Intellectual Property and Innovation American Inn of Court

Wednesday, March 24, 2021

Inn Luncheon Roundtable

CLE Materials

Topic

United States v. Arthrex, Inc. and the Constitutionality of the Structure of the PTAB

Facilitated By

Genevieve Halpenny, Associate | Barclay Damon LLP

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OF THE UNITED STATES

IN THE SUPREME COURT OF THE UNITED STATES

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Washington, D.C.

Monday, March 1, 2021

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 10:00 a.m.

APPEARANCES:

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on behalf of the United States.
MARK A. PERRY, ESQUIRE, Washington, D.C.;
on behalf of Smith & Nephew, Inc., et al.
JEFFREY A. LAMKEN, ESQUIRE, Washington, D.C.;
on behalf of Arthrex, Inc.

C O N T E N T S

P R O C E E D I N G S

(10:00 a.m.)

CHIEF JUSTICE ROBERTS: We will hear argument this morning in Case 19-1434, United States versus Arthrex, Incorporated, and the consolidated cases.

Mr. Stewart.

ORAL ARGUMENT OF MALCOLM L. STEWART

ON BEHALF OF THE UNITED STATES

MR. STEWART: Mr. Chief Justice, and may it please the Court:

In Edmond versus United States, this Court held that Coast Guard Court of Criminal Appeals judges were inferior officers. The Court based that conclusion on the combined supervisory powers of the Coast Guard Judge Advocate General and the Court of Appeals for the Armed Forces.

Here, the mechanisms by which the PTO's director can supervise administrative patent judges substantially exceed the combined powers of the supervising officials in Edmond. The Judge Advocate General was authorized to promulgate rules of procedure for the Court of Criminal Appeals, and he could remove

individuals from their judicial assignments without cause.

The PTO director can exercise those same two powers, but he has other important tools of control as well. The director can promulgate binding guidance concerning substantive patent law. He can designate particular board opinions as precedential, thus making those opinions binding on future panels. He can also decide whether any particular review will be instituted and which judges will sit on the panel. And he can de-institute a review even after it has been commenced.

Arthrex focuses primarily on the purported absence of any mechanism by which the director can review a panel's final written decision. But the board can grant rehearing of any such decision, and the director is a member of the board and is authorized to decide which members will sit on any panel.

The director, thus, can convene a new panel that consists of himself and two other members of his choosing to decide whether any final written decision will be reheard.

The director's power over rehearings

is not plenary since he must exercise it jointly with two other board members. But, in Edmond, the review authority of the Court of Appeals for the Armed Forces was not plenary either since that court could not reassess the factual findings of the court of appeals -- from the Court of Criminal Appeals.

Taken together, the director's supervisory powers are fully sufficient to render administrative patent judges inferior officers.

CHIEF JUSTICE ROBERTS: Mr. Stewart, that was a long list of things that the director can do, but, of course, the one thing that he can't do is just change the decision of the APJ. And the rest of those things -- deciding whether to rehear, you know, stacking, in a non-pejorative way, the panels, rehearing, you know, guidance on hypothetical facts -- they all seem to be more or less ways of twisting the arms of the APJs. And so it is sort of direct -- directly opposite to what the Appointments Clause was designed to do, which is transparency and make it clear who's responsible.

Here, you know, the director can

pressure the APJ, but, at the end of the day, he can say: Well, that's not my fault. That's what he wanted.

Why isn't that true?

MR. STEWART: I think -- I'd say two things in response to that. The first are the supervisory mechanisms that we've identified are transparent. If the director issues binding guidance that says here's how the patent laws apply to particular fact patterns, that will be done in the director's own name and the director will have responsibility for it. But the --

CHIEF JUSTICE ROBERTS: Yeah, but the -- the APJ is the one who's going to decide whether that so-called hypothetical applies in this particular case, and if he comes out with a different result, that's the executive decision, not the director's rule about hypotheticals.

MR. STEWART: Well, even if you focus on the mechanisms that are available after a final written decision is issued, the -- the board panel's decision will be the decision of the executive agency only if it is not reheard.

And as I said in my opening, the director's power over rehearings is not plenary,

but it is substantial. And --

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Justice Thomas.

JUSTICE THOMAS: Thank you, Mr. Chief Justice.

Mr. Stewart, you said it's not plenary, but it's substantial. How would -- how would we define -- discern what is substantial?

MR. STEWART: Well, I think what the Court said in Edmond was that the mark of an inferior officer is that the inferior has a superior and is supervised at some level by Executive Branch officials who are appointed by the President and confirmed by the Senate.

And we don't have a bright-line test for this. But the Court in Edmond said the fact that the Court of Appeals for the Armed Forces can't second-guess the factual determinations of the lower court is not sufficient to make those lower court judges principal officers.

Things can slip through the cracks and supervision can, nevertheless, be sufficient. And that's essentially what we have here. Even if you just look at after-the-fact review, the

director has substantial control.

But I think the Court should focus primarily on the mechanisms of control that are available in the first instance, issuing binding guidance and so forth, because the usual hallmark of supervisory authority is that the supervisor can tell the subordinate how to do the job before the subordinate does it. And the director has ample tools there.

JUSTICE THOMAS: Thank you.

CHIEF JUSTICE ROBERTS: Justice Breyer.

JUSTICE BREYER: I'm just curious, you may not have thought about this, but maybe the SG's office has, but, in PCAOB, if we go back to that, I dissented and had a very long appendix with dozens and dozens of people that I suddenly thought were -- they -- they seemed to be like here -- we used to call them hearing examiners, and, really, they used to be civil servants.

All kinds of shapes and sizes in terms of powers, and they suddenly all became officers of the United States. But the majority said, we're not saying they all are. We're just talking about PCAOB.

So are these people officers of the United States? Why, is my answer. I'd like a line, if you've ever thought of one, between the statement in PCAOB in the majority, don't worry, they're not all officers of the United States.

Have you thought of a -- of a distinction there between the long list in PCAOB and would it apply here?

MR. STEWART: I mean, we -- we've essentially acquiesced in the proposition that the board -- that administrative patent judges are officers rather than employees, as you'll recall from --

JUSTICE BREYER: Yeah.

MR. STEWART: -- the brief in this case. There was a --

JUSTICE BREYER: Yeah, yeah.

MR. STEWART: -- period -- there was a period when they were appointed by the director and were thought to be employees. Congress --

JUSTICE BREYER: Yeah.

MR. STEWART: -- changed the statute. It -- it's not absolutely clear that that's so, but the mechanism of appointment is sufficient so long as they are inferior officers.

JUSTICE BREYER: Yeah, that -- I thought you might have done that. And I wonder if, in the course of doing that, you thought of a line of some kind that might distinguish the dozens of people I put in that appendix from these people here and the majority in PCAOB.

MR. STEWART: Well, I think that the -- the Court has drawn the line in terms -- between "officer" and "employee" in terms of exercising substantial authority under the laws of the United States. Obviously, that's something very far from a bright line.

I think it is significant in this regard that the removal provision that's applicable to administrative patent judges is the same removal provision that applies to officers and employees of the -- the PTO generally. The removal provision signals that Congress didn't intend for these officers to exercise any unusual level of independence from the director.

CHIEF JUSTICE ROBERTS: Justice Alito.

JUSTICE BREYER: Thank you.

JUSTICE ALITO: Mr. Stewart, suppose Congress enacted a statute providing that a

deputy solicitor general shall have the final and unreviewable authority to decide whether the United States will take an appeal in any case involving the interpretation or application of one particular provision of one particular regulatory statute.

Suppose the SG can decide which deputy is to review each case that falls into this category, the SG or the attorney general can issue guidelines on the meaning of the provision and the standard to be applied in deciding to take an appeal, but, once a deputy -- a deputy makes a decision, let's say it's a decision not to appeal, nobody, not the attorney general or the President himself, can countermand that.

Would that be constitutional?

MR. STEWART: I mean, I -- I think it would be a close call. You would obviously be looking at Morrison versus -- Morrison versus Olson in order to determine -- to assess the significance of the fact that the deputy's authority was limited to a narrow category of cases, and, certainly, the fact that the solicitor general could promulgate substantive standards that would bind the deputy in making

his decision might lead you to conclude that that person is still an inferior officer rather than a principal officer.

But however that case would come out, here, the decision of an ordinary PTAB panel is not final and unreviewable within the agency. It is subject to rehearing. The director is a member of the board. The director can appoint a panel that includes other board members in order to determine whether rehearing shall be granted.

So that -- that authority, as I've said, is not plenary but --

JUSTICE ALITO: Well, what if I change my hypothetical so that the -- all of the deputies collectively could review the decision of the -- this one deputy? Would that -- would that change it?

MR. STEWART: Well, if the solicitor -- I -- I think that would change it somewhat. I think it would change it more if you said the solicitor general can sit on a panel that will review the deputy's decision, and the solicitor general may sit on a panel with two other deputies and -- and theoretically could be outvoted, but the solicitor general will not

only issue guidance before the fact but can sit on the -- the board that determines whether the deputy's decision will be overridden. That -- that would --

JUSTICE ALITO: All right. Thank you, Mr. Stewart. Thanks.

CHIEF JUSTICE ROBERTS: Justice Sotomayor.

JUSTICE SOTOMAYOR: Mr. Stewart, the other side's case comes down basically, I think, to just saying you're not an inferior officer if you can make final decisions that are unreviewable by the director. That's a fairly straightforward line.

Yours is a bit more amorphous. I think it's what the Chief was getting to. But I think that what I want to understand is, what is your final test being judged against? Is it -- I mean, I thought I heard a little bit of the -- of it when you said the director is setting the policies and procedures. He is -- he or she is the person who controls the outcome in the sense of setting what the policies and procedures are.

Am I right that that's your baseline?

MR. STEWART: That -- that's certainly

part of it. And I would agree that we don't have a bright-line test, but that's in part because this Court has emphasized that there is no exclusive criterion for determining inferior versus principal officer status.

And what we are emphasizing is that the director has really two different forms of control. He can issue policy guidance that will be binding on board panels in cases generally, but the director also is a member of the board, can participate in the board's decision-making process in individual cases.

JUSTICE SOTOMAYOR: For my colleagues -- and there are some who don't like amorphous concepts or ones that don't have a -- a yardstick by which to measure -- what is the advantage of us keeping the Edmond's test?

MR. STEWART: I -- I think the advantage is that the government is so multifarious, there's such an enormous number of officers and employees within the Executive Branch that any attempt to -- to formulate a bright-line test would almost inevitably lead to anomalous results in some category -- categories of cases.

Even in 1787, the framers were concerned that it would be administratively inconvenient to require Senate confirmation for all officers. And since that time, the Executive Branch has grown enormously, but there's still just one President and there's still just one Senate. And the Court --

JUSTICE SOTOMAYOR: Thank you, counsel.

CHIEF JUSTICE ROBERTS: Justice Kagan.

JUSTICE KAGAN: Mr. Stewart, you put a lot of weight on the ability of the director to be part of a board that rehears a decision. I -- I had thought that there was a -- a usual mechanism for rehearing a decision that didn't -- you know, that there's a sort of permanent rehearing board, which the director does not pick the other two members of.

MR. STEWART: Well, I think, typically, the rehearing petition filed by one of the parties would be addressed to the panel, and the panel could decide whether to rehear the case if it had -- if it believed that it had overlooked something.

But, because the director is a member

of the board and chooses the composition of the panel, the board -- the director can always decide in an individual case, no, here, the rehearing panel will be different.

JUSTICE KAGAN: I'm -- I'm -- I'm sorry, you have to give me a little bit more about how this exactly works. That there's a decision of -- of a panel that the director doesn't like, and what does the director do?

