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

In the Supreme Court of the United States

UNITED STATES OF AMERICA,
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 Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF FOR THE CATO INSTITUTE AND PROF. GREGORY DOLIN AS *AMICI CURIAE* SUPPORTING RESPONDENTS

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QUESTIONS PRESENTED

1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate's advice and consent, or "inferior Officers" whose appointment Congress has permissibly vested in a department head.

2. Whether, if administrative patent judges are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme by prospectively severing for-cause removal protections for those judges.

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INTEREST OF *AMICI CURIAE*[1]

The Cato Institute is a nonpartisan, public policy research foundation founded in 1977 and dedicated to advancing the principles of individual liberty, free markets, and limited government. Cato's Robert A. Levy Center for Constitutional Studies helps restore the principles of constitutional government that are the foundation of liberty. To those ends, Cato holds conferences; publishes books, studies, and the annual *Cato Supreme Court Review*; and files *amicus* briefs.

Prof. Gregory Dolin teaches at the University of Baltimore School of Law, where his academic work lies at the nexus of intellectual property and constitutional law, with particular focus on maximizing the incentives to innovate while preserving and expanding access to the fruits of innovations. He is also an adjunct scholar at Cato and is currently serving as an associate justice of the Supreme Court of Palau.

Amici are interested in preserving the separation of powers and, relatedly, ensuring fairness in patent-review proceedings. The government's position here jeopardizes these interests.

INTRODUCTION AND SUMMARY OF ARGUMENT

Arthrex's opening brief provides all the justification this Court needs for affirming that portion of the Federal Circuit's judgment which held Administrative Patent Judges ("APJs") to be "principal officers," but

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[1] Rule 37 Statement: All parties have filed letters granting blanket consent to the filing of *amicus* briefs. No counsel for a party authored any part of this, the preparation and submission of which was funded by *amici* alone.

reversing it insofar as it held that "invalidation of the statutory limitations on the removal of APJs," *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1338 (Fed. Cir. 2019), is sufficient to cure the constitutional defect. *Amici* provide an additional reason.

Several arguments support the conclusion that APJs are constitutional "principal" officers. First, in structuring the America Invents Act, Congress explicitly conferred the power to invalidate issued patents on the Patent Trial and Appeals Board (PTAB), of which the director of the Patent Office is just one member. This stands in contradistinction to reposing the power to grant patents in the director alone. It also contrasts with pre-AIA setup of the Board of Patent Appeals and Interferences, which served "merely [as] the highest level of the Examining Corps, and like all other members of the Examining Corps . . . operate[d] subject to the Commissioner's overall ultimate authority and responsibility." *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994), *abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008). This conscious change makes clear that Congress did not intend PTAB decisions to be supervised and countermanded by any other executive branch official.

Second, although the director, both by virtue of his membership on PTAB and his ability to prescribe the board's rules of operation, does maintain some ability to control PTAB's operation, once a process of post-issuance review has begun, he would need the vote of at least one other individual sitting on his panel to effect his will in any particular challenge. The director alone cannot reverse, vacate, or even order a rehearing of a panel decision. It is the board itself that speaks for the entire executive branch. If APJs are indeed inferior

officers, as the government argues, that would mean that these inferior officers have the power to overrule the decision of a superior officer in granting the patent in the first place. Such an arrangement would be paradoxical to say the least. The Constitution vests the entirety of the executive power in the president. That means that the executive branch must speak with one voice. Furthermore, because the Appointments Clause requires that only a properly appointed official be permitted to speak for the entire executive branch, U.S. Const. Art. II, § 2, cl. 2, even where the executive branch changes its mind, such changes must be made by a constitutionally authorized officer.

Third, even if the government's argument that APJs are "inferior officers" were correct, such a structure would present its own constitutional problems. As this Court has previously held, patents are "property for purposes of the Due Process Clause." *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018). Accordingly, any adjudication of vested patent rights must, to satisfy due process, take place before a neutral hearing officer. *See, e.g.*, *Concrete Pipe & Prods. v. Constr. Laborers Pension Trust*, 508 U.S. 602, 617–18 (1993) ("Before one may be deprived of a protected interest, whether in a criminal or civil setting, one is entitled as a matter of due process of law to an adjudicator who is not in a situation which would offer a possible temptation to the average man as a judge which might lead him not to hold the balance nice, clear and true.") (cleaned up). The government's argument that APJs are inferior officers because the Patent Office director can choose which APJs serve on which panels suggests that if such authority were consistently exercised, it would raise significant due process concerns because

APJs would be tempted to make decisions based on the director's preferences rather than the requirements of the Patent Act. To put it differently, to comply with due process, individuals who adjudicate vested patent rights must be free from political pressure so as to be able to render judgments based solely on the law. This means that APJs must be protected from termination or reassignment solely because their decisions have displeased their political superiors.

