NO. 22-639

IN THE

Supreme Court of the United States

ARTHREX, INC.,

Petitioner,

v.

SMITH & NEPHEW, INC., ET AL

Respondents.

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

BRIEF OF *AMICUS CURIAE* DR. RON D. KATZNELSON, IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE* [1]

Ron D. Katznelson, Ph.D. is an inventor having prosecuted 25 of his patents and applications at the U.S. Patent and Trademark Office ("PTO"), and an independent scholar of the patent system. Dr. Katznelson thoroughly researched and reported on matters directly relevant to this case in his article: R.D. Katznelson, "*Actions of U.S. Patent Office Officials in Performance of the 'Functions and Duties' of a Vacant Director Office Are without Force or Effect,*" (April 16, 2022), available on SSRN at https://ssrn.com/abstract=4085322. (Hereinafter "Katznelson 2022"). To convey the insights from his article cited above, Dr. Katznelson also filed an *Amicus Curiae* brief in support of rehearing and *en banc* review below, Case No. 18-2140 (Fed. Cir. July 26, 2022) ECF No. 201. He is thus particularly qualified to aid this Court on the Question Presented—whether the Commissioner for Patents' exercise of the Director's authority pursuant to an internal agency delegation violated the Federal Vacancies Reform Act.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for the *amicus curiae* who reviewed this brief certifies that Dr. Ron D. Katznelson authored this brief, that no counsel for any party authored this brief in whole or in part, and that no person or entity other than the *amicus* made a monetary contribution intended to fund the preparation or submission of the brief. Rule 37.2 notice was timely provided to all parties.

SUMMARY OF ARGUMENT

The petition for review in this case should be granted because of its exceptional importance in removing a major threat to the separation of powers generally and to vindicate Congress' constitutional prerogatives for advice and consent on appointments of senior government officers.

The Federal Vacancies Reform Act of 1998 ("FVRA") [2] establishes "the exclusive means for temporarily authorizing an acting official to perform the functions and duties" of a vacant presidentially appointed, Senate-confirmed ("PAS") office. 5 U.S.C. § 3347(a). The PTO Director is a PAS officer, but as the positions of Director and Deputy Director both became vacant on January 20, 2021, the PTO avoided asking the President to name an Acting Director as required by the FVRA. Instead, through self-help, the PTO designated by *delegation* the Commissioner for Patents, a non-PAS officer, to "perform the functions and duties" of the Director, a position with no set time limit. [3] The PTO thus evaded the FVRA's safeguards of the Senate confirmation process, including who can serve in a PAS office on a temporary basis, and for how long.

The Federal Circuit held (at Pet. App. 10a-11a) that such delegation of authority to Commissioner

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[2] Pub. L. No. 105-277, § 151, 112 Stat. 2681, 2681-611 (Oct. 21, 1998) codified as amended in 5 U.S.C. §§ 3345-3349d.

[3] Commissioner Andrew Hirshfeld "performed the functions and duties" of the PTO Director for 454 days, until Kathi Vidal was sworn-in as Director on April 19, 2022.

Hirshfeld to perform *all* the functions and duties of the Director did not violate the FVRA because the statute defines "function or duty" to include only "function or duty of the applicable office that is established by" statute or regulation and is required "to be performed by the applicable officer (*and only that officer*)." 5 U.S.C. §3348(a)(2)(emphasis added). The court of appeals further explained that "the FVRA applies only to functions and duties that a PAS officer alone is permitted by statute or regulation to perform," Pet. App. 11a, and accepted the government's assertion without proof that "the FVRA imposes no constraints whatsoever on the PTO because all the Director's duties are delegable." *Id.* at 13a.

The Federal Circuit concluded that "[t]he Patent Act bestows upon the Director a general power to delegate 'such of the powers vested in the [PTO] as the Director may determine,'" *Id.* at 16a (citing 35 U.S.C. § 3(b)(3)(B)), and that "[t]here is nothing in the Patent Act indicating that the Director may not delegate this rehearing request review function." *Id.*

As shown below, both of these statements are *fundamentally wrong* on three counts: first, *not* "all the Director's duties are delegable"—see the showing below to the contrary. Second, the court of appeals conflated the statutory provisions referring to the functions of the "*Office*" (the PTO) with those of the *Director herself*, which are *distinct* from those of the "Office." The provision in 35 U.S.C. § 3(b)(3)(B), on which the court of appeals erroneously relies, refers to the Director delegation to subordinates "of the powers vested in the *Office*"—*not* in the *Director*.