MR. STEWART: The director could sua sponte convene a new panel, and what's called -- known as the Precedential Opinions Panel, or the POP, is the acronym, is presumptively composed of the director, the commissioner for patents, and the chief administrative patent judge. And that panel can sit to issue a binding decision, presuming -- assuming that two members of the panel vote to do so. That -- that's what --

JUSTICE KAGAN: Right. I think I was talking about that, that -- that presumptive panel with those particular three members. I mean, the director doesn't merely have full authority over the other two, doesn't -- does he? He doesn't -- the other two might disagree with him.

MR. STEWART: It -- it's -- it's true, and in that sense, the director's authority is not plenary. But, in Edmond as well, if the Court of Appeals for the Armed Forces disagreed with the factual findings of the Coast Guard Court of Criminal Appeals, there was really nothing that the CAAF could do about it. Factual determinations could slip through the cracks.

And, here, the director can not only convene this panel; the director can issue policy guidance that explain the -- the rules of law as the director understands them, and other panel members are obliged to -- to go along.

The only thing that really can slip through the cracks in the PTO setting is factual determinations with which the director might disagree but other board members might invoke -- might -- might --

JUSTICE KAGAN: Thank you, Mr. Stewart.

CHIEF JUSTICE ROBERTS: Justice Gorsuch.

JUSTICE GORSUCH: Good morning, Mr. Stewart. Last term, the Court, in Seila

Law, said that executive officials must always remain subject to the ongoing supervision and control of the elected President. Through the President's oversight, the chain of dependence is preserved so that low -- the lowest officers, the middle grade, and the highest all depend, as they ought, on the President and the President on the community.

I -- I'm struggling to understand how that interpretation of our Constitution squares with your argument that not even the President of the United States, either himself or through his subordinates, can reverse a decision of APJs. Where -- where is the chain of dependence?

MR. STEWART: Well, the -- the President obviously appoints the director subject to Senate confirmation, and the director can be removed by the President. The director can --

JUSTICE GORSUCH: I understand the removal, but I -- my question was focused on the supervision and control language in Seila Law.

MR. STEWART: Well, the -- the -- the President can issue kind of instructions to the

director and can terminate the director if the -- the director doesn't comply. The director has various supervisory mechanisms.

JUSTICE GORSUCH: Again, that's removal, and my question was focused on supervision. If the President disagrees with the decision or one of his designees down the chain of dependence disagrees with the decision, there's no remedy that the President has, correct?

MR. STEWART: Well, there -- there is a prospective remedy in the sense that the --

JUSTICE GORSUCH: I'm talking about the decision. I'm not talking about removal.

MR. STEWART: No, there is a -- there is a right of appeals to the -- the Federal Circuit. But I think --

JUSTICE GORSUCH: That's --

MR. STEWART: -- the same thing --

JUSTICE GORSUCH: -- that's a separate branch of government. I'm -- again, I'm talking within the Executive Branch, Mr. Stewart. There's -- there's no chain of dependence running to the President with respect to the supervision of a particular decision, is there?

MR. STEWART: There -- there is no ability to ensure that the factual findings of two other members of the panels -- panel could be overridden. But, certainly, Arthrex's position wouldn't change any of that. That is, holding that the APJs are principal officers who must be appointed by the President with Senate confirmation wouldn't give the President any greater power of control over their decisions in the event that they were inconsistent with the policy of the agencies.

JUSTICE GORSUCH: We're -- we're back to removal. Thank -- thank you, Mr. Stewart.

CHIEF JUSTICE ROBERTS: Justice Kavanaugh.

JUSTICE KAVANAUGH: Thank you, Chief Justice.

And good morning, Mr. Stewart. I'm not sure this wolf comes as a wolf, Mr. Stewart, but I still think it may be a wolf, as Justice Scalia famously said, and he said, in those cases, it can be discerned by careful and perceptive analysis.

So here's why -- here -- here's the sources of my concern on that front. First,

this structure is a real break from tradition, which we've said in cases like Free Enterprise Fund and many others, perhaps the most telling indication of a constitutional problem is the departure -- the lack of historical precedent. The lack of agency review of the ALJ decision by someone who's appointed by the President with advice and consent of the Senate is absent here and is ordinarily present and historically has been present.

And then, second, the lack of accountability, as the Chief Justice said and Justice Gorsuch was just saying, these are multimillion, sometimes billion-dollar decisions being made not by someone who's accountable in the usual way that the Appointments Clause demands. And the director, on rehearing, does not have the unilateral power to reverse.

So, you know, if Congress is going to do that, they can eliminate agency review and prevent removal at will, then it's easy to make these AL -- APJs presidentially appointed and Senate-confirmed. They haven't done that.

Where -- where in that analysis have things -- has that analysis gone wrong?

MR. STEWART: I guess the -- the two or three things I would say are, first, it isn't unusual for administrative adjudicators to be appointed in the manner that's appropriate for inferior officers. Indeed, I think that --

JUSTICE KAVANAUGH: I -- I agree with that, but it is very unusual for them not to have agency review, as you well know.

MR. STEWART: It certainly is the norm for the -- the agency head to have the capacity to -- to review their decisions. But, as we know from Edmond, that doesn't have to be plenary review. The -- the Court in Edmond specifically addressed the fact that the Court of Appeals for the Armed Forces could not revisit the factual determinations of the Coast Guard Court of Criminal Appeals, and it said what's more important is that there is review, not that review is not plenary.

And, in addition, the director has substantial authority to instruct the judges as to matters of law, as to the director's own interpretation of the patent laws, and can insist that the judges comply with that, those instructions.

The other thing I would say is, if you think that that is the constitutional problem and if you think the constitutional rule is some Senate-confirmed official has to have plenary authority to revisit the decisions of -- of the underlings, then the appropriate remedy would be to sever the provision in the statute that says only the board can grant rehearings.

JUSTICE KAVANAUGH: Thank you, Mr. Stewart.

CHIEF JUSTICE ROBERTS: Justice Barrett.

JUSTICE BARRETT: Good morning, Mr. Stewart. On page 38 of your brief, you talk about the strength of the removal power, and you say that because there's an efficiency-of-service standard applicable here and because the director can promulgate regulations, the violation of which might be cause for firing, that those are ways in which the director can exercise some back-end control of the APJs with whom he's not happy with their performance.

But isn't it the case, you know, as Arthrex points out, that APJs get the protection of the MSPB, which means that, at the end of the

day, the director is actually not the official in the Executive Branch that has the last word on the continuation in service?

MR. STEWART: It's certainly true that the APJs would have -- if they were removed from federal service altogether, they would have the protections of the MSPB. And I'd say two things about removal. First, in addition to removing APJs from federal service altogether, the director can remove them from their judicial assignments. And the Court in Edmond said that was an important power of control, and that doesn't carry with it a right to MSPB review.

JUSTICE BARRETT: Well, and I -- actually, I wanted to ask you about that. What does that mean to remove them from their judicial assignments when it's -- APJs' judicial assignments are what they do? Are they just benched without pay --

MR. STEWART: There are --

JUSTICE BARRETT: -- or benched with pay?

MR. STEWART: -- there are two things that could be done. First, they could be assigned tasks such as rulemaking, training

other employees, and APJs do sometimes perform those tasks.

The second thing is Arthrex appears to concede that there's no constitutional problem with the PTAB adjudicating direct appeals from denial of patent applications. Arthrex acknowledges there's sufficient director control in that area that there's not a constitutional problem. And so particular APJs could very feasibly be assigned to that kind of adjudicative work rather than to inter partes review, and that would --

JUSTICE BARRETT: I mean, is that sufficient control? The director is unhappy with some of the decisions on review and rehearing, and so he says, okay, well, from now on, you can still do adjudicative -- adjudicatory work, but it's going to be, you know, this kind instead?

MR. STEWART: Yes, I mean, especially if the director thought the problem with these officials is that in inter partes reviews they are not being sufficiently compliant with the director's instructions.

The other thing I would say about the

removal provision is that, in addition to providing a practical tool for control, the fact that the APJs are subject to the same removal protection as officers and employees generally indicates that Congress didn't intend for them to -- to have any sort of special independence from -- from the director.

CHIEF JUSTICE ROBERTS: A minute to --

JUSTICE BARRETT: Thank you, Mr. Stewart.

CHIEF JUSTICE ROBERTS: -- a minute to wrap up, Mr. Stewart.

MR. STEWART: Thank you, Mr. Chief Justice.

This Court has emphasized that there is no exclusive criterion for inferior officer status, that the inquiry should examine all the tools of control taken together. Here, the director has substantial tools of control well before a final written decision is issued.

The director has a power that the Judge Advocate -- neither the Judge Advocate General nor the Court of Appeals for the Armed Forces had in Edmond, namely, the -- the ability to issue binding instructions that will provide

rules of decision for administrative patent judges as they decide cases.

Thank you, Mr. Chief Justice.

CHIEF JUSTICE ROBERTS: Mr. Perry.

ORAL ARGUMENT OF MARK A. PERRY

ON BEHALF OF SMITH & NEPHEW, INC., ET AL.

MR. PERRY: Mr. Chief Justice, and may it please the Court:

Arthrex's proposal for a bright-line administrative review requirement rests on a single line from Edmond noting that the military judges couldn't render a final decision unless permitted to do so by other executive officers.

The Court in that sentence was not announcing a requirement for inferior officer status. It was commenting on the narrow scope of CAAF review, which followed its observation that the JAG could not provide advance guidance to the military judges.

In sharp contrast, the PTO director can and does give substantive guidance to APJs. He also has unilateral institution and assignment power, and he can order review of any board decision.

Moreover, only the director takes

final actions by confirming or canceling patent claims. APJs can't render any decision unless the director permits them to do so. They are inferior officers.

CHIEF JUSTICE ROBERTS: Mr. Perry, if you won one of these adjudications, you know, in a case involving a billion dollars, which you can have, as Justice Kavanaugh pointed out, you know, you're going to call your client and say, we won the adjudication, and they're going to celebrate. And the next day, you're going to have to call him and say, ah, the director has granted rehearing, he's appointed himself and two others just that think the same way he does to the panel, he's issued new guidance saying in a so-called hypothetical case that looks like ours it should come out the other way, and -- and the APJ who decided your case is sent to Siberia.

You would say that that's not good news, and I -- it would make something of a charade out of the adjudication. Yet you're relying on all those powers to say that everything is -- is all right.

I mean, it -- it -- it really doesn't

sound like any kind of adjudication that we would accept, you know, in a system characterized by due process.

MR. PERRY: Mr. Chief Justice, whether or not there are due process considerations in any particular determination has nothing to do with the Appointments Clause question here, right? We have a structural allocation of power from the President through the Secretary through the director to the APJs that is being respected and being followed in the chain of command.

Due process is a separate issue, not presented in the petition, not presented in this case. There may well be due process problems in other cases, but that's not a reason to dilute or pollute the Appointments Clause.

CHIEF JUSTICE ROBERTS: Justice Thomas.

JUSTICE THOMAS: Thank you, Mr. Chief Justice.

What would be your test for whether someone is an -- an inferior officer? The -- it seems to be almost a totality of the circumstances.

MR. PERRY: Justice Thomas, the --

the -- the principal officers sit at the right hand of the President. They -- the only ones this Court has recognized are the ambassadors and the cabinet officers, and the heads of agencies --

JUSTICE THOMAS: Yes.

MR. PERRY: -- are one step removed.

These individuals are three steps removed. So, you know, the Secretary definitely is. The director may be. The APJs definitely are not. And that's the chain of command that the Court has described over and over again. That would be one test.

The other, the -- the Edmond totality-of-the-circumstances test is supervision and control. And these officials are supervised and controlled in everything they do.