The Federal Circuit has rightly concluded that the protections currently afforded to APJs and the fact that "the final written decision" issued by such judges in *inter partes* or post-grant review proceedings is "a final decision on behalf of the United States," *Edmond v. United States*, 520 U.S. 651, 665 (1997), unreviewable by any superior officer, make these judges "principal officers." The Federal Circuit's remedy, however, is both insufficient to solve the constitutional problem and is itself constitutionally problematic.

Instead of requiring that the APJs be appointed in a constitutionally acceptable manner, the court below attempted to convert APJs into "inferior officers" by abrogating the "for cause" removal protections they currently enjoy. But the Federal Circuit's remedy does not solve the problem, instead exacerbating the due process concerns. Permitting vested patent rights to be adjudicated by individuals who can be terminated at the director's—and ultimately the president's—pleasure forces patentees to defend the validity of their issued patents not before a neutral adjudicator, but before officials susceptible and responsive to political considerations. Such a setup would allow the executive branch to manipulate the outcome of the proceedings. To avoid these results, the Court should hold

that (1) vested patent rights can be adjudicated only by independent hearing officers, and (2) because such officers' determinations are the expression of final view of the executive branch, they must be appointed as are other principal federal officers.

ARGUMENT

The America Invents Act allows has created a system for administrative review of issued patents before a board housed within the Patent Office. 35 U.S.C. §§ 6, 316(c), 326(c); *see also Oil States*, 138 S. Ct. at 1370. The adjudication of these disputes is handled by Administrative Patent Judges (APJs) who are appointed by the secretary of commerce, 35 U.S.C. § 6(a), and are removable only for cause. 35 U.S.C. § 3(c); 5 U.S.C. § 7513(a). This arrangement is constitutionally dubious because it threatens not only the separation of powers, but also the due process rights of patent holders.

I. ADMINISTRATIVE PATENT JUDGES ARE PRINCIPAL OFFICERS

Distinguishing between "principal" and "inferior" officers is not always an easy task, but several guideposts emerge from this Court's jurisprudence. As the Court explained in *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.* "[w]hether one is an 'inferior' officer depends on whether he has a superior," and that "'inferior officers' are officers whose work is directed and supervised at some level" by other officers appointed by the President with the Senate's consent." 561 U.S. 477, 510 (2010) (quoting *Edmond*, 520 U.S. at 662–63). Notwithstanding the government's arguments, the work of APJs is not "directed and supervised at some level" by *anyone*.

A. The Structure of the Patent Act Confirms that Congress Intended APJs to Be Independent

The Patent Act, as amended by the Leahy-Smith America Invents Act, creates the Patent Trial and Appeals Board (PTAB) and empowers it to hear certain post-issuance patentability challenges. 35 U.S.C. §§ 316(c), 326(c). Although under the statute the director of the Patent Office is *ex officio* a member of the PTAB, *id.* § 6(a), he is merely a single vote on a panel that must include at least two other members. *Id.* § 6(c). To put it simply, "in the America Invents Act, Congress did not grant the Patent Office Director final decision-making authority over PTAB adjudication." Christopher J. Walker, *Constitutional Tensions in Agency Adjudication*, 104 Iowa L. Rev. 2679, 2696 (2019).

When it enacted the AIA, Congress consciously separated the director's powers from those of the PTAB, as staffed by the APJs. For example, it is the director who is empowered to decide whether to institute post-issuance review in the first place. *Id.* §§ 314, 324. The director is also empowered to prescribe general regulations that govern such reviews. *Id.* §§ 316(a), 326(a). The director is also the official responsible for staffing the hearing panels, determining the number of APJs per panel, and generally administering the post-issuance review process. *See* Pet. Br. at 25-32. Once the petition for an *inter partes* or post-grant review is granted, however, the director has no control over the adjudicatory process. The statute is clear that "[t]he Director shall determine whether to institute an *inter partes* [or post-grant] review," 35 U.S.C. §§ 314(b), 324(b), but it is the PTAB that "conduct[s] each *inter partes* [or post grant] review

instituted under this chapter. *Id.* §§ 316(c), 326(c). Furthermore, it is "[o]nly the Patent Trial and Appeal Board [that] may grant rehearings." *Id.* § 6(c).