The "powers vested in the *Office*" are clearly specified separately in 35 U.S.C. § 2 ("Powers and duties" of the PTO) and those of the Director are specified in 35 U.S.C. §§ 3(a) and 3(b). In contrast, the statutory provision authorizing the Director to delegate *her own* functions is specified separately in the Patent and Trademark Office Efficiency Act of 1999, ("PTOEA"), [4] § 4745 (The Director "may delegate any of [*the Director's*] functions"), which further expressly *prohibits* the Director from delegating *a key component of any* of the Director's own function—the "responsibility for *the administration* of the function." *Id.* The *Director's own supervisory function* is exclusive and non-delegable.

Third, the Federal Circuit misconstrued the legal meaning of a delegated authority and failed to recognize the scope, modality, and organic *conditions* under which such delegated authority remains in force and *when* it is rendered invalid. The court of appeals' apparent failure to substantively distinguish between *delegating* to another, and *divesting* oneself of final review and reversal power, explains its misinterpretation of the FVRA that renders it superfluous.

The Federal Circuit's misinterpretation not only guts the FVRA, but it also renders superfluous every agency statute requiring its top officers to be PAS. If the court of appeals' ruling is left standing, every agency may rely on it to thwart the FVRA and its

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[4] Pub. L. No. 106-113, § 4701-79, 113 Stat. 1501, 1501A 572-588 (November 29, 1999), codified at 35 U.S.C. § 1 note.

own statute specifying its PAS offices. This Court should grant review to clarify and provide guidance on the correct meaning and use of 5 U.S.C. §3348(a)(2) and other related provisions of the FVRA.

ARGUMENT

I. The Federal Circuit's Interpretation Ignores Actual Limits on Delegation Authority

The Federal Circuit held below that the delegation of authority to Commissioner Hirshfeld to perform *all* the functions and duties of the Director did not run afoul of the FVRA because the statute defines "function or duty" to include only functions or duties "required by statute to be performed by the officer (*and only that officer*)." 5 U.S.C. §3348(a)(2)(A) (emphasis added). The court of appeals further explained that "the FVRA applies only to functions and duties that a PAS officer alone is permitted by statute or regulation to perform," Pet. App. 11a, and accepted the government's assertion without proof that "the FVRA imposes no constraints whatsoever on the PTO because all the Director's duties are delegable." *Id.* at 13a. This statement is wrong.

First, for the proposition that the Director's duties are all delegable, the court of appeals' citation (at Pet. App. 8a and 16a) to 35 U.S.C. § 3(b)(3)(B) is irrelevant because this statute describes the delegable powers of "*the Office*"—not those of the *Director*. *See* Katznelson 2022 (Section 5.1

describing the changes made in 1999 under the PTOEA in the partition between the "Powers and Duties" of the "Office" in 35 U.S.C. § 2, and those of the Director in 35 U.S.C. §§ 3(a) and 3(b)). Second, the Federal Circuit failed to recognize that the *only* statutory provision authorizing the Director to delegate *her own* functions is specified in PTOEA § 4745. Unfortunately, the court of appeals quotes only a part of that statute, Pet. App. 9a, and fails to address its entirety, which reads as follows:

> Except as otherwise expressly prohibited by law or otherwise provided in this subtitle, [the Director] may delegate any of the functions so transferred [to the Director] to such officers and employees of the [PTO] as the [Director] may designate, and may authorize successive redelegations of such functions as may be necessary or appropriate. *No delegation of functions* [*of the Director*] *under this section or under any other provision of this subtitle shall relieve the* [*Director*] *of responsibility for the administration of the function.*

35 U.S.C. § 1 note, PTOEA § 4745 (emphasis added).

It should be noted that this is a "statutory provision providing general authority" for the Director to delegate her duties to subordinates, and as such does not exempt the PTO from *exclusively* using the FVRA for filling the vacancies. 5 U.S.C. § 3347(b). Indeed, Section 3347(b) does apply here, because the PTO is an "Executive agency." See Katznelson 2022 (Section 5.1.1 establishing that the PTO is an "Executive agency" under Title 5).