JUSTICE THOMAS: And how much supervision and control are you talking about? Can it be partial supervision? Can it -- does it have to be absolute supervision? I don't -- it's really difficult to discern how much would be required under your test.

MR. PERRY: Your Honor, the -- the ultimate test is whether the President and his

direct reports remain accountable for the operations of the agency. So, if the Congress were to give total free reign to a -- to a sleeper agent embedded within the agency, that might be a problem.

But where the chain of command is preserved and the director and ultimately the Secretary and the President bear the responsibility and accountability, that is sufficient. And the totality of the circumstances here show that the latter is the case with respect to the Patent Office.

JUSTICE THOMAS: Thank you.

CHIEF JUSTICE ROBERTS: Justice Breyer.

JUSTICE BREYER: I'm just curious if you found other examples like the JAG example where the -- say the -- the Senior Executive Service, members of that have a lot of authority in dozens of different areas and in different kinds of officials, and did you find any good examples which would help you where they do have in certain areas authority that really seems pretty unreviewable?

MR. PERRY: Well, Your Honor, many

executive officials, of course, have essentially unreviewable authority over narrow things. AUSAs, for example, get to make on-the-call decisions every day in court.

And remember we're making very narrow decisions here. The ultimate -- what the Board decided in this case is that the priority date of this patent was May 8, 2014. That is not a decision that our constitution requires to be made by a principal officer or even reviewed by a principal officer.

It's a narrow, case-specific, factual question that the board answered and we believe answered correctly. So -- so the answer to your question is, yes, there are many such officers, but -- but they are generally given the opportunity to decide narrow, case-specific, application-specific questions rather than broad questions of national policy. That -- that's the dividing line in our government.

JUSTICE BREYER: Thank you.

CHIEF JUSTICE ROBERTS: Justice Alito.

JUSTICE ALITO: Mr. Perry, your brief has a very interesting metaphor. You say that the test here is a Goldilocks test, is it -- is

it too hot? So -- and you also in your brief tick off all the ways in which there is control over -- over these APJs. So I -- I'm going to go through these, go through your list and eliminate them one by one, and you tell me the -- when to stop, when we get to the point where we've crossed the line and there's no longer sufficient control.

All right. So let's say that the director does not control whether to institute IPRs in the first place. He does not control how many and which APJs sit on which panels. He does not provide exemplary applications of patent law to fact patterns that are binding on APJs.

He does not control whether a panel's decision will be precedential. He does not direct whether a panel's decision will be reheard by controlling whether a Precedential Opinion Panel on which he sits votes to rehear a case.

He does not control how many and which APJs rehear a case. He does not decide whether to dismiss an entire APR proceeding rather than allow a panel's decision to become final.

Where -- where along that line did -- did we cross the Rubicon?

MR. PERRY: Your Honor, of course, the director has all those powers, and any one of them might be removed. If all of them were removed, then you'd have the sleeper agent I described. And every case has to be determined based on the powers Congress has actually conferred.

And, here, the suite of powers together, including one the Court didn't mention, which is the director's final authority to confirm or cancel the patent claims, ensure that the political accountability rests at all times with the director, not with the APJs.

JUSTICE ALITO: But you can't tell me where along that line is the magic divider?

MR. PERRY: Your Honor, if you want a magic divider, I would suggest it is the -- the relationship to the President. An officer three steps removed from the President is -- is never or almost never going to be a principal officer because he is a subordinate.

JUSTICE ALITO: Thank you.

CHIEF JUSTICE ROBERTS: Justice

Sotomayor.

JUSTICE SOTOMAYOR: Counsel, Justice Gorsuch asked a question of your -- of -- of the assistant solicitor -- solicitor general about the right or the need to have someone in the direct control of the President.

I'm assuming that that -- as I've been thinking about that question, I wonder, isn't that totally at odds with an adjudicatory system of any kind?

MR. PERRY: Justice Sotomayor, there is a -- you know, an inherent tension in agency adjudicatory-type proceedings between adjudicative independence and presidential control, and that balance can be struck by Congress in many, many ways and throughout history has been struck in many, many ways so long as the channels of authority are preserved.

I'll come back to what Mr. Stewart said, it's the advance offering of guidance is more important in this context. For example, the director can identify problems coming out of PTAB panels and direct future PTAB panels not to make those mistakes, preserves both the political accountability and avoids those due

process-type problems that may arise in individual circumstances. That is the essence of supervision, which is carried out every day at the PTAB and in the Patent Office.

JUSTICE SOTOMAYOR: Thank you, counsel.

CHIEF JUSTICE ROBERTS: Justice Kagan.

JUSTICE KAGAN: Mr. Perry, Justice Kavanaugh mentioned to you that this is an unusual kind of structure with no automatic opportunity for review in the agency head.

And I was -- I was just wondering, is -- is there a story behind this? I mean, how did this come to be? And is there anything that we should take from that, or is this just an unaccountably strange bird?

MR. PERRY: It is the long and proud history of the Patent Office, Justice Kagan. The interference examiners, about whom Arthrex never wants to talk, going back to 1836, administrative agents have decided interferences, conflicts between two private parties over patentability, including priority date, the issue in this case, and they have always been appointed by the Secretary, in 1870,

in 1952, in 1975, in 2008. There's no question that those issues have always been decided by inferior officers, much of that time, since 1939, in the interference context, without director review. And -- and that's what has been carried forward into the modern tradition.

So we have a patent-specific tradition. It comes out of the examination process, right? These are sort of super examiners or review examiners or second-level examiners, and that's -- and the examiners, of course, decide these same questions in the first line, and they're employees, not even officers.

So the tradition we think that's relevant is that of the Patent Office. And the modern APJs are very much in line with a long, long history that, in fact, stretches all the way back to the founding.

JUSTICE KAGAN: And has Congress ever taken a look at this? Do we know that Congress has considered this and -- and knows what's going on? And has it ever reached a determination on the Appointments Clause question?

MR. PERRY: We do know, Justice Kagan.

Congress for a brief period vested the appointment in the director and then changed it to the Secretary to avoid Appointments Clause problems -- there's a provision in the statute speaking of that -- and -- and specifically decided that they are inferior officers who can and should be appointed by the Secretary. And that determination, we think, is entitled to a certain amount of deference.

JUSTICE KAGAN: Thank you, Mr. Perry.

CHIEF JUSTICE ROBERTS: Justice Gorsuch.

JUSTICE GORSUCH: Mr. Perry, I understand you and your colleagues from the other side disagree a little bit over the patent interference question and the history here, but, in answer to Justice Kagan, is it -- is it fair to say that, yes, this is a rare bird in that in this area, maybe for historically contingent reasons maybe considered, maybe not, this is an unusual animal in the sense that there isn't final review in the agency head?

MR. PERRY: Well, there is reviewability in the agency head, but, Justice Gorsuch, to directly answer your question, since

the APA was enacted in 1946, most agency adjudications follow either the APA 556, 557 categories or a close proxy. And the Patent Office doesn't.

Of course, before that, there were many others. That's why the APA was enacted. And we would submit that the Appointments Clause is not a super APA. It doesn't require the President or Congress to follow the APA in any particular case.

JUSTICE GORSUCH: Is that a long way of saying yes, that this area is, if not sui generis, very, very unusual?

MR. PERRY: It is unusual, but it is also well and historically founded and -- and, until now, unchallenged.

JUSTICE GORSUCH: Okay. And with respect to the soft power that -- that is sometimes emphasized that the director may have over appointing different APJs or extracting promises from certain APJs about how they'll rule, do you admit that there might well be due process problems there?

MR. PERRY: We certainly think that the PTAB structure and -- and the decisions are

subject to due process constraints, and that would be a legitimate source of concern if those kinds of issues arose. There is no such question or allegation or concern in this case.

This is -- this is only a structural Appointments Clause question. Absolutely, they are, of course, subject to the Due Process Clause and all of its constraints.

JUSTICE GORSUCH: Thank you.

CHIEF JUSTICE ROBERTS: Justice Kavanaugh.

JUSTICE KAVANAUGH: Thank you, Chief Justice.

Good morning, Mr. Perry. You mentioned that the other side's argument rests on a single line from Edmond. That, of course, is the critical line from Edmond about the administrative judge context.

Just to pick up on Justice Gorsuch, this does seem, and I think you acknowledged, a -- a significant departure from general historical practice since the APA, which is a yellow flag, if not a red flag.

And then your test to try to deal with that seems to resurrect Morrison v. Olson's

test. I thought we'd gotten away from that in -- in Edmond. Justice Alito's questions pointed that out.

And what I'm worried about -- this is the wolf. What I'm worried about is this gives a model for Congress to eliminate agency review of ALJ decisions and kind of fragment and take away from agency control going forward, because this -- however this came about, to Justice Kagan's question, this would be a model going forward, and that would allow Congress to give extraordinary power to inferior officers, which is not how our government is ordinarily structured.

And then, to Justice Sotomayor's question, it seems like ALJs, there's two -- there's two fixes. You can go with the executive model of ALJs, which is the traditional have ALJs and have agency review or removability, it's usually agency review, not removability with ALJs; or you can make the APJs principal officers with presidential appointment and Senate advice and consent if you want a more judicial model.

But, here, the -- this hybrid gives

enormous power to inferior officers, and it's really just out of the norm. Your response?

MR. PERRY: Two responses, Justice Kavanaugh.

First, this system fits neatly within, we would submit, Justice Scalia's dissent in Morrison versus Olson, particularly Footnote 4 and the surrounding text describing the role of subordinate officers and the interplay with removal powers.

Second, I cannot emphasize enough that the director maintains the final authority under 318(b) to confirm or cancel any patent. The APJs do not cancel patents. The patent in this case is still valid. The board has declared it to be unpatentable, but the director has not canceled it. So, to this day, three years later, nothing has happened because the director, the politically appointed directly accountable to the President individual, has not taken the action specified by statute.

The Congress has made a different determination here, but it is absolutely consistent with the dictates of the Appointments Clause.

JUSTICE KAVANAUGH: Thank you.

CHIEF JUSTICE ROBERTS: Justice Barrett.

JUSTICE BARRETT: Good morning, Mr. Perry. So I want you to assume for the purposes of my question that you lose on the Appointments Clause issue, and I want to ask you about remedy.

So, you know, the federal -- well, think about -- one unusual thing about the remedy here is that it's not one specific provision in this statutory scheme that's being challenged as unconstitutional. It's the way that they work together.

You know, so we could, if we decided that it was unconstitutional, perhaps make all of the APJs subject to -- say they're principal officers, and so they have to be subject to presidential appointment, senatorial confirmation. We could say, listen, we're going to strike the provision in the statute that says only the PTAB may grant rehearings so that the director has that authority. We could make them maybe at-will employees, so they're removable at the discretion of the director without having to

go through the full process that we discussed before.

That's a lot of discretion to give us in trying to shape a remedial -- a remedy here. Why should we even assert the authority to do that, to sever?

MR. PERRY: Justice Barrett, the -- the -- from my perspective from -- from, you know, where we think the statute, of course, is constitutional -- and I don't mean to be flip -- but, if you tell me how we lose, we can tell you what the remedy is.

So, for example, if the real problem here is the lack of agency reviewability, then the most direct line to a solution would be to sever the provision requiring board rehearing so that the director could unilaterally review.

And there may be other remedies depending on where, if anywhere, the Court were to find a constitutional violation. It is not where the Federal Circuit found it.

And it's certainly not where Arthrex has identified it, which is to take down this whole system. You know, they don't actually want presidential confirmation. They don't

actually want director review. What they want is for the Court to -- to blow up the whole thing because of a structural problem that, again, not to fight the hypothetical, we think doesn't exist.

JUSTICE BARRETT: Thank you.