While it is true that the director has authority to assign specific APJs to serve as hearing officers for specific cases, once assigned, such APJs make all relevant decisions and the appeal from them lies not to the director or the secretary of commerce, but to the federal judiciary. *See id.* §§ 319, 329. This is so even if the director himself chooses to exercise his right to sit as a member of a panel. Because each panel must have at least three members, the director could be outvoted by the other two APJs. Furthermore, director may not, on his own, order any case to be reheard. That power belongs to the PTAB itself. *Id.* § 6(c). Although a director who is dissatisfied with a particular panel decision can appoint a new panel to consider a petition for rehearing, even the new panel members would be exercising their own judgment.[2] Thus, the Director has no real ability to control a post-issuance proceeding once it has begun.[3] *See* Gary Lawson, *Appointments*

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[2] Petitioners argue that when the director wishes to have a case reheard, the panel he selects "typically includes the Director himself and two other Executive officials." Pet. Br. at 32. But that argument is a *non sequitur*. Because only the director himself is a principal officer, a decision that needs the concurrence of at least one of "two other Executive officials" neither of whom is a properly appointed "principal officer," is not a decision by the director. *Cf. Khanh Phuong Nguyen v. United States*, 539 U.S. 69, 82 (2003) (holding that a decision by a court that improperly included an Article IV judge cannot be viewed as a legitimate decision of an Article III court, even if there was a quorum of Article III judges who agreed on the outcome).

[3] The government asserts, citing *BioDelivery Sciences Int'l, Inc. v. Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1366 (Fed.

and Illegal Adjudication: The America Invents Act Through A Constitutional Lens, 26 Geo. Mason L. Rev. 26, 59 (2018) ("The Director's ability to select the panels may give him or her some kind of practical influence over outcomes, but the Appointments Clause is not concerned about practical influence. It is a purposely formal provision."). Indeed, the statute makes clear that the director's role in patent cancellation (once review proceedings have been initiated) is purely ministerial. *See* 35 U.S.C. §§ 318(b), 328(b) ("[T]he Director *shall* issue and publish a certificate" confirming the board's findings.) (emphasis added).

These limitations on the director's powers stand in sharp contrast to the supervisory power the director exercises when the PTAB sits as an *appellate* body reviewing pending patent applications. In those circumstances, the director for essentially any reason—including conceivably his dissatisfaction of how a particular panel is handling a specific case—and at any point "[p]rior to the entry of a decision on the appeal by the Board . . . may *sua sponte* order the [*ex parte* examination] proceeding remanded to the examiner." 37 C.F.R. § 41.35; *see also Alappat*, 33 F.3d at 1534-35. In contrast, when the PTAB sits as a *trial* tribunal adjudicating *inter partes* or post-grant petitions, only the Board itself "may terminate a trial without rendering a final written decision." *Id.* § 42.72.

Cir. 2019), that the director can unilaterally vacate any institution decision prior to the final written decision having been entered by the PTAB. That assertion runs contrary to the rules promulgated by the PTO itself, which reserve the right to "a trial without rendering a final written decision" to the board and not to the director. 37 C.F.R. § 42.72.

To be sure, whether sitting as an appellate or trial body the PTAB is required to apply regulations that have been promulgated and prescribed by the director. Board members who obstinately refuse to do so may have their employment terminated. *See* 5 U.S.C. § 7513(a) (permitting termination of, *inter alia*, APJs when doing so "promote[s] the efficiency of the" agency). But that is hardly sufficient level of "control" of these officers by a superior. It is more akin to the requirement that Article III judges faithfully apply the Constitution and federal laws when adjudicating cases. Although such requirements exist and judges could be impeached and removed if they consistently flout their obligation to adhere to the law, it doesn't follow that Congress "supervises" Article III judges. Nor does the fact that a chief judge of any court, in the exercise of his administrative responsibilities, may decline to assign certain cases to another judge mean that the chief judge is a "superior officer" to his colleagues. So too with the APJs. Wayward APJs may be "punished" by having judicial responsibilities curtailed, *see* Pet. Br. at 27-28, but such level of "control" is insufficient to turn APJs into "inferior officers."