Third, even without reliance on § 3347(b), the analysis in § 3348(a)(2) would apply because the duty imposed on the Director in the last sentence of PTOEA § 4745 to retain "*responsibility* for the administration of the function," which the court of appeals did not address, is clearly a "function or duty of the applicable office that is established by" statute and is required "to be performed by the applicable officer (*and only that officer*)." 5 U.S.C. §3348(a)(2)(A) (emphasis added).

A construction of that responsibility as also being delegable, as are the powers described in the first part of PTOEA § 4745, would render that last sentence a contradiction. There can be no doubt that the Director *is precluded from* delegating the Director's *own* "*responsibility* for the administration of the function." That provision recites a supervisory duty, which is quintessentially *exclusive* to the Director, a statutory provision that expressly imports the tenets of the common law of agency. *See* Restatement (3rd) of Agency, §§ 7.06, 7.07 (American Law Institute 2006) (a principal that has a duty to protect others *continues to hold that duty*, even if performance is delegated to an agent).

Consequently, a departing or a former PAS Director is powerless to delegate *any* of her "function and duties" to a non-PAS successor when she is no longer in government service and has lost the capacity to perform the function herself, at least by exercising her "responsibility for the administration of the function." This outcome is compelled by the common law of agency. Restatement (3rd) of

Agency, § 3.08(1) (American Law Institute 2006) ("An individual principal's loss of capacity to do an act terminates the agent's actual authority to do the act."); *UC Health v. Nat'l Labor Relations Bd.*, 803 F.3d 669, 677 (D.C. Cir. 2015) ("[A]n agent's delegated authority terminates when the powers belonging to the entity that bestowed the authority are suspended' and 'is also deemed to cease upon the resignation or termination of the delegating authority,'" (citing *Laurel Baye Healthcare of Lake Lanier, Inc. v. Nat'l Labor Relations Bd.*, 564 F.3d 469, 473 (D.C. Cir. 2009)).[5]

It is noteworthy that six other agencies having essentially *identical* delegation statute as PTOEA § 4745 are listed in Attachment A of the Katznelson 2022 article, with the rightmost column showing that in the 2021 Presidential transition, the agencies filled the PAS vacancies by Presidential designation of an *Acting* agency head as required by the FVRA; none designated a non-PAS official to "perform the function and duties" of the respective agency head, as the PTO did.

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[5] *See also Emerson v. Fisher*, 246 F. 642, 648 (1st Cir. 1918) (corporate treasurer's resignation terminated any authority delegated by the treasurer to other individuals); *United States v. Chin*, 848 F.2d 55, 57 (4th Cir.1988) (lawyer who represented decedent lacked delegated authority establishing standing to move to abate decedent's criminal conviction).

I.A PTO Agency Organization Order 45-1 Violates the Director's Delegation Statute in PTOEA § 4745

The PTO's Agency Organization Order 45-1 (Nov. 7, 2016), on which the PTO relied, is a succession plan: It delegates *all* the Director's functions to another officer, *only* in the event of a vacancy. It is that specific *use* of the delegation power to address a vacancy, and only a vacancy, that violates not only the FVRA, but directly violates PTOEA § 4745's unambiguous requirement that the delegating Director retain "responsibility for the administration of the function." The Federal Circuit does not even refer once to § 4745's non-delegable supervisory requirement. The vacancy in the Director's office renders *any* delegation of the Director's function null and void and thus Order 45-1 is contrary to law.

I.B Contrary Examples Offered by the PTO are Distinguishable and Inapposite

During oral argument before the Federal Circuit's panel in *Arthrex,* the PTO's counsel referenced two cases said to support the proposition that "a delegation of authority survives the resignation of the person who issued the delegation."[6] Those cases are *Champaign County v. United States Law Enforcement Assistance*

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[6] Oral Argument, *Arthrex, Inc. v. Smith & Nephew, Inc.*, Case No. 18-2140 (Fed. Cir. March 30, 2022). http://oralarguments.cafc.uscourts.gov/default.aspx?fl=18-2140_03302022.mp3 at 53:10-54:35.

Administration, 611 F.2d 1200 (7th Cir. 1979), and *United States v. Wyder*, 674 F.2d 224 (4th Cir. 1982). However, the facts, the statutory provisions, and the authorities underlying those cases are not applicable to the questions involved in the PTO's circumstances during the vacancies in the Director's office for two reasons.