CHIEF JUSTICE ROBERTS: A minute to wrap up, Mr. Perry.

MR. PERRY: Mr. Chief Justice, principal executive officers sit at the right hand of the President and make national policy. They are the ambassadors, the cabinet members, and the agency heads who have no superior other than the President.

The APJs here are three steps away from the President. The chain of command runs through the Secretary of Commerce and the PTO Director.

This Court has consistently recognized subordinate officials in general and administrative adjudicators in particular to be inferior officers. APJs carry out policy. They do not make it. Findings like these have been made by inferior officers since the Patent Office was created, and APJs carry on that

tradition. They are inferior officers.

Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Lamken.

ORAL ARGUMENT OF JEFFREY A. LAMKEN

ON BEHALF OF ARTHREX, INC.

MR. LAMKEN: Thank you, Mr. Chief Justice, and may it please the Court:

Administrative patent judges do one thing: decide cases. Their decisions are the executive's final word resolving billion-dollar disputes affecting the innovation landscape. They can even overturn earlier decisions by their own agency head to grant a patent.

No superior in the executive has authority to review their decisions, to overturn their exercise of government authority. Accountability suffers. If a principal officer has review authority but refuses to exercise it and overrule subordinates, the President and the public can hold him accountable for that choice.

But the principal is not accountable if the answer is, I have no authority. Congress made my supposed underlings the final word.

Punishing APJs for decisions or guidance to prevent future error doesn't undo decisions already made. For parties, the decision remains the executive's final word.

In 200 years, this Court has never upheld such a scheme. Edmond emphasizes review by presidentially appointed, Senate-confirmed officers. It's hard to imagine the Coast Guard judges there would be inferior officers if none of their decisions could ever be countermanded by a superior, which is why the Federal Circuit's remedy striking APJ tenure protection is no remedy at all. APJs would still be the final word of the executive for the cases they decide, and it subjects APJs to unseen, behind-the-scenes pressures through which superiors could evade accountability.

How to fix the statute is for Congress. Solutions point in the opposite direction. Congress might want APJs to be presidentially appointed and Senate-confirmed, as examiners-in-chief were for 114 years. Congress might want to grant the director express authority to read board panel decisions. That's how Congress fixed the problem for the

Trademark Trial and Appeals Board, the TTAB, last year.

But this Court can't pencil in those solutions. It's more respectful of Congress to allow Congress to choose how to structure the agency.

I, of course, welcome the Court's questions.

CHIEF JUSTICE ROBERTS: Thank you, Mr. Lamken.

Why isn't it okay -- we've -- we -- I think Justice Gorsuch referred to this as the soft power of review. Why isn't -- under our precedents and basic principles, why isn't it okay that the executive allow the adjudicators a significant degree of leeway because they're just that? They're adjudicators, they're coming up with particular factual determinations, and you don't want the politically accountable people to have the authority to overturn those in -- in situations where billions of dollars are at stake, but, at the same time, in terms of basic patent rules and approaches and guidance, you do want them to have that responsibility.

Why -- why isn't that a fair balance?

MR. LAMKEN: Well, Mr. Chief Justice, the Constitution permits adjudication in the Executive Branch in part because some adjudication is executive in nature. But placing that function in the executive means that the key protections against executive overreach, which is accountability to the people for the decisions, has to be observed.

Allowing unaccountable officers to decide those cases finally, stripping any accountable principal of authority to overturn them, defeats that structural protection.

Now the standard model for agency structure achieves both the impartiality of the initial decision and allows for principal officer review, and it ensures that the principal officer review after the fact has a principal officer taking responsibility for his decision to overturn the impartial adjudicator.

This, by contrast, comes up with a situation where you really -- it doesn't make sense because you really can't be an inferior officer. You cannot be an inferior adjudicator when there's no superior who can review any of your decisions ever.

CHIEF JUSTICE ROBERTS: Well, not any of your actual decisions, but can certainly take actions that would redirect any mistakes that the director sees in how a particular case was handled for the implementation of patent policy according to the President's directives, the President's responsibilities.

MR. LAMKEN: A regulation or -- or punishment of the APJ after the fact simply doesn't change the fact that the APJ's decision is the final word in the case, the final word of the executive.

So, for the parties aggrieved by the loss of valuable rights, there's no superior they can go to to ask them to countermand that bad decision. For the public and aggrieved parties wanting to know who to hold accountable for the decision, there's just nobody.

The principal office -- officer's response is, I have no authority to overturn those bad decisions, Congress stripped me of that power. That's the opposite of accountability. It's the nature of adjudication that you decide individual cases. If we're going to have accountability in adjudication, it

has to be accountability for individual cases.

Structural protections like these protect individual liberty, so they have to apply in individual cases.

CHIEF JUSTICE ROBERTS: What about the argument that, as a matter of practicality, which is something that the government has to take into account, what you're supposing is -- is really quite impractical?

Hundreds and hundreds of administrative hearing examiners, as at least they used to be called, making these sorts of decisions, the notion of meaningful review of each one seems to me to be fanciful.

MR. LAMKEN: Mr. Chief Justice, because the account -- the Appointments Clause is about accountability, what matters is legal authority. If the director thinks he's too busy to review a decision, if the director thinks they're too numerous to merit his attention, the public and the President can hold him accountable for that decision.

But, if the director's answer is, I have no legal authority to review those decisions, then he is not accountable at all.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Justice Thomas.

JUSTICE THOMAS: Mr. Lamken, why does that accountability matter in this case? Are you saying that you would actually get a better decision from the director?

MR. LAMKEN: Your Honor, yes, we believe we would get a better decision from the director. But what matters is for individuals to understand when they are making these decisions that they are subject to potential review and reversal by -- by their principal officer.

Absent that oversight, there isn't sufficient guidance and control to ensure that they are inferior officers. In the end, we're ultimately entitled to a decision where a principal officer appointed by and accountable to the President has authority to review the decision. Absent that --

JUSTICE THOMAS: So how much review are you talking about? Is it -- can it be just pro forma review? Rubber-stamp review? How much review are you talking about to address

your concerns?

MR. LAMKEN: I -- I think the -- it's the availability of review. This Court -- the lower federal courts don't cease to be inferior courts merely because this Court denies certiorari in the vast majority of cases. It is the availability of review that makes them inferior courts and this Court the Supreme Court. And so it doesn't have to be actual review in any case.

But, in Ed -- in Edmond, for example, review is limited to issues of law, and if there is -- so long as there is sufficient evidence on every element of the offense, then the -- the higher court couldn't overturn it. And so, presumably, under proper circumstances, that would be an appropriate standard.

But what you can't have is what we have here, which is not only can you not remove the lower -- the supposedly lower officers, but the director simply does not have authority to overturn their decisions no matter how vehemently he may disagree with -- he may disagree with them.

In fact, he, at most, in any rehearing

sits on a panel of two -- three, where he is outnumbered two to one by other inferior officers.

JUSTICE THOMAS: So, if I understand you, if Congress amended the relevant provision and gave discretion to the director, you -- that would solve your problem?

MR. LAMKEN: That's exactly how -- yes, that's exactly how Congress fixed the problem for the Trademark Trial and Appeals Board. It provided -- inserted an express provision saying that the director has authority to overturn board decisions with which the director disagrees.

But this Court can't pencil in that sort of authority. The government attempts to get there by asserting that the Court should strike, for example, the -- the provision that says that only the board can grant a rehearing, but that wouldn't fix the problem at all.

The only person that would --

JUSTICE THOMAS: Well, let me ask you one more question then. The -- assuming that Congress addresses the problem by providing the director with discretion, could the director

then delegate that authority to the APJs and the various structures within the organization to basically the way it exists now by statute, but the -- the director accomplishes that by delegation? Would that be okay?

MR. LAMKEN: Your Honor, I think, since the statute authorizes his review, that would be permissible so long as it's consistent with the statute, because the public and the President could hold the director accountable for his --

JUSTICE THOMAS: So, I mean, if you could be in the exact same posture that you're in right now, as long as he does it by delegation rather than by statute?

MR. LAMKEN: Well, it wouldn't be the exact same posture, Your Honor, because, if it's by delegation, he could always withdraw that delegation. If it's by delegation, he is accountable for having done the delegation. He cannot point his finger at Congress and say: Congress deprived me of the power to overturn that decision. It would be his choice to not review the decision, his choice to delegate, his choice for which he is accountable to the

President and the people of the United States.

JUSTICE THOMAS: Thank you.

MR. LAMKEN: What's missing --

CHIEF JUSTICE ROBERTS: Justice Breyer.

JUSTICE BREYER: But following up on what Justice Thomas says, I mean, I don't -- why is this an unusual matter of delegation? I mean, after all, the government is filled with all kinds of different people. Doctors in practice may have final authority to decide at the Veterans Administration whether you're on your right day for an appointment. Sergeants will decide what hill to take in the Army.

Inspectors general may decide who is a whistleblower and have absolutely unreviewable authority to send something over to Congress to say what that whistleblower said. There are many shapes and sizes.

And some -- and Congress -- I mean, you're saying Congress can't restrict their authority at all, no matter what the shape and what the size? Or can they do it --

MR. LAMKEN: Justice --

JUSTICE BREYER: -- sometimes and not

do it other times? And if so, when?

MR. LAMKEN: So, Justice --

JUSTICE BREYER: I mean, it's just pretty complicated.

MR. LAMKEN: -- Justice Breyer, I think when you're talking about an adjudication, what's critical is the authority of a principal officer to be able to overturn that -- the decision --

JUSTICE BREYER: But not for a doctor, not for a whistleblower?

MR. LAMKEN: No, for -- for policy decisions --

JUSTICE BREYER: Ah.

MR. LAMKEN: -- that sort of regulatory decision, it's often sufficient for you to have removal authority or the threat of removal, because those decisions can be overturned --

JUSTICE BREYER: True, but --

MR. LAMKEN: -- even once the --

JUSTICE BREYER: -- I mean, what about the inspector general? Can the Congress there give him some unreviewable authority, send him a letter with a whistleblower?

MR. LAMKEN: So, of course, anybody who has oversight can always overturn any -- that -- that sort of --

JUSTICE BREYER: Let's say --

MR. LAMKEN: -- executive authority.

JUSTICE BREYER: -- Congress delegates to the inspector general the unreviewable power to decide whether to send a letter to Congress at the request of a whistleblower.

MR. LAMKEN: Yeah, I don't think --

JUSTICE BREYER: Can Congress do that or not on your theory?

MR. LAMKEN: So I think that sending a letter to Congress may or may not be substantial governmental authority of the sort that would be --

JUSTICE BREYER: Oh, okay, okay. But --

MR. LAMKEN: -- be an issue here.

JUSTICE BREYER: -- now we've got -- we're finding out what you're looking for, the other side is saying this: Given the complexity of the federal government, of course, there are going to be vast numbers of different cases, so we have three basic things to look at: What's

the position in respect to the President of the individual? What's the nature of that job? And what is the nature of the delegation of non-reviewable authority?

I mean, even magistrates and lower court judges decide things without review, such as a denial of summary judgment. What's the nature of the authority delegated, what's the nature of the job, what's the distance from the President, and it all comes under the rubric policy.

Is it taking too many policy matters away from the President? So an adjudicator will have more authority, possible. And so will a whistleblower, inspector general. And maybe somebody else won't. Maybe somebody in the Nuclear Regulatory -- do you see -- do you see what they're driving at? So what's your response to that?

MR. LAMKEN: Justice Breyer, I think, when you have adjudications, it's just in the nature of adjudications that you decide individual cases. And if you're going to have accountability in those decisions, which you must if you're in the Executive Branch, that

accountability has to be for individual decisions.