B. An APJ Decision Is "a Final Decision on Behalf of the United States"

In trying to prove that APJs are inferior officers, the government analogizes the PTAB structure to that of the military courts of criminal appeals, which were upheld in *Edmond*, 520 U.S. 651. Although there are some similarities between APJs and the judges on those military courts, there a key distinction that ultimately makes all the difference. The key to the Court's conclusion in *Edmond* was the fact that decisions of the military courts of appeal were reviewable

by the U.S. Court of Appeals for the Armed Forces—a tribunal "established under article I of the Constitution." 10 U.S.C. § 941. In light of the possibility of review of the military courts of criminal appeals in "another Executive Branch entity," this Court concluded that "the judges of the Court of Criminal Appeals have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Edmond*, 520 U.S. at 664, 665.

In reality, PTAB judges resemble tax court judges, which this Court has implied are "principal officers." *Edmond* distinguished judges of military courts of criminal appeals from tax court judges, noting that "there is no Executive Branch tribunal comparable to the Court of Appeals for the Armed Forces that reviews the work of the Tax Court; its decisions are appealable only to courts of the Third Branch." *Id.* at 666. As discussed above, the determinations of each PTAB panel is appealable only to "the Third Branch"; although the director can attempt to influence the outcome of each case by assigning new judges to a panel and attempting to have those judges vote to grant rehearing, ultimately the decision belongs to the APJs appointed to hear the case, and not the director. It is the decision of the panel (however constituted) that is the "final decision on behalf of the United States."[4]

In truth, the authority of APJs doesn't quite mirror either the very broad authority of tax court judges, or the much more circumscribed authority of judges

[4] As this Court held in *Oil States*, "the grant of a patent involves a matter 'arising between the government and others,'" 138 S. Ct. at 1373 and the post-issuance review procedures "involve[] the same basic matter as the grant of a patent." *Id.* at 1374. Thus, PTAB's decision is "on behalf of the United States."

on the military courts of criminal appeals. It falls somewhere in between these two extremes. On one hand, like with military courts, PTAB's rules are prescribed by another official (the PTO director), and APJs may be removed from their judicial assignments without cause. On the other hand, as with the tax court, no other executive branch official or agency has the authority to reverse or modify PTAB decisions. While the director may attempt to influence and indeed participate in such decisions, ultimately he is but one vote on any given PTAB panel. It is the absence of the authority to make "a final decision on behalf of the United States" that should be determinative.

C. More Than Two Centuries of Practice Confirm That the Functions APJs Perform Are Those of Principal Officers

Assigning the determinative weight to this "final decision" factor would also be consistent with the two centuries worth of practice before the Patent Office. When the Patent Office was first created, the determination whether or not to grant a patent was vested in the Board consisting of the attorney general, secretary of state, and secretary of war—all unquestionably principal officers of the United States. *See* Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 109. In 1793, Congress vested the authority to grant patents in a single principal officer: the secretary of state. Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318, 318. In 1836, when Congress created the Patent Office, it also created the position of a Commissioner of Patents who was to "superintend, execute, and perform, all such acts and things touching and respecting the granting and issuing of patents." Act of July 4, 1836, ch. 357, § 1, 5 Stat. 117, 117–18. Although the 1836 Act authorized the hiring

of inferior officers who would examine patent applications and prepare patents for issuance, *see id.* § 2, 5 Stat. 117, 118, it nonetheless required that "all patents issued from [the Patent] office shall be issued in the name of the United States and under the seal of said office, and be signed by the Secretary of State, and countersigned by the Commissioner." *Id.* § 5, 5 Stat. 117, 118–19. In other words, although inferior officers were authorized to conduct the initial review of patent applications, the decision whether to grant a patent rested solely in the commissioner. *See id.* § 7, 5 Stat. 117, 119 ("the Commissioner, on due proceedings had, may grant a patent" for "any new and useful art, machine, manufacture, or composition of matter.").

Over the years, the mandate of the Patent Office and the person heading it broadened, and the title of the office being held has undergone corresponding changes. *See* Pub. L. 93-596 (Jan. 2, 1975); Pub. L. 97-366 (Oct. 25, 1982); Pub. L. 106-113 (Nov. 29, 1999). But the vesting of the authority to issue patents remained consistently reposed in the head of the Patent Office—a principal officer nominated by the president and confirmed by the senate. This history shows that Congress has always understood that the ability to make "a final decision on behalf of the United States" with respect to the grant of a patent can only be vested in a principal officer. And because this Court's precedent treats post-issuance review as involving the same basic matter as the grant of a patent," *Oil States*, 138 S. Ct. at 1374, it follows that the decision to revoke a patent should also be made by a principal officer. Adopting the government's position that APJs are "inferior officers" despite the power of the Board to make "a final decision on behalf of the United States" would undermine more than two centuries of

understandings and essentially permit inferior officers to overrule decisions made by principal officers.

* * *

The history and structure of the Patent Act, as well as this Court's precedents, point in one direction: the grant or termination of patent rights must be vested in a principal officer. As explained in more detail below, however, because the director of the Patent Office serves at the president's pleasure and is removable at will, accepting the government's argument that it is the director who makes the ultimate determinations with respect to the outcome of post-issuance review proceedings raises significant due process problems. Although the ultimate determination of patent validity in post-issuance proceedings must be vested in a principal officer, due process requirements make it unlikely that the director can be that officer.

II. THE DUE PROCESS CLAUSE PROTECTS THE PROPERTY RIGHT IN AN ISSUED PATENT

From the early days of the republic, there has been an unbroken line of cases reaffirming, time and again, that patents for inventions are private property. *See Horne v. Dep't of Agric.*, 576 U.S. 351, 360 (2015) (quoting *James v. Campbell*, 104 U.S. 356, 358 (1882)). In *Oil States*, this Court, while rejecting the argument that patents are a private right and must be adjudicated in an Article III tribunal, nonetheless warned that its decision "should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause." 138 S. Ct. at 1379. The Fifth Amendment's Due Process Clause requires that even where patent

disputes are brought to an Article I tribunal, they must be heard by an impartial adjudicator.

A. A Neutral Adjudicator Is a Fundamental Requirement 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). As a result, officials "acting in a judicial or quasi judicial capacity are disqualified by their interest in the controversy." *Tumey v. State of Ohio*, 273 U.S. 510, 522 (1927). This rule of course applies to Article III judges. And, as is true of "most of the law concerning disqualification," it applies "with equal force to . . . administrative adjudicators." *Gibson v. Berryhill*, 411 U.S. 564, 579 (1973). Individuals or tribunals may not exercise judicial or quasi-judicial authority over disputes that implicate their interests.

There is no doubt that *inter partes* and post-grant review proceedings are quasi-judicial. Each entails the PTAB's allowing discovery (including depositions of witnesses), briefing and motion practice, and oral argument in front of the board prior to its rendering a final written decision. Accordingly, these proceedings must accord with the dictates of due process. And even if that were not true, the courts should be reluctant to read an act of Congress as permitting a hearing before a potentially biased tribunal.

B. Political Control of Adjudicators Whose Decisions Affect Vested Property Rights Violates Due Process

If the government is correct about the level of control the politically accountable secretary of commerce and Patent Office director are permitted to exercise over the APJs, a potentially biased tribunal is exactly

what some patentees may be receiving. To see why, first consider two aspects of the authority that the government alleges the director has.

First, according to the government, the APJs who sit on the PTAB serve at the director's pleasure. Pet. Br. 27-28. If true, this gives the director—and the president, to whom he reports—significant ability to sway the resolution of any PTAB proceeding. To the extent that a Director can remove judicial functions from an APJ who disobeys an order to rule in a particular way, such power of removal undermines the required independence of the "administrative adjucator[]." *Gibson*, 411 U.S. at 579. This setup would stand virtually alone among all government agencies that have the power to adjudicate citizens' vested rights.

For example, perhaps the most commonplace adjudicatory procedure between the federal government and a citizen concerns eligibility for Social Security benefits. Under the Social Security Act, benefits determinations are reposed in the Social Security commissioner, who is nominated by the president and subject to Senate confirmation. 42 U.S.C. §§ 902(a)(1), 402(j)(2), 423(b). Unlike the Patent Office director (or the secretary of commerce), however, the Social Security commissioner has a set term of office and is removable only for cause. *Id.* § 902(a)(3). Other agencies with adjudicatory functions are structured similarly. For example, for commissioners of the Securities and Exchange Commission, International Trade Commission, Federal Trade Commission, Consumer Product Safety Commission, Merit Systems Protection Board, and others, the relevant authorizing statute either sets a specific length of the term of office, or makes the commissioner removable only for cause, or both. *See* 5

U.S.C. § 1202, 15 U.S.C. §§ 41, 78d, 2053(a); 19 U.S.C. § 1330.[5] In virtually every other context, Congress ensured that officers of the United States who are engaged in judicial or quasi-judicial activities affecting vested rights are independent of political influences. Yet, according the government, when it comes to perhaps the most economically valuable rights currently in existence, *see, e.g.*, *In re AOL, Inc. Repurchase Offer Litig.*, 966 F. Supp. 2d 307, 313 (S.D.N.Y. 2013) (noting that "patents were among [AOL's] most valuable assets") (internal quotations omitted), adjudication can be conducted by a political appointee serving at the pleasure of the president.

The second argument the government advances to argue that APJs are "inferior officers" is the ability of the director to (albeit indirectly) countermand APJs' decisions by constituting new panels which would be more amenable to granting rehearing and rendering a decision in line with the director's views. *See* Pet. Br. at 31-32. The argument is true as a factual matter, and in fact the director has previously exercised his power to add as many judges as needed to obtain his preferred result. In *Zhongshan Broad Ocean Motor Co. et al. v. Nidec Motor Corp.*, for example, the director granted rehearing of a three-judge panel's decision, added two judges, and changed the result. *See* No. IPR2015-00762 (P.T.A.B. July 20, 2015). And in *Target Corp. v. Destination Maternity Corp.*, the

[5] Courts have found the "for cause" removal protections to be implicitly present in those statutes that have set a specific term length for commissioners. *See generally* Vivian S. Chu & Daniel T. Shedd, Cong. Res. Serv., R 42720, *Presidential Review of Independent Regulatory Commission Rulemaking: Legal Issues*, 16–18, Sept. 10, 2012, https://bit.ly/3hi6RSO.

director, after failing to achieve an unpatentability finding after adding two members, added two more members. No. IPR2014-00508 (P.T.A.B., Feb. 12, 2015).[6] The fact that the director engages in such conduct only brings due process concerns into sharper focus. *See generally* John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 Iowa L. Rev. 2447 (2019).

If the government is correct that the director can in fact "punish" APJs who do not reach his preferred outcomes, and can "stack" panels to arrive at approved results, such powers give him—and thus the president—immense ability to sway the outcome of any particular proceeding. That is worrisome as a general matter, but is particularly problematic in cases where the executive branch has a direct, financial interest in the cancellation of a patent because otherwise (if it practices a patent without a license) it can be sued for taking property without just compensation. 28 U.S.C. § 1498. Particularly where such a license would be expensive, the executive has an obvious interest in cancelling the patent.

Such cases are not rare. And if the government is correct that ultimate decision-making authority over patent's cancellation rests with the director, then the executive can always assure a favorable resolution of any dispute between the patentee and the government by manipulating the panel's composition—a panel that will in any event consist of *non*-independent judges whose professional interests involve pleasing

[6] Of course, the fact that judges newly added to panels did the director's bidding does not undermine the fact that it was the judges by majority vote—not the director of his own power—determined the legal questions before them. *See* Part I.A, *supra*.

the director and the president. This creates an appearance of bias at best, and actual bias at worst.[7] The Court should not be tempted to resolve one constitutional challenge in a way that raises new and significant constitutional concerns.

III. Abrogating APJs' "For Cause" Removal Does Not Solve the Appointments Clause Problem and Also Raises Due Process Concerns

The Federal Circuit correctly recognized that APJs are principal officers and thus have to be appointed by the president with the Senate's advice and consent. It disagreed with the government that under the current set-up the director exercises sufficient control over APJs to classify them as "inferior officers." Instead of requiring that APJs be properly appointed, however, the court "solved" the problem by abrogating APJs' "for cause" removal protections, thus giving the director the authority to control APJs. This is authority that the director claimed to already have (though in a somewhat more limited and indirect form).[8]

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[7] It is no answer to say that the patentee can appeal any adverse decision to the Federal Circuit. "Even appeal and a trial de novo will not cure a failure to provide a neutral and detached adjudicator." *Concrete Pipe*, 508 U.S. at 618. And here, the appeal is *not* de novo; the Federal Circuit reviews "the Board's legal conclusions de novo," but "its fact findings for substantial evidence." *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311, 1314 (Fed. Cir. 2018).

[8] In a sense, it is hard to understand why the government sought *certiorari*, since its entire argument is predicated on the notion that the director of the Patent Office can already remove APJs who refuse to toe the line. Why would the government object to additional authority to control wayward APJs and thus truly bring post-issuance adjudications under the director's

Unfortunately, the Federal Circuit's cure is, in many ways, worse than the disease.

First, the lower court's solution undermines the careful structure created by the America Invents Act (AIA). APJs preceded the AIA; before its passage, they staffed the Board of Patent Appeals and Interferences (BPAI) and were responsible for hearing appeals from patent applicants over claims that were rejected by patent examiners, as well as resolving priority conflicts among applicants. 35 U.S.C. §§ 134, 135(a). At that time, though the BPAI was empowered to render decisions, the ultimate authority was explicitly vested in the Patent Office director. *See* 35 U.S.C. §§ 3(a)(2)(A), 131. Although the director delegated much of his authority to examiners and to the board, Patent Office regulations recognized that the ultimate decision as to whether to grant or deny a patent still rested with the director. *See Alappat*, 33 F.3d at 1535 ("[T]he Board is merely the highest level of the Examining Corps, and like all other members of the Examining Corps, the Board operates subject to the Commissioner's overall ultimate authority and responsibility."). For that reason, the regulations governing the prosecution of the patent provided (and continue to provide) for an ultimate petition to the director. *See* 37 C.F.R. § 41.3(b).[9] It is presumed that Congress was

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control? To the extent the government believes that the reduction of protections afforded to APJs is undesirable, it doesn't ever have to use that arrow even if it's in its quiver.

[9] BPAI processes even "lacked the signature characteristics of formal or quasi-formal adjudication, as they were examinational rather than adjudicative in nature. For instance, BPAI proceedings did not provide for evidentiary hearings or

well aware of these procedures and relevant caselaw when it was considering the AIA. *See Mobil Cerro Negro, Ltd. v. Bolivarian Republic of Venezuela*, 863 F.3d 96, 115 (2d Cir. 2017) (noting the "venerable canon of construction that Congress is presumed to legislate with familiarity of the legal backdrop for its legislation.").

Yet, when Congress enacted the latter AIA, it consciously chose to keep the power to *issue* patents with the director, but vest the power to *cancel* issued patents with the (now-renamed) PTAB. 35 U.S.C. §§ 316(c), 326(c). In contrast to the pre-AIA regime, where the director was "not bound by a Board decision that an applicant is entitled to a patent[, because o]nly a court c[ould] order the [director] to act, not the Board," *Alappat*, 33 F.3d at 1535, in the post-AIA world the PTAB's decision obligates the director to issue a certificate confirming that decision. 35 U.S.C. §§ 318(b), 328(b). This *volte face* is not insignificant; it indicates that Congress wished to ensure that the hearing officers presiding over adjudicatory proceedings are insulated from political or other pressures. This conclusion is bolstered by the fact that such independence is a hallmark of virtually all executive-branch bodies that have judicial or quasi-judicial functions. The Federal Circuit's solution undermines the conscious congressional decision to provide individuals with the power to adjudicate (and often destroy) vested patent rights with some level of independence.

Second, making APJs removable at will does not actually address the bigger problem: APJs will still

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discovery." Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Cal. L. Rev. 141, 197 (2019).

retain the power to make "a final decision on behalf of the United States." *Edmond*, 520 U.S. at 665. As the Court explained:

> It is not enough that other officers may be identified who formally maintain a higher rank, or possess responsibilities of a greater magnitude. . . . Rather, in the context of a Clause designed to preserve political accountability relative to important Government assignments . . . "inferior officers" are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.

Id. at 662–63. Thus, although "[t]he power to remove officers . . . is a powerful tool for control," *id.* at 664, "[a]n officer's status as a principal rather than inferior officer does not depend on whether the officer is removable by a higher authority but, rather, on whether the officer's decisions are subject to review and revision by a higher authority." *Lawson*, *supra* at 61. The Federal Circuit's remedy does permit the director to fire any judge who issues a decision with which the director disagrees. But such a firing "does not, in itself, vacate their decision," *id.*, and any new decision would have to be made by a newly constituted panel of whom at most only one member (the director himself) would be a properly appointed principal officer. To be sure, such firings and re-hearings could continue until such time as a decision agreeable to the director is reached, but this dynamic illustrates that "[t]he power to remove an officer is a functional, not a formal, power of control, as long as the removal of the officer does not automatically annul the officer's decisions." *Id.* And

because "functional rather than formal powers of control are not what the Constitution is about," *id.*, the Federal Circuit's remedy is simply insufficient to address PTAB's constitutional deficiencies.

Finally, as discussed in Part II, *supra*, reposing adjudicatory powers in a political appointee who serves at will of the president raises significant due process concerns. These concerns are only intensified where the punitive powers of such political appointee over the adjudicators are enlarged. To be clear, there is nothing improper in having the powers of the Patent Office—an administrative agency within the executive branch—vested in a single director removable by the president at will. Indeed, the Constitution mandates such an arrangement. *See Seila Law LLC v. CFPB*, 140 S. Ct. 2183, 2199 (2020) (holding that though there may be "an exception for multimember bodies with 'quasi-judicial' or 'quasi-legislative' functions," as a general matter, "the President has 'unrestrictable power . . . to remove purely executive officers'") (quoting *Humphrey's Ex'r v. United States*, 295 U.S. 602, 632 (1935)). It is not surprising that the Patent Office has always been so structured. *See* Act of July 4, 1836, ch. 357, § 1, 5 Stat. 117, 117–18; *see also Oil States*, 138 S. Ct. at 1374 ("[F]rom the founding to today, Congress has authorized the Executive Branch to grant patents that meet the statutory requirements for patentability."). As this Court held just three terms ago, "granting patents is one of the constitutional functions" that can be carried out by "the executive or legislative departments" without judicial determination." *Id.* (cleaned up). At no point prior to the passage of the AIA, however, has the power to adjudicate vested patent rights been granted to the Patent

Office.[10] Once such power was conferred, the Constitution interposed two distinct requirements.

First, the power to essentially overrule the decision of a principal officer who in granting a patent can be viewed to have spoken for the considered view of the entire executive branch has to be exercised by a principal officer as well. To put it another way, although the executive branch is entitled to change its mind, it must speak with one voice and that voice must belong to a constitutionally authorized officer. Second, officials with power to deprive citizens of vested property rights must not be, to meet the requirements of the Due Process Clause, "in a situation which would offer a possible temptation to the average man as a judge which might lead him not to hold the balance nice, clear and true." *Concrete Pipe*, 508 U.S. at 617–18. An individual whose job and income depend on the good graces of another—and prevailing political winds—is in precisely the type of situation that the *Concrete Pipe* Court warned against. Whereas the AIA as enacted fails the first requirement, the remedy ordered by the Federal Circuit fails *both* requirements. This Court shouldn't endorse a "solution" that only compounds the problem. Instead,

[10] The Patent Office long had the ability to hold mini-trials between competing inventors to determine priority. But this is not a judicial function for at least two reasons. First, "no vested right of which the applicant cannot be deprived is acquired under the preliminary proceedings leading up to [the patent's] issuance." *De Ferranti v. Lyndmark*, 30 App. D.C. 417, 425 (D.C. Cir. 1908). Second, since pre-AIA patents were available to the first person to invent rather than first person to file an application, figuring out who was first to invent was inherent to patent examination.

it should leave it to Congress to address this problem of its own creation.[11]

CONCLUSION

This Court should affirm the Federal Circuit insofar as it concluded that Administrative Patent Judges are "principal officers," but reverse the court below with respect to its remedy.

Respectfully submitted,

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[11] There are multiple ways that Congress can address this issue, and it is not at all obvious that Congress would have—even if it were constitutionally permissible—endorsed the Federal Circuit's approach. For example, Congress could create an appellate body staffed by three principal officers that would have the authority to review decisions of PTAB, similar to the creation of the U.S. Court of Appeal for Armed Forces that reviews the judgments of military courts of criminal appeals. *See Edmond*, 520 U.S. at 664–65. Alternatively, Congress could make the findings of the PTAB merely advisory to Article III tribunals. *See Thomas v. Arn*, 474 U.S. 140, 154 (1985) (approving use of magistrate judges as "adjuncts" to Article III courts). Congress could also limit PTAB trials to those cases where all parties consent to the procedure. *See Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 849 (1986) (approving trials before administrative agencies on consent of all parties). Regardless, it's Congress's call.