First, both of these cases and the authorities on which they are predicated were adjudicated under a different statute before the 1998 amendment culminating in the FVRA. Second, as explained with more detail in Katznelson 2022 (Section 5.1.6), the authorities underlying the decisions in *Champaign County* and in *Wyder* involved cases in which delegation of authority made by a previous official survived during "continuous" service by *another* PAS officer (no vacancy in that office). Third, these authorities did not address any delegation statutes expressly establishing an exclusive supervision duty of the delegator as in PTOEA § 4745. Nowhere do these authorities render any holdings with respect to such unique delegation statutes, nor on the validity of delegated authority *during a vacancy* in the pertinent PAS office.

There is simply no support for interpreting these cases as sustaining the validity of any delegated authority of an exclusive PAS function *through the vacancy* in the pertinent PAS office. Instead, any such attempted interpretation must give way to the common law interpretation of a delegation from a vacant principal's office: the non-delegable supervision duty exclusive to the Director in PTOEA § 4745 is a statutory provision that

expressly imports the principles of common law of agency. Severing this connection by dispensing with its effect during a vacancy would render § 4745 superfluous. It would gut the substantial difference between *delegating* to another, and *divesting* oneself of final review and reversal power. In the cases discussed above including the cases relied therein as authorities, the specific challenged delegation was pursuant to a specific agency delegation statute. *The PTO, however, has no statute that specifically delegates authority to the Commissioner to perform the "functions and duties" of the Director under any circumstance.*

Finally, the construction that the delegated authority under the PTOEA is "deemed to cease upon the resignation or termination of the delegating authority [the Director]," *UC Health*, 803 F.3d at 677, is the only one consistent with the Appointment Clause and the very structure and purpose of the FVRA. The Supreme Court observed in *Printz v. United States* that "[t]he Constitution does not leave to speculation who is to administer the laws enacted by Congress; the President, it says 'shall take Care that the Laws be faithfully executed,' Art. II, § 3, personally and through officers whom *he appoints* (save for such inferior officers as Congress may authorize to be appointed by the 'Courts of Law' or by 'Heads of Departments' who are themselves Presidential appointees), Art. II, § 2." 521 U.S. 898, 922 (1997) (emphasis added). Yet, under the PTO's theory and the Federal Circuit's interpretation, a Director *after leaving office* would then be able to "designate" who would run and supervise one of the most economically

important agencies in the government without any accountability to the President, to the Senate, or the American people. And according to the PTO theory, such service under "designation" could last *indefinitely* because, as explained above, there would be no time limits for service of a non-PAS official "performing the functions and duties" of the Director outside the FVRA. In acting under this theory, the PTO, a part of the Executive Branch, created its own rules of how the agency head would run the agency, notwithstanding Congress' specific enactment in the PTOEA that directs the Executive branch to run the agency only with a PAS officer. 35 U.S.C. § 3(a)(1).

The Federal Circuit's support for the PTO's theory underlying its practice of "designating" the non-PAS Commissioner to perform the "functions and duties" of the Director *during a vacancy in the PAS Director's office* is untenable. This practice is nothing short of a violation of the Constitutionally-mandated separation of powers. A Presidential designation of an Acting Director during such periods is as simple as it is essential, and this Court should grant review to clarify this.

If not reversed, the court of appeals' decision will permit any of the six agencies referred to above as having delegation statutes identical to PTOEA § 4745, to cut corners and abandon their practices of using these exclusive means of the FVRA for temporary service, thereby undermining accountability to the President, the Senate and the public. Other agencies would be able to do so as well.

II. The Federal Circuit's Interpretation Undermines the Senate's Independence From Agency Pressures and Undue Influence

As part of the exclusive means for temporarily authorizing an acting official to perform the functions and duties of a PAS officer, Congress enacted an important provision in the FVRA that has the effect of protecting Senators from potential undue influence and pressure to confirm brief-serving "first assistant" nominees. Consider the following statutory provision of the FVRA and the Supreme Court's reading of its implication:

> "Notwithstanding subsection (a)(1), a person may not serve as an acting officer for an office under this section, if—
>
> (A) during the 365-day period preceding the date of the death, resignation, or beginning of inability to serve, such person—
>
> (i) did not serve in the position of first assistant to the office of such officer; or
>
> (ii) served in the position of first assistant to the office of such officer for less than 90 days; and
>
> (B) the President submits a nomination of such person to the Senate for appointment to such office."

5 U.S.C. § 3345(b)(1).

"The text of subsection (b)(1) is clear: Subject to one narrow exception, it prohibits anyone who has

been nominated to fill a vacant PAS office from performing the duties of that office in an acting capacity, regardless of whether the acting officer was appointed under subsection (a)(1), (a)(2), or (a)(3)." *Nat'l Labor Relations Bd. v. SW General, Inc.,* 137 S. Ct. 929, 941 (2017).

This prohibition is critical. Consider what might happen absent this prohibition for an acting Director serving in a vacant Director office, while also being the agency's choice nominee subject to Senate confirmation for the same office. Should the Senate ultimately reject the nomination, indicating its lack of confidence in that acting Director's ability to fairly and reliably perform that function, the agency would likely be unable to keep that acting official in office. It would likely need a replacement acting Director, disrupting and embarrassing the agency. The mere prospect of such adverse effects would likely motivate the agency and the nominee's supporters to lobby Senators and warn them of the potential adverse effect on the agency if they reject the nomination. This would likely have a chilling effect on Senators' ability to exercise their Constitutional prerogative on the *merits* of the nominee, independently of any undue influence based on extraneous agency factors. § 3345(b)(1) rules out such conflicts for an Acting Director. It is therefore a key protective provision of the FVRA that safeguards against such chilling effects, thereby enhancing the Constitutional separation of powers.

The Federal Circuit's interpretation of the FVRA, however, undermines this protection by rendering § 3345(b)(1) inapplicable because no service in an

"acting" capacity is involved. Under the scheme sanctioned by the court of appeals, the agency can on its own designate an official to "perform the functions and duties" of a PAS office, while that official can *concurrently* be nominated and considered by the Senate for the same office. This has happened at the PTO.

For example, Michelle Lee "performed the functions and duties" of the PTO Director from January 13, 2014 to March 12, 2015.[7] While serving in that role, she was nominated for the Director's position on November 12, 2014 and confirmed by the Senate on March 9, 2015.[8] It is unknown to what extent those who lobbied for her confirmation used her position at the head of the PTO to influence Senators to just go along with the confirmation. Had she been instead named by the President in January 2014 as Acting Director under the FVRA § 3345(a)(3), she would have been precluded from being nominated by the President and considered by the Senate for the Director's position due to the prohibition in § 3345(b)(1). This FVRA provision is therefore a plausible explanation as to why she and the PTO opted to avoid naming her as Acting Director and she conveniently took the role of "performing the functions and duties" of the Director. By doing so, it must be presumed, she and the PTO gained on both fronts: she and her supporters could seek and lobby for the Director

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[7] *See* https://en.wikipedia.org/wiki/Michelle_K._Lee, Michelle Lee Profile.

[8] *Id*.

nomination; and at the same time enhance her credibility and position as a real contender candidate for the position, by demonstrating agency service and by having been given a vote of confidence by the agency in selecting her to temporarily perform the "functions and duties" of the Director. Had she opted instead to be named by the President an Acting Director, she would have forfeited her career advancement to the top of the agency.

The Federal Circuit's interpretation permitting this practice thus undermines the FVRA because it affords agencies the *administrative convenience* for advancing top management careers at the expense of denying Senators of the provision that protects their freedom from undue influence. "We cannot cast aside the separation of powers and the Appointments Clause's important check on executive power for the sake of administrative convenience or efficiency." *SW Gen.,* 137 S. Ct. at 948 (Thomas, J., concurring).

III. The Federal Circuit Mischaracterizes Effects of Properly Interpreting the FVRA

The court of appeals paints a "Parade of Horribles" that would ensue, were it to find that the PTO is subject to the FVRA. Stating that "the PTO has issued more than 668,000 patents signed by an inferior officer filling in for the Director," the court of appeals reasons that holding that they had no such authority "would call the validity of those patents into question." Pet. App. 14a. Compliance with the FVRA, however, requires no such holding. Here, the court of appeals conflates the powers of the *Office* with those of the Director. Under § 3(b)(3)(B), the

Director may delegate (*reassign*) to others "the powers *vested in the Office,*" which under § 2(a)(1) includes issuing patents. As opposed to the delegation of the powers *of the Director herself* specified in PTOEA § 4745, the statute in § 3(b)(3)(B) provides for *reassignment* of functions already vested in the *Office* and does not require the Director to retain "*responsibility* for the administration of the function" so delegated. Therefore, all powers *vested in the Office* that have been reassigned to specific subordinates by the Director can be exercised during a vacancy in the Director's office and that vacancy would not "call the validity of those patents into question."

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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