And if you -- if you have an -- a supposed underling with unreviewable authority to decide the matter, you do not have accountability of a superior. You simply can't be an inferior adjudicator if there is no superior who can review any of your decisions ever.

The Constitution uses the word "inferior" only in the -- the context of the lower federal courts. Those courts are inferior because their decisions are subject to this Court's review.

If there were courts out there where this Court would have no authority to review their decisions ever, under any circumstances, they might be lesser or coordinate courts. They wouldn't be inferior courts.

For adjudication, being an inferior means having a superior who can review and overturn your decisions.

CHIEF JUSTICE ROBERTS: Justice Alito.

JUSTICE ALITO: Mr. Lamken, let's assume that we agree with you that this current

scheme violates the Appointments Clause. You say in your brief we shouldn't go any further; we should leave it to Congress to decide what to do to fix the problem.

But that really doesn't answer the question of what relief you should get in this case. I -- I assume you would not be satisfied if, at the end of this case, the only thing that you obtain is a declaration that the current scheme is unconstitutional, but nothing is done to disturb the decision of the board, right? You wouldn't be satisfied with that?

MR. LAMKEN: Correct. That would be essentially an advisory opinion for us. Because the Court -- because the IPR system is unconstitutional, this case can't proceed, there's no constitutional mechanism to which this case can be remanded. Accordingly, the IPR really should be dismissed.

JUSTICE ALITO: Well, you -- you want us to go beyond simply saying that there was a violation and, Congress, you fix it as you see fit. You want us to grant -- you want the judiciary to grant you a form of relief, namely, a decision vacating the decision of the board.

That is a form of relief.

Why is that a more modest form of relief -- a more modest form of relief than some of the alternatives, such as saying that you are entitled to have the director review the decision of the board?

MR. LAMKEN: Your Honor, I think the -- the Court couldn't create that mechanism without rewriting the statute. And --

JUSTICE ALITO: We wouldn't -- we wouldn't rewrite the statute. What the Court would say is this is what the Constitution requires. The law is -- I mean, Professor Harrison makes this point repeatedly, and it seems like a convincing point. The law is a combination of what the Constitution requires and any statutory additions to what the Constitution requires.

So, if the Constitution requires some alteration of the current statutory scheme, so be it. And that is an alteration that would possibly bring this into compliance with the Constitution.

MR. LAMKEN: I think -- Your Honor, I believe there's, you know, the choice of how to

have these decisions made. Whether or not you elevate APJs to have them appointed by the President, to make them true principal officers, or, conversely, whether you would instead subordinate them to the director by making their decisions reviewable by the director, is a sort of fundamental policy choice this Court does not make. Congress --

JUSTICE ALITO: But -- but somebody has to make a choice about -- somebody in the judiciary has to make a choice about how this case ends. And I -- I -- I don't think you can -- I don't think it's an answer to say don't make any choice at all, just say that we win. That is a choice. That is a form of relief, is it not?

MR. LAMKEN: Yes, yes. And it is a form of relief, for example, this Court gave in Sorrell. It said there's multiple possibilities of how the statute could be changed, but we are not the institution to be -- to doing it. The legislature has to make that change.

And I think that's precisely the case here because the possible solutions point in diametrically opposite directions. One is to

make the officers -- to -- to make the APJs appointed by the President so that you have -- so they're true principal officers. The other would be to make them truly subordinate to the director by making their decisions not final and at least subject to the possibility of review by the director.

But, since those and the multiple other possibilities point in such diametrically opposed directions, this Court should hold that this IPR cannot proceed because the system is not constitutional. And then any remedy beyond that, any revision to the statute would be a matter for Congress to -- to address.

JUSTICE ALITO: All right. Thank -- thank you.

MR. LAMKEN: It's far more --

JUSTICE ALITO: Thank you, Mr. Lamken.

CHIEF JUSTICE ROBERTS: Justice Sotomayor.

JUSTICE SOTOMAYOR: Counsel, I find it odd -- not odd to protect Congress's prerogative, but it's nothing that we do will tie Congress's hands. And one thing we do know is that they can change anything we do as a

temporary remedy, assuming we were to rule in your favor.

But I -- I have a problem with our jurisprudence as -- as it's developed in this -- in -- in these cases. And the founding generation conceived of principal officers as synonymous with heads of departments. In early debates and enactments that structured executive department, heads of the department were -- were referred to as principal officers and other members as inferior officers. There's a whole history that many of those inferior officers took final decisions in a wide variety of areas. Yet that's the way we proceeded.

The history also shows that early statutes gave non-principal officers the power to make final adjudicatory decisions on behalf of the executive.

Your opposing counsel pointed out that as early as 1793, non-principal officers were given the power to adjudicate patent disputes, and in 1803, land commissioners were given the power to make final determinations as to a claimant's right to a tract of land.

I personally read this history as

suggesting that principal officers were intended to be policymakers, and individuals who merely adjudicated claims based on said policies were not principal officers.

So, for me, the person that has to be held responsible is not the individual ILJ -- or ALJ who is making a decision. It's the person who creates the policy.

And for me, it's clear that APJs are not policymakers. All the policies are vested in the director. Precedential power is put in the director. The ALJs cannot influence the course of the law. That's only the director.

So please tell me why the individual decision based on a quasi-law precedent and policy set by the director is a final decision that that director won't be held responsible for.

MR. LAMKEN: Well, Your Honor, I think the short answer is, if the director has no authority to over -- overturn it, then the director isn't responsible for it. It's not his fault. And I think that in terms of history --

JUSTICE SOTOMAYOR: I -- I -- I'm having a problem with that. If the APJ makes a

mistake under the policy set by the director, that is going to be reviewed by the courts.

MR. LAMKEN: Your Honor, it's -- these aren't -- these require applications of law to facts. There's credibility determinations. It doesn't make you an inferior officer simply because somebody in a coordinate branch could review your decisions.

If that were the test, then the heads of departments and the members of the cabinet would be inferior officers also because their decisions can be reviewed by the courts.

Under Edmond, to be an imperial -- inferior officer, you have to be subject to the supervision and control of a principal officer. That doesn't mean that you can only have one single head of agency principal officer in any -- in any agency.

Madison, as we pointed out in our brief, expressly recognized the fact that you could have other principal officers --

JUSTICE SOTOMAYOR: Counsel --

MR. LAMKEN: -- subordinate to the heads of department.

JUSTICE SOTOMAYOR: -- just one last

point. I just ignore the history under your view and --

MR. LAMKEN: No.

JUSTICE SOTOMAYOR: -- what it teaches us.

MR. LAMKEN: No, quite the opposite. I think the history, when -- of the arbitrators that you mentioned, they would decide just a single case, and that has two consequences.

First, because an arbitrator doesn't have a continuing position, historically, they would not be treated as an officer at all, as the Alfmart and the 2007 OLC opinion made clear. They're like jurors. Jurors have important responsibilities for cases, but they're not officers.

Second, because the role is only temporary and for a single case, such an arbitrator wouldn't be -- would at most be an inferior officer, as under Morrison.

CHIEF JUSTICE ROBERTS: Justice Kagan.

MR. LAMKEN: But whatever one thinks about --

JUSTICE KAGAN: Mr. Lamken, suppose that there was review by the director in this

case, but the review was under a clear error standard. Would that be enough?

MR. LAMKEN: Your Honor, I think, consistent with Edmond, a clear error standard, legal, would probably be sufficient in light of the other means of control that the director has.

JUSTICE KAGAN: And -- and how about if it was under an egregious error standard?

MR. LAMKEN: I think, Your Honor, at some point, where the authority of the director is so cut off that he is not able to say with any accountability that the final decision of the APJ represents the views of the United States, that this is a decision that he is willing to stand behind as the word of the PTO --

JUSTICE KAGAN: Well, then let's --

MR. LAMKEN: -- then I think, at that point, you've got to --

JUSTICE KAGAN: -- let's think about what you just said in reference to Edmond.

In Edmond, as you said -- and this is why you said a clear error standard would have to suffice -- the standard was is there

competent evidence in the record.

Now, if I think about that standard, I mean, when is there not competent evidence in the record?

So I guess I'm wondering how Edmond is at all consistent with some of the statements that you've been making this -- this morning? You said that, you know, it's -- it's -- if -- if the head of the agency can say he had no authority, the head of -- if the head of the agency can say it's not his fault, then that is -- then that dooms the system.

But the CAAF could have said all those things: we have no authority, it's not our fault, there was competent evidence in -- in -- in the record. I mean, it wasn't very good evidence and the evidence in our view was outweighed by much better evidence, but it was competent, so it's not our fault.

MR. LAMKEN: Your Honor, of course, the CAAF could also review all errors of law, and we would think that the PTO director would have to be able to do that as well.

JUSTICE KAGAN: Well, but with --

MR. LAMKEN: But the one --

JUSTICE KAGAN: -- respect to many decisions, the -- the -- the critical question is what the evidence says, and, you know, putting aside whether there's -- there's de novo legal authority, you know, many decisions the CAAF would be able to say, you know, this was in the end a decision about the evidence, and we basically have no authority with respect to judgments about how good the evidence is. As long as there's, like, something there, we have to go along, it's not our fault.

MR. LAMKEN: Well, Your Honor, I think the answer is that one thing that Congress can't do and still maintain you as an inferior officer is to say that your adjudicative decisions are not subject to review by any principal officer under any circumstances.

That simply goes too far. And that's what we have here. Plus, where the case --

JUSTICE KAGAN: I mean, I -- I guess what I'm just wondering is whether this doesn't suggest that this question of review is something that's not an on/off switch as to this single issue but something that needs to be put into the mix and needs to be considered along

with all the other evidence of -- of -- of control that the agency head has.

The reason why this competent evidence standard was okay in Edmond was not that, you know, it itself was there because, you know, competent evidence standard doesn't give you much. It was because it was combined with a raft of other things.

MR. LAMKEN: I think Your Honor is correct in the sense that the ability to review -- of a principal officer to review the supposed inferior's decision is a critical but perhaps not always sufficient condition.

But you really can't call them an inferior officer if the answer is for the superior, I have no authority to review your decisions at all under any circumstances.

JUSTICE KAGAN: If we're being --

MR. LAMKEN: That wouldn't --

JUSTICE KAGAN: -- honest, Mr. Lamken, wouldn't you think that the director can probably get the precise result he wants in a higher percentage of these cases than the CAAF could have gotten in Edmond?

MR. LAMKEN: No, Your Honor, I don't

think so, because, you know, for example, he cannot conceivably anticipate every conceivable factual scenario, every conceivable distinction, every single thing that an -- an adjudicator might come up with along the way.

JUSTICE KAGAN: Thank you, Mr. Lamken.

MR. LAMKEN: Just --

CHIEF JUSTICE ROBERTS: Justice Gorsuch. Justice Gorsuch?

JUSTICE GORSUCH: Oh, I'm -- I'm sorry.

Mr. Lamken, if you'd like to finish that answer, I'd -- I'd -- I'd be grateful to hear it.

MR. LAMKEN: Yes. He couldn't possibly conceive -- come up with every conceivable along the way. And the idea of, you know, the fact that the government seems to try and contrive together ways that the government -- that -- excuse me, that the director could possibly control the outcomes, for example, front-running APJ decisions with pay-specific guidance, manipulating panel size or panel composition to achieve results, de-instituting to try and avoid bad decisions, all those

contrivances to try and give the director some sort of control just show that Congress didn't give the director the critical authority you need for adjudications: the authority to review and overturn decisions so he can stand behind them as the final word of the United States.

JUSTICE GORSUCH: So, Mr. Lamken, in our last couple of cases, Seila Law and Free Enterprise, we were able to get in and get out rather cleanly, severing only the removal provisions, and, of course, that took care of the -- the constitutional problem there.

Here, you -- you indicate that supervision is a real problem and more machinations are required. But the SG offers us a -- a -- what it thinks is a clean answer on I think it's about page 40 of its brief that we -- we just sever the provision in Section 6(c) that says only the PTAB may grant rehearing.

Why -- why isn't that sufficient?

MR. LAMKEN: Well, Your Honor, first, that's, of course, one of multiple options that point in opposite directions, but it wouldn't even fix the problem.

Even if the director -- that would

somehow give the director the ability to grant a rehearing, despite the rule that the body with authority to decide cases initially usually has the authority to grant a hearing, not somebody else, but the director still wouldn't have unilateral authority to decide cases on rehearing. The statute still says decisions are issued in panels of three in which the director is, at best, outnumbered two to one.

JUSTICE GORSUCH: All right. So we'd have to --

MR. LAMKEN: So any --

JUSTICE GORSUCH: -- we'd have to -- we'd have to blue-line not only that language in 6(c) that says only the PTAB, but you're also pointing out that first part of Section 6(c) that says shall be heard by three members, fine.

Is -- is that -- would -- would -- would that do it?

MR. LAMKEN: So, Your Honor --

JUSTICE GORSUCH: Would that solve the problem.

MR. LAMKEN: Right. I think, you know, Congress could rewrite the statute that way. But trying to take the director and re --

and insert him above the board, where Congress made him only one member, trying to insert the director as a single decision-maker, where Congress provided for people to sit in panels of three, that isn't a surgical solution. That's vivisection.

JUSTICE GORSUCH: Are there other --

MR. LAMKEN: Congress --

JUSTICE GORSUCH: -- are there other portions of the statute we'd have to eliminate or add to?

MR. LAMKEN: No, but it would still rep -- I think that you would have to strike at least those two, but that would be a radical alteration of the scheme Congress established.

Panels of three were an important protection against idiosyncratic thinking. They ensure a necessary breadth of expertise. They provide a check ensuring just -- that you have decision-makers with different backgrounds. And it would be a departure from historical practice of having the -- having the APJs sit in panels of three.

But, ultimately, the problem is there's two opposite ways that one can go here.

One can elevate the APJs and provide for them to be presidentially appointed and be true principal officers, as examiners-in-chief were for 114 years, or you can try and subordinate them by making the director the final decision-maker and give him capacity to overturn decisions with which he disagrees.

JUSTICE GORSUCH: Well, one --

MR. LAMKEN: But that's --

JUSTICE GORSUCH: -- one option you've given -- one option you've given us is to simply set aside the IPR determination, remand the case to the agency, and then wait for Congress to fix the problem. I'm sure some would argue that, well, that could take a long time. What -- what's your response to that?

MR. LAMKEN: Well, Your Honor, so Congress, when it addressed the problem, it has already addressed the problem with respect to the Trademark Trial and Appeals Board. In addition, it -- Congress has already held hearings. It has before it ready-made solutions, one historical, more -- one more recent with the TTAB available, and there's only 750 of these IPRs currently pending,

approximately, which is a little more than three per IPJ. Congress could readily make it possible for these to be re-filed if it chose in a new and constitutional system.

Ultimately, it's more deferential, it's more respectful of Congress to give Congress the ultimate authority and give Congress the choice of what it believes is the right answer for the structure for an agency responsible for technological innovation and important property rights.

This Court shouldn't be placing a thumb on the scale and giving judicial imprimatur to one of multiple diametrically opposed solutions.

JUSTICE GORSUCH: Thank you.

CHIEF JUSTICE ROBERTS: Justice Kavanaugh.

JUSTICE KAVANAUGH: Thank you, Chief Justice.

Good morning, Mr. Lamken. I want to follow up on some other of my colleagues' questions and then turn to severability.

First, following up on the Chief's questions, my understanding of your position is

that you take the position that ALJs within the Executive Branch may be somewhat of an uneasy constitutional solution, but it's historically settled, we have tenure protection, plus agency review, and that gives due process but also gives ultimate agency control of policy. That's kind of the historically settled solution.

You want to preserve that, correct?

MR. LAMKEN: That's exactly right. And it was also that type of solution that persisted for hundreds of years in -- with respect to initial examinations and with -- with respect to interferences as well --

JUSTICE KAVANAUGH: Okay. Here --

MR. LAMKEN: -- and with respect --

JUSTICE KAVANAUGH: -- here, the problem is Congress departed from that tradition by keeping the due process part without the agency review part, and you can either keep the review if you want to keep them as inferior officers, or if you want to avoid agency -- any agency review, Congress can do that too, but that, they'd have to do presidential appointment and Senate confirmation of the APJs, correct?

MR. LAMKEN: That's right. If -- if

history means anything, this is an outlier. It's an aberration and an unconstitutional one at that.

JUSTICE KAVANAUGH: Okay. And then Justice Thomas asked about how it would be different if delegated, in other words, if the power of review were granted to the director and then it's delegated.

Your answer to that, I think, was accountability, is that correct?

MR. LAMKEN: I think that's right. When a principal officer has authority and then chooses to delegate it to another, assuming that that's consistent with the statute, that principal officer is then accountable for the choice to delegate. If the attorney general says, I am too busy to review these, I want somebody else to do it for me, the public and the President can hold him accountable for that choice.

JUSTICE KAVANAUGH: And then Justice Breyer asked about inspector generals. He asked about other officers too, but, on inspector generals, my understanding is those are presidential-appointed and Senate-confirmed, and

there actually would be a pretty big problem if they were not -- at least if they had tenure protection and were not presidential-appointed and Senate-confirmed.

Do you have any different understanding of that?

MR. LAMKEN: No, I wouldn't.

JUSTICE KAVANAUGH: Is the Morrison test still alive after -- for -- Morrison test for Appointments Clause purposes still alive after Edmond?

MR. LAMKEN: So Morrison relied heavily on the fact that the officer was appointed for a limited duration and for a single task, a single investigation. Whatever one might think of that, it's a completely different matter entirely to have an entire branch of an agency with 200 or more permanent positions that are adjudicating case after case after case without the possibility, without authority and a principal officer to overturn their decisions.

JUSTICE KAVANAUGH: And in Edmond --

MR. LAMKEN: And that's in the Executive Branch.

JUSTICE KAVANAUGH: -- just in Edmond -- just to clarify one thing, I think this comes from Justice Kagan's questions -- in Edmond, there was both review of some sort -- she asked you to pinpoint that -- but review of some sort but also removability at will, correct?

MR. LAMKEN: That's right. They could be removed from their position and they have -- there was review of some sort. And, here, we have exactly the opposite --

JUSTICE KAVANAUGH: Let me --

MR. LAMKEN: -- the absence of review.

JUSTICE KAVANAUGH: -- let me turn because I -- I've got to turn quickly to severability. So, if we agree with you on the merits, you want to then take down the whole system, and we've frowned upon that repeatedly. And severability, I mean, maybe something of a misnomer in some respects, really follows from the nature of the constitutional problem. We declare what the nature of the constitutional problem is. We say -- then we enter judgment, and then stare decisis means that that constitutional problem exists for all cases.

Isn't the nature of the constitutional

problem here the lack of director review, which would mean us saying 6(c) is the constitutional problem?

MR. LAMKEN: No, Your Honor, because the problem stems also from the fact that the officers are not appointed by the President and Senate-confirmed. Either one would be sufficient to address the problem.

And it's not like separation-of-power cases where the officers just -- the single problem is the officer is not subject to presidential control, and, therefore, all the remedies involve subordinating the official, clipping their wings, so to speak, or striking a novel restriction on removal.

Here, the problem is --

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Justice Barrett.

JUSTICE BARRETT: Mr. Lamken, I want to pick up where Justice Kavanaugh left off on the remedy here and severability.

So, on pages 56 and 57 of your brief, you cite Sorrell and Bowsher and Free Enterprise, and you cite them all for the -- the

proposition that if there are multiple ways to cure a constitutional problem in a statutory scheme, then the judiciary ought not be blue-penciling it.

Can you think of any situation in which we have said, okay, well, there are multiple flaws in this scheme, but, you know, as Justice Kavanaugh was just saying, 6(c) seems to be the big problem, so we're going to think it's the cleanest to go that route? Are -- are you -- can you tell me the negative, that we've never done it?

MR. LAMKEN: Oh, quite the contrary, Your Honor. In Sorrell, that's exactly what this Court did. It said there was at least five different things that are problematic combined, and it would be a matter of judicial policymaking in order to determine which of those should be removed.

This -- it's exactly the same problem here because you have the --

JUSTICE BARRETT: Well, no, no, no, counsel, I -- I understand that we did that in Sorrell, but my question is, have we ever done what we didn't do in Sorrell?

MR. LAMKEN: Which is to make a --
JUSTICE BARRETT: Yes --
MR. LAMKEN: -- judicial policy choice?
JUSTICE BARRETT: -- to make one that makes sense. I mean, let's say that Justice Kavanaugh is right and that it seems very sensible and makes a lot of sense to solve this problem, assuming that we say there is one, by saying 6(c) is the problem, so that's -- that's the locus of the constitutional problem here, and we're going to say that that's what we're holding unconstitutional so that going forward, it's just that the PTAB can't have the final word.
MR. LAMKEN: Well, the Court could just as easily say the locus of the constitutional problem is the fact that these officers are not appointed --
JUSTICE BARRETT: I understand that --
MR. LAMKEN: -- by the President and Senate-confirmed.
JUSTICE BARRETT: -- Mr. Lamken, but what I'm asking is, can you cite a case -- or are you telling me that there is none? Can you

cite a case for the proposition where we have done just that? Understanding that that runs against what you want us to do here, I'm just asking, is there a negative? Is it the case that we've always had the position that we had in Sorrell and we've never said that when there might be multiple provisions working together that create a problem or multiple ways of solving it, that we haven't just chosen one that makes sense?

MR. LAMKEN: Well, I think the -- the -- you're right, Your Honor, in the sense that this Court doesn't make that sort of judicial policy decision when the possibilities are multiple and they point in -- and they point in complete opposite directions.

This Court recognizes that it's respectful of Congress to let Congress make the policy choice. And even if this Court could somehow decide that, as a policy matter, it wanted to do one thing or the other -- strike the -- the appointment mechanisms for the ALJs or somehow slice up the statute to try and reinsert the PTO director above the board -- it's not a matter of -- of surgical relief then.

JUSTICE BARRETT: Okay, Mr. Lamken --
MR. LAMKEN: It is --
JUSTICE BARRETT: -- let me -- let me pivot to the Appointments Clause issue.
So Justice Kagan was pointing out there are many way in which we would say that APJs are subordinate to the director, and it seems to me that one way to look at this case is to say that at a 10,000-foot level, if you look at front-end controls, you know, if you look at hiring and -- and firing and the ability of the director to set policy that the APJs must follow, in many respects, they're inferior officers, and we might say that Congress has given them this one authority, this case-specific review authority, that is one that is inconsistent with the inferior officer role.
But it does -- it does seem odd, doesn't it, to say that they are principal officers because they exercise this one piece of authority that seems to go beyond what an inferior officer can do?
MR. LAMKEN: Well, that, Your Honor, is Freytag. Freytag held that it may well be that a single officer has many responsibilities

to those of inferior officers, but if that officer has authority that goes beyond that for an inferior officer, if the officer is the final decision-maker for the Executive Branch where no -- he has no superior in that context, that officer is then a principal officer for all purposes and cannot continue in that office absent a proper appointment. That is Freytag's holding.

JUSTICE BARRETT: Thank you, Mr. Lamken.

CHIEF JUSTICE ROBERTS: A minute to wrap up, Mr. Lamken.

MR. LAMKEN: Certainly.

For adjudicators to be officers and inferior officers, they have to have a superior who can overrule their decisions before they become the final word of the Executive Branch.

Because APJs don't have that superior, they cannot be appointed as inferior officers. The current IPR regime is, as a result, unconstitutional. I know that Mr. Perry pointed to Section 318(b) and the fact that the director does the final action, but Section 318(b) points out that, in fact, the director is made

subordinate to the APJs because it says that the director shall issue and publish the certificate canceling any claim if the board finds the patent unpatentable.

Severing APJ removal protections doesn't solve the problem because they still have no superior in the exercise of government authority. But how to fix this problem is a question for Congress because the possible solutions point in opposite directions.

Congress might want them to be Senate-confirmed, as they were -- as examiners-in-chief were for 114 years, or it might want to subordinate them to the director, as Congress ordered for -- as Congress provided for trademark judges last year.

Congress can provide an approach by amending the law, but this Court cannot simply rewrite the statute, and it shouldn't allow the Executive Branch to try and jerry-rig a solution through contriving a remedy. The respectful thing here is to let Congress to choose the path forward.

The Court should hold the IPR regime unconstitutionally constituted. The IPR

proceedings against Arthrex, therefore, cannot continue and the IPR should be dismissed.

Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Rebuttal, Mr. Stewart?

REBUTTAL ARGUMENT OF MALCOLM L. STEWART
ON BEHALF OF THE UNITED STATES

MR. STEWART: Thank you, Mr. Chief Justice.

Mr. Lamken referred to this Court's ability to supervise lower courts by reviewing their judgments. But the principal means by which this Court supervises the lower courts is not by affirming or reversing a few dozen lower court judge -- judgments every year.

The principal means of supervision is this Court issues precedential opinions that bind lower courts in future cases, and the Court typically tries to exercise its certiorari jurisdiction in such a way that the legal rulings and issues will address questions of law that are both important and recurring.

And -- and similarly, in this case, it's important not to ignore the front-end

mechanisms that are available to the director to influence the outcome of board decisions. That -- that's so both because they are the most practically efficacious means of using the director's resources and because these are the means that are most often characteristic of the exercise of supervisory power.

But, second, Mr. Lamken said that the director can't be held accountable if the board issues a decision that people believe are wrong -- is wrong, and that -- that's incorrect. The losing party in an IPR can always ask the director to convene a new panel to grant rehearing and to put the director himself on that panel, and if the director declines to take that step, he can be held accountable for allowing the panel decision to remain in place.

That -- the only imperfection in the director's accountability and review authority is that the director could be outvoted by the other two members of the panel that he convenes, but those other two members of the panel would be bound by any directives of law that the director had issued.

The only practical fear is that those

two people will disagree with the director's view of the facts, and to that extent, accountability is limited.

But, as Justice Kagan's questions pointed out, that's exactly what was going on in Edmond, that in Edmond, people who thought that the facts had been determined incorrectly could only blame the Coast Guard Criminal -- Court of Criminal Appeals judges. They couldn't blame any Senate-confirmed officer.

The -- the last thing I'd say is Mr. Perry referred to AUSAs and people in positions like that. They'll -- they'll go into court conducting trials. They'll have to make snap decisions about whether to object to particular evidence, how to respond if the judge disapproves their proposed line of questioning.

As -- as a practical matter, these are decisions that often can't be undone after the fact, and so a blanket rule that an officer is a principal officer if he or she can do anything that binds the United States without being subject to -- to being countermanded by a Senate-confirmed officer, that would be unworkable.

Mr. Lamken attempts to confine the rule he is advocating to adjudicative officials, but there's really no principled basis for striking that limitation. Edmond makes clear that administrative adjudicators are subject to the same Appointments Clause principles as other federal officers.

Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel. The case is submitted.

(Whereupon, at 11:29 a.m., the case was submitted.)

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.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES

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(Additional Captions On Inside Cover)

SMITH & NEPHEW, INC., ET AL., PETITIONERS

v.

ARTHREX, INC., ET AL.

ARTHREX, INC., PETITIONER

v.

SMITH & NEPHEW, INC., ET AL.

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 prospectively by severing the application of 5 U.S.C. 7513(a) to those judges.

PARTIES TO THE PROCEEDING

Petitioner is the United States of America, which intervened in the court of appeals pursuant to 28 U.S.C. 2403(a).

Respondents are Arthrex, Inc., which was the appellant in the court of appeals; and Smith & Nephew, Inc. and Arthrocare Corp., which were the appellees in the court of appeals.

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ARTHREX, INC., ET AL.

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SMITH & NEPHEW, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-33a) is reported at 941 F.3d 1320. The final written decision of the Patent Trial and Appeal Board (Pet. App. 83a-129a) is not published in the United States Patents

Quarterly but is available at 2018 WL 2084866. The decision of the Patent Trial and Appeal Board (Pet. App. 60a-82a) to institute inter partes review is not published in the United States Patents Quarterly but is available at 2017 WL 1969743.

JURISDICTION

The judgment of the court of appeals was entered on October 31, 2019. Petitions for rehearing were denied on March 23, 2020 (Pet. App. 229a-231a).

On March 19, 2020, the Court extended the time within which to file any petition for a writ of certiorari due on or after that date to 150 days from the date of the lower-court judgment, order denying discretionary review, or order denying a timely petition for rehearing. The effect of that order was to extend the deadline for filing a petition for a writ of certiorari in this case to August 20, 2020.

The United States filed its petition for a writ of certiorari on June 25, 2020 (No. 19-1434); Smith & Nephew, Inc. and Arthrocare Corp. filed their petition on June 29, 2020 (No. 19-1452); and Arthrex, Inc. filed its petition on June 30, 2020 (No. 19-1458). On October 13, 2020, the Court granted the petitions, limited to Case No. 18-2140 (Fed. Cir.) and the questions presented as formulated above, and consolidated the three cases.

The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Appointments Clause of the U.S. Constitution provides:

> [The President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

U.S. Const. Art. II, § 2, Cl. 2.

Pertinent statutory provisions are reprinted in an appendix to the United States' petition. Pet. App. 298a-321a.

STATEMENT

This case concerns whether, under the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges of the United States Patent and Trademark Office (USPTO) are principal officers who must be appointed by the President with the advice and consent of the Senate, or "inferior Officers" whose appointment Congress may vest in a department head.

A. Statutory Background

1. The Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, establishes the USPTO as an executive agency within the United States Department of Commerce "responsible for the granting and issuing of patents and the registration of trademarks." 35 U.S.C. 2(a)(1); see 35 U.S.C. 1(a). Congress has "vested" "[t]he powers and

duties" of the USPTO in its Director, who is "appointed by the President, by and with the advice and consent of the Senate," and is removable at will by the President. 35 U.S.C. 3(a)(1). Congress has charged the Director with providing "policy direction and management supervision for the [USPTO] and for the issuance of patents." 35 U.S.C. 3(a)(2)(A). The Act additionally authorizes the Secretary of Commerce to appoint a Deputy Director, a Commissioner for Patents, and a Commissioner for Trademarks, all of whom serve under the Director. 35 U.S.C. 3(b)(1) and (2).

The Patent Trial and Appeal Board (Board) is an administrative tribunal within the USPTO. 35 U.S.C. 6. The Board consists of the Director, the Deputy Director, the Commissioners for Patents and Trademarks, and "administrative patent judges." 35 U.S.C. 6(a). Administrative patent judges are "persons of competent legal knowledge and scientific ability who are appointed by the Secretary [of Commerce], in consultation with the Director." *Ibid.*

There are currently more than 250 such administrative patent judges. Like other "[o]fficers and employees" of the USPTO, most administrative patent judges are "subject to the provisions of title 5, relating to Federal employees." 35 U.S.C. 3(c). Under those provisions, members of the civil service may be removed "only for such cause as will promote the efficiency of the service," 5 U.S.C. 7513(a).[1]

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[1] A small subset of administrative patent judges serve as members of the Senior Executive Service, see 83 Fed. Reg. 29,312, 29,324 (June 22, 2018), and therefore are subject to removal "for misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in a transfer of function,"

2. The Board conducts several kinds of patent-related administrative adjudications, including appeals from adverse decisions of patent examiners on patent applications and in patent reexaminations; derivation proceedings; and inter partes and post-grant reviews. 35 U.S.C. 6(b). The Board hears each appeal, derivation proceeding, inter partes review, and post-grant review in a panel of "at least 3 members * * * designated by the Director." 35 U.S.C. 6(c). It "enters thousands of decisions every year." Patent Trial and Appeal Board, *Standard Operating Procedure 2 (Revision 10)* at 3 (Sept. 20, 2018) (SOP2), https://go.usa.gov/xwXem. Unless designated as precedential, each decision is binding only "in the case in which it is made." *Ibid.*

The Patent Act establishes several mechanisms by which the Director can direct and supervise the Board and the administrative patent judges serving on it. 35 U.S.C. 3(a)(2). For example, the Director may promulgate (on behalf of the USPTO) regulations to "govern the conduct of proceedings" in the agency. 35 U.S.C. 2(b)(2)(A). And he may issue policy directives to govern the Board's implementation of various Patent Act provisions, including directives regarding the proper application of those statutory provisions to sample fact patterns. 35 U.S.C. 3(a)(2)(A); SOP2, at 1-2.

The Director also has plenary authority to decide which Board members will hear each case. See 35 U.S.C. 6(c). Exercising that authority, the Director has estab-

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5 U.S.C. 7543(a); see 5 C.F.R. Pt. 359. Neither the court of appeals nor any party has urged that these officials would have a different status for Appointments Clause purposes. See 19-1434 Arthrex Resp. 18 n.3; 19-1452 Pet. 3-4. In any event, none served on the panel that decided the Board proceeding at issue here.

lished default procedures for the assignment of administrative patent judges to Board panels based on factors such as seniority, workload, and expertise; for their reassignment when necessary, for example, to avoid conflicts of interests; and for the expansion of panels in specified circumstances. See Patent Trial and Appeal Board, *Standard Operating Procedure 1 (Revision 15)* at 1-16 (Sept. 20, 2018) (SOP1), https://go.usa.gov/xwX6N.[2]

The Director may designate any decision by any Board panel as precedential and thus binding in future USPTO proceedings. "No decision may be designated as precedential without the Director's approval." SOP2, at 8. The Board's current operating procedures establish a process to designate a decision as precedential (or to de-designate a decision that had previously been made precedential). *Id.* at 8-12. Those procedures "do[] not limit the authority of the Director" to determine, "in his or her sole discretion," whether a decision should be precedential. *Id.* at 1.

The Director may also convene a Precedential Opinion Panel, consisting of at least three Board members whom the Director selects, to determine whether to rehear a decision. SOP2, at 3-8; see 35 U.S.C. 6(c). Under current operating procedures, the Precedential Opinion Panel presumptively consists of the Director, the Commissioner for Patents, and the Chief Administrative Patent Judge; but the Director has reserved the authority

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[2] Under those procedures, an expanded panel might be used, for example, "to secure and maintain uniformity of the Board's decisions * * * in related cases ordinarily involving different three judge panels." SOP1, at 15. Despite that authority and the Director's plenary authority over panel composition more broadly, the Director primarily relies on the other mechanisms outlined here to direct agency policy on patent rights. See, *e.g.*, SOP1, at 15 n.4.

to alter the composition of the Precedential Opinion Panel at any time. SOP2, at 4.

3. This case arises out of an inter partes review proceeding conducted by the Board. Inter partes review allows third parties to "ask the [USPTO] to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2136 (2016). Although the Patent Act imposes a host of requirements on a petition for an inter partes review, the Director's decision whether to institute, refuse to institute, or de-institute particular reviews is "final and nonappealable." 35 U.S.C. 314(d); see 35 U.S.C. 314(a); *Thryv, Inc.* v. *Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1373-1375 (2020). By regulation, the Director has delegated to the Board his authority to determine whether particular inter partes reviews should be instituted. 37 C.F.R. 42.4(a). The Director also may promulgate regulations for the conduct of such proceedings. 35 U.S.C. 316(a).

When an inter partes review is instituted, the Board determines the patentability of the claims at issue through a proceeding that has "many of the usual trappings of litigation." *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1354 (2018); see 35 U.S.C. 316; 37 C.F.R. Pt. 42, Subpt. A. At the end of the proceeding (unless it has been de-instituted), the Board issues a final written decision addressing the patentability of the challenged claims. 35 U.S.C. 318(a). All such decisions are subject to rehearing by the Board. 35 U.S.C. 6(c).

"A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under [S]ection 318(a) may appeal the decision" to the Federal Circuit. 35 U.S.C. 319; see 35 U.S.C. 141(c), 144. The Director may intervene in any such appeal, 35 U.S.C. 143, and

frequently does so. The Board's decision does not take effect until "the time for appeal has expired or any appeal has terminated." 35 U.S.C. 318(b). At that point, "the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable." *Ibid.*

B. The Present Controversy

In this case, the patent owner, Arthrex, Inc., appealed a final written decision issued by the Board in an inter partes review proceeding, finding several claims of Arthrex's patent anticipated by prior art. Pet. App. 83a-129a. Arthrex argued that the administrative patent judges who had served on the Board panel in that proceeding had been unconstitutionally appointed. Arthrex contended that, under the Appointments Clause, administrative patent judges are principal officers of the United States and therefore must be appointed by the President with the advice and consent of the Senate, rather than appointed by the Secretary alone as the Patent Act provides. The Federal Circuit agreed, vacated the Board's final written decision, and remanded the case to be reheard by a different panel of the Board. *Id.* at 1a-33a.

1. a. After excusing Arthrex's failure to raise its Appointments Clause challenge during the administrative proceeding, Pet. App. 4a-6a, the Federal Circuit held that administrative patent judges are principal rather than inferior officers, *id.* at 6a-22a. The court recognized that, under *Edmond* v. *United States*, 520 U.S. 651 (1997), 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." Pet. App. 9a (quoting *Edmond*, 520 U.S. at 663). It distilled from *Edmond* three non-exclusive factors for determining whether a sufficient degree of direction and supervision exists: "(1) whether an appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." *Ibid.*

The court of appeals concluded that the first of those factors (review authority) suggested that administrative patent judges are principal officers, because "[n]o presidentially-appointed officer has independent statutory authority to review a final written decision by the [administrative patent judges] before the decision issues on behalf of the United States." Pet. App. 9a-10a; see *id.* at 9a-14a. The court observed that a minimum of three Board members must decide each inter partes review, and that "[t]he Director is the only member of the Board who is nominated by the President and confirmed by the Senate." *Id.* at 10a. The court stated that "[t]here is no provision or procedure providing the Director the power to single-handedly review, nullify or reverse a final written decision issued by a panel of [the Board]." *Ibid.*

In contrast, the court of appeals viewed the second factor (supervisory authority) as "weigh[ing] in favor of a conclusion that [administrative patent judges] are inferior officers." Pet. App. 15a; see *id.* at 14a-15a. The court explained that the Director is empowered to "provide instructions that include exemplary applications of patent laws to fact patterns"; has authority to "desig-

nate[] or de-designate[]" panel decisions as "precedential decisions of the Board [that] are binding on future panels"; and may designate which judges will decide each inter partes review. *Id.* at 14a-15a (citing 35 U.S.C. 3(a)(2)(A), 6(c), and 316).

Finally, the court of appeals held that the third factor (removal authority) weighed in favor of viewing administrative patent judges as principal officers, because neither the Secretary nor the Director has "unfettered" authority to remove those judges from federal service. Pet. App. 15a; see *id.* at 15a-21a. The court concluded that the Secretary's power to remove administrative patent judges from federal service for "such cause as will promote the efficiency of the service," 5 U.S.C. 7513(a), was insufficient because they cannot be "remov[ed] without cause." Pet. App. 21a; see *id.* at 17a-21a & nn.4-5. It similarly concluded that, for Appointments Clause purposes, the Director's "authority to assign certain [judges] to *certain panels*" is "not the same as the authority to remove an [administrative patent judge] *from judicial service* without cause." *Id.* at 17a; see *id.* at 16a-17a.

Finding no other factors indicating that administrative patent judges are inferior officers, the court of appeals briefly turned to history. The court observed that, "prior to [a] 1975 amendment," administrative patent judges' predecessors—examiners-in-chief—were nominated by the President and confirmed by the Senate. Pet. App. 21a. The court concluded that today's administrative patent judges "wield significantly more authority than their Examiner-in-Chief predecessors," but the "protections ensuring accountability to the President for th[eir] decisions on behalf of the Executive" have been reduced. *Ibid.*

In light of these considerations, the court of appeals concluded that administrative patent judges "are principal officers" who must "be appointed by the President and confirmed by the Senate," and that "the current structure of the Board violates the Appointments Clause." Pet. App. 22a; see *id.* at 21a-22a.

b. The court of appeals held that it could cure the Appointments Clause violation going forward by "sever[ing] the application of Title 5's [efficiency-of-the-service] removal restrictions" to administrative patent judges. Pet. App. 27a; see *id.* at 22a-29a. The court concluded that making administrative patent judges removable at will by the Secretary would "render[] them inferior rather than principal officers," and that severance of the Title 5 restrictions on removal is the "narrowest viable approach to remedying the [constitutional] violation." *Id.* at 26a, 28a.

Based on its conclusion that "the Board's decision in this case was made by a panel of [administrative patent judges] that were not constitutionally appointed at the time the decision was rendered," the court of appeals "vacate[d] and remand[ed] the Board's decision." Pet. App. 29a. The court stated that vacatur and remand would also be appropriate in all other inter partes review cases "where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal." *Id.* at 33a. The court ordered that on remand, "a new panel of [administrative patent judges] must be designated and a new hearing granted." *Ibid.*

2. The court of appeals subsequently denied the petitions for rehearing en banc filed by all three parties to the appeal. Pet. App. 229a-231a; *id.* at 296a-297a. The court issued five separate opinions, joined by a total of

eight judges, concurring in or dissenting from the court's order. *Id.* at 232a-295a.

Judge Moore, joined by Judges O'Malley, Reyna, and Chen, concurred in the denial of rehearing en banc. They defended the *Arthrex* panel's decision and disagreed with the alternative remedial solutions offered in Judge Dyk's dissent from the court's rehearing order. Pet. App. 232a-241a.

Judge O'Malley, joined by Judges Moore and Reyna, separately concurred to express further disagreement with Judge Dyk's opinion. Pet. App. 242a-248a.

Judge Dyk, joined in full by Judges Newman and Wallach and joined in part by Judge Hughes, dissented from the denial of rehearing en banc. They disagreed with the panel's invalidation of administrative patent judges' removal protections and with the panel's vacatur-and-remand remedy. Pet. App. 273a; see *id.* at 249a-275a.

Judge Hughes, joined by Judge Wallach, separately dissented. They would have held that, "in light of the Director's significant control over the activities of the Patent Trial and Appeal Board and Administrative Patent Judges," those judges "are inferior officers already properly appointed by the Secretary of Commerce." Pet. App. 276a. Those dissenting judges emphasized this Court's instruction that "the hallmark of an inferior officer is whether a presidentially-nominated and senate-confirmed principal officer 'direct[s] and supervise[s] [her work] at some level.'" *Id.* at 277a (quoting *Edmond*, 520 U.S. at 663) (brackets in original). They opined that the court of appeals "should not endeavor to create" a "more exacting test" instead of applying a "context-specific inquiry accounting for the unique systems of direction and supervision of inferior officers in each case." *Ibid.*

Judge Wallach also separately dissented. He found "the Director's ability to select a panel's members, to designate a panel's decision as precedential, and to de-designate precedential opinions" to be particularly significant tools for directing and supervising administrative patent judges. Pet. App. 292a; see *id.* at 292a-295a.

SUMMARY OF ARGUMENT

Under the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, USPTO administrative patent judges are inferior officers whose appointment Congress permissibly vested in the Secretary of Commerce, see 35 U.S.C. 6(a), the "Head[]" of their "Department[]," U.S. Const. Art. II, § 2, Cl. 2.

A. Both principal and inferior officers exercise significant authority on behalf of the United States, and both must be appointed through the Appointments Clause's prescribed means, which limit the diffusion of the appointment power in order to ensure political accountability for the government's work. For purposes of the Appointments Clause, the basic attribute of an inferior officer is that his work, unlike the work of a principal officer, is "directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Edmond* v. *United States*, 520 U.S. 651, 663 (1997).

The Court has never identified any particular form of control as indispensable. The Court has instead relied on the cumulative effect of superior officers' various means of supervision to determine whether a particular official is subject to sufficient control by Senate-confirmed officers. Complete control of every action that an inferior officer takes has never been required, as long as such officers' work remains "supervised at some level." *Edmond*, 520 U.S. at 663.

This context-specific approach to distinguishing between principal and inferior officers, see *Edmond*, 520 U.S. at 661, appropriately respects Congress's prerogative to create and structure the relationships among Executive offices. As long as the President and the principal officers he appoints remain politically accountable for the work of the Executive Branch, Congress may choose from a variety of mechanisms to achieve the necessary supervision of inferior officers.

B. Under this Court's analytic framework, the 250-plus administrative patent judges of the USPTO are inferior officers.

The Secretary of Commerce and the USPTO Director each has significant authority to determine which individuals will perform the functions assigned to administrative patent judges. The Secretary, in consultation with the Director, appoints those judges. The Secretary may remove those officials from federal service altogether, for any reason that "promote[s] the efficiency of the service," 5 U.S.C. 7513(a), including for failing to follow their supervisors' instructions. And while the Director cannot remove an administrative patent judge from federal service, he has unfettered power to decide which adjudicators will sit on any Board panel.

In addition to controlling the assignment of administrative patent judges to particular matters, the Director has broad control over administrative patent judges' work. He may promulgate regulations governing Board proceedings; issue binding policy directives, including instructions regarding how the patent laws and USPTO policies apply to particular fact patterns; and determine which Board decisions are precedential and therefore binding on future panels. The Director has additional

prerogatives regarding the conduct of individual proceedings. He may decide unilaterally whether a particular inter partes or post-grant review will proceed at all, and he possesses substantial authority over any rehearings that the Board may grant.

C. The court of appeals' principal error lay in its failure to appreciate the *cumulative* effect of the various mechanisms by which the Secretary and Director can supervise and direct administrative patent judges' work. Although the court distilled three specific supervisory mechanisms from *Edmond*, neither *Edmond* nor any other decision of this Court purports to identify any means of supervision as indispensable to inferior-officer status. By using that checklist approach, the court of appeals ascribed undue weight to the perceived absence of specific control mechanisms. In particular, the court focused on what it perceived to be inadequate authority to remove administrative patent judges or single-handedly review individual decisions, without considering whether other forms of control over their work ensured adequate supervision for Appointments Clause purposes. And it did not consider the ways in which the various powers available to the Secretary and Director work together to reinforce those officials' control.

The court of appeals also misunderstood the removal power this Court found significant in *Edmond*. The court thus failed to appreciate that the Director in fact possesses the practical ability to remove administrative patent judges from their judicial assignments.

Finally, the court of appeals suggested that administrative patent judges wield more authority, but are less politically accountable, than certain predecessor officials who performed similar functions before 1975. That

suggestion provides no basