servs. v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1380 (2018) (Gorsuch, J., dissenting) (“[W]hat happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled? Can a political appointee and his administrative agents, instead of an independent judge, resolve the dispute?”). A remedy should not leave Arthrex worse off—the cure cannot be worse than the disease.

Judicially transforming an APJ into a political appointee removeable at will deprives Arthrex of the

---

<sup>7</sup> *Amici* are not suggesting that the Executive should not have authority to remove or discipline ALJs for serious misconduct or gross inefficiency, particularly at agencies such as SSA. But subject to constitutional constraints, *amici* believe that it is for the political branches to strike the proper balance between accountability and independence through the political process.

only supposedly independent decisionmaker in the entire administrative process. That result is unconstitutional.<sup>8</sup> To borrow “the words that [F.W.] Maitland applied to the Star Chamber,” it would run the risk of turning the PTAB into “a court of politicians enforcing a policy, not a court of judges administering the law.” Philip Hamburger, *Is Administrative Law Unlawful?*, 237 (2014) (quoting F.W. Maitland, *Constitutional History of England*, 263 (1990)).

Judicial revision to edit removal restrictions out of the statute is particularly problematic in light of the PTO’s structure, which already “allow[s] the Commissioner to determine the composition of Board panels, and thus . . . convene a Board panel which he knows or hopes will render the decision he desires, even upon rehearing[.]” *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (*en banc*), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008); *see also* John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 Duke L.J. 1657, 1663 (2016) (discussing use of panel-stacking in the PTO). “As multiple judges of the Federal Circuit have suggested, panel stacking by the Patent Office presents a significant injury to due process in the form of ‘fundamental rule of law questions’ such as ‘predictability and uniformity and transparency of judgments and neutrality of decision makers.’”

---

<sup>8</sup> *Cf. Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1378 (2020) (Gorsuch, J., dissenting) (“Today the Court takes a flawed premise—that the Constitution permits a politically guided agency to revoke an inventor’s property right in an issued patent—and bends it further, allowing the agency’s decision to stand immune from judicial review.”).

Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 76 Wash & Lee L. Rev. 1667, 1715 (2019).

And Justice Gorsuch has observed:

The Director of the Patent Office is a political appointee who serves at the pleasure of the President. He supervises and pays the Board members responsible for deciding patent disputes. The Director is allowed to select which of these members, and how many of them, will hear any particular patent challenge. If they (somehow) reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard. Nor has the Director proven bashful about asserting these statutory powers to secure the “policy judgments” he seeks.

No doubt this efficient scheme is well intended. But can there be any doubt that it also represents a retreat from the promise of judicial independence?

*Oil States Energy Servs., LLC*, 138 S. Ct. at 1380–81 (Gorsuch, J., dissenting); *see also Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring) (“While we recognize the importance of achieving uniformity in PTO decisions, we question whether the practice of expanding panels where the PTO is dissatisfied with a panel’s earlier decision is the appropriate

mechanism of achieving the desired uniformity.”)<sup>9</sup> The proposed change would thus render an already political process even more political, which is the opposite of due process.

“A fair trial in a fair tribunal is a basic requirement of due process.” *In re Murchison*, 349 U.S. 133, 136 (1955). That “requirement . . . ‘applies to administrative agencies which adjudicate as well as to courts.’” *Utica Packing Co. v. Block*, 781 F.2d 71, 77 (6th Cir. 1986) (quoting *Withrow v. Larkin*, 421 U.S. 35, 46 (1975)). “[O]ur system of law has always endeavored to prevent even the probability of unfairness.” *Withrow*, 421 U.S. at 47 (quoting *Murchison*, 349 U.S. at 136).

An important safeguard against unfairness is, of course, an independent judge, who need not worry about being fired by a political actor displeased with a decision. This protection—sounding in separation of powers—was designed into our constitutional system. *See Oil States Energy Servs., LLC*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting) (“We sometimes take it for granted today that independent judges will hear our cases and controversies. But it wasn’t always so. Before the Revolution, colonial judges depended on the crown for their tenure and salary and often

---

<sup>9</sup> The PTO’s implementation of the statute to allow the same PTAB panel that decides whether to initiate an IPR to rule on the merits and issue a final decision may also be problematic. *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1038 (Fed. Cir. 2016) (Newman, J., dissenting) (arguing this practice is contrary to the AIA and may be in tension with due process); *see also* Nicholas J. Doyle, *Confirmation Bias and the Due Process of Inter Partes Review*, 57 IDEA 29 (2016).

enough their decisions followed their interests. . . . Once free, the framers went to great lengths to guarantee a degree of judicial independence for future generations that they themselves had not experienced.”). Conversely, “[e]very procedure which would offer a possible temptation to the average man as a judge . . . or which might lead him not to hold the balance nice, clear and true” threatens due process.<sup>10</sup> *Tumey v. Ohio*, 273 U.S. 510, 532 (1927); *see also Caperton v. A. T. Massey Coal Co.*, 556 U.S. 868 (2009).

Severing the for-cause provision to “cure” the separation-of-powers violation for the APJ would have the perverse effect of further threatening Arthrex’s due process rights by denying Arthrex an impartial decisionmaker.<sup>11</sup> “Next to permanency in office, nothing can contribute more to the independence of the judges than a fixed provision for their support. . . . [A] power over a man’s subsistence amounts to a power over his will.” Federalist No. 79 (Hamilton). And as Professor Kent Barnett has observed: “[I]ncreasing presidential control over ALJs would create impartiality concerns under the Due Process Clause. . . . The agencies’ ability to appoint ALJs and initiate their removal creates obvious incentives for

---

<sup>10</sup> At present, APJs do not appear to be subject to meaningful conflict-of-interest rules. *See* Gene Quinn & Steve Brachman, More Conflicts of Interest Surface with Second PTAB Judge, IP Watchdog (May 7, 2017), <https://bit.ly/3nFSwlg>; *see also* Gene Quinn, If PTAB Judges Can Decide Cases Involving Former Defense Clients USPTO Conflict Rules Must Change, IP Watchdog (May 2, 2017), <https://bit.ly/2WMzrCt>.

<sup>11</sup> This Court has not yet addressed broader due process questions associated with the IPR process. *See Oil States Energy Servs., LLC*, 138 S. Ct. at 1379.

ALJs to favor agency positions.” Kent Barnett, *Resolving the ALJ Quandary*, 66 Vand. L. Rev. 797, 801 (2013). This proposition holds true *a fortiori* with respect to APJs, as explained above.<sup>12</sup>

As it stands now, the administrative IPR process established by the AIA, at a minimum, presses constitutional due process limits. *Cf. Oil States Energy Servs., LLC*, 138 S. Ct. at 1380–86 (Gorsuch, J., dissenting). Judicially excising statutory removal protections APJs currently enjoy would only exacerbate this problem. *See also id.* at 1386 (noting that “the loss of the right to an independent judge is never a small thing”). “There is no guarantee of fairness when the one who appoints a judge has the power to remove the judge before the end of proceedings for rendering a decision which displeases the appointer.” *Utica Packing Co.*, 781 F.2d at 78. “All notions of judicial impartiality would be abandoned if such a procedure were permitted.” *Id.* “[O]ne who holds his office only during the pleasure of another, cannot be depended upon to maintain an attitude of independence against the latter’s will.” *Humphrey’s Ex’r v. United States*, 295 U.S. 602, 629 (1935). So too here.

Editing the for-cause removal restrictions out of the statute would have the effect of *increasing* the political pressure placed upon APJs. *Cf. Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 848 (1986) (explaining that Article III “safeguard[s]

---

<sup>12</sup> It appears that “there are no rules or codes of judicial conduct that apply to” APJs. *Gene Quinn*, USPTO Response to FOIA Confirms There Are No Rules of Judicial Conduct for PTAB Judges, IP Watchdog (May 31, 2017), <https://bit.ly/3h8ovs2>.

litigants’ ‘right to have claims decided before judges who are free from potential domination by other branches of government’”) (quoting *United States v. Will*, 449 U.S. 200, 218 (1980)). Other proposals to revise the statute raise similar concerns. For example, increasing the politically appointed Director’s powers would stack the deck against the politically unpopular. See Federalist No. 78 (Hamilton) (“There is no liberty if the power of judging be not separated from the legislative and executive powers.”).

In any event, subject to constitutional constraints, it is for the political branches—and not the courts—to strike an appropriate balance between APJ accountability and APJ independence through the legislative process.

### **III. THIS COURT SHOULD REJECT PARADE-OF-HORRIBLES ARGUMENTS AGAINST PROVIDING ARTHREX COMPLETE RELIEF.**

As long as the Court focuses on protecting the separation of powers (and affording Arthrex complete relief), the wider impact of this case will not be as great as the parties supporting severance would have one believe. The parade of horrors offered by various *amici* notwithstanding, the scope of the issues presented by this case and controversy is narrow. To begin with, it is worth noting that before the AIA, which created the novel IPR process, was enacted in 2011, private patent disputes were adjudicated in federal court in infringement and declaratory judgment actions. “In fact, from the time it established the American patent system in 1790 until about 1980, Congress left the job of invalidating patents at the federal level to courts alone.” *Oil States*

*Energy Servs.*, 138 S. Ct. at 1384 (Gorsuch, J., dissenting). There is thus no reason to think the sky will fall if the administrative IPR process becomes unavailable while Congress reworks the system. Private parties can adequately protect their rights in patent litigation conducted in federal district courts, as they have always done. And a party concerned with the scope or validity of a patent may always seek a declaratory judgment.

If anything, the parade-of-horribles argument cuts the other way: if this Court edits the statute to bring it in line with Article II's political accountability requirements the effect will be to (further) stack the deck against inventors who make groundbreaking discoveries and develop innovative new technology in their garage or college dorm room, and in favor of established multinational companies with political clout and vast resources.<sup>13</sup> Consider the irony: some of these very companies were the brainchild of teenagers and twenty-somethings burning the midnight oil in their parents' garage or a college dorm room. What would these companies' founders have thought if a multinational corporation, bent on depriving them of the fruit of their labor, could haul them into a slanted administrative tribunal for a retroactive patent cancellation proceeding?

---

<sup>13</sup> If the Secretary is permitted to fire APJs for any reason at all, powerful, politically connected interests would enjoy undue advantages in IPR actions before the PTAB. Even under the current structure, politically powerful or popular interests enjoy substantial advantages. See *Oil States Energy Servs., LLC*, 138 S. Ct. at 1380–81 (Gorsuch, J., dissenting).

Furthermore, Congress has long been on notice of the constitutional problems with the administrative IPR review process established by the AIA. *See* The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions: Hearing Before the Subcommittee on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary, 116th Cong. (2019), <https://judiciary.house.gov/calendar/eventsingle.aspx?EventID=2249>. The very fact that Congress is evidently well aware of the specific constitutional problems associated with the administrative IPR process and has explored potential solutions to these problems underscores why this Court should not edit the AIA, and leave that to the branch of government that is constitutionally assigned this task under Article I. Ultimately, Congress may (or may not) choose to solve the constitutional problems with the PTAB, and it may have a number of options, including doing away with the novel IPR process altogether. *See also* Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881 (2015) (discussing costs and benefits of Congress's patent reforms). But it is not this Court's role to attempt to divine *which* option Congress *should* choose. Congress must make policy choices.

If, after years of experimentation with it, the IPR process established by the AIA truly is politically popular and broadly viewed as sound public policy, as so many *amici* suggest, then, of course, Congress will react swiftly to restore it in constitutionally palatable form. And if not, so be it. But this Court should not be the one to make that decision.

Consistent with the judicial role under Article III of the Constitution, this Court should declare the

administrative IPR process unconstitutional as applied to Arthrex and vacate the challenged PTAB decision without remand. The sky will not fall.

**CONCLUSION**

For these reasons, and those described by Arthrex, this Court should reverse the judgment below and set aside the PTAB decision without remand.

Respectfully submitted,

MICHAEL PEPSON

*Counsel of Record*

CYNTHIA FLEMING CRAWFORD

AMERICANS FOR PROSPERITY FOUNDATION

1310 N. Courthouse Road, Ste. 700

Arlington, VA 22201

(571) 329-4529

mpepson@afphq.org

*Counsel for Amicus Curiae*

December 30, 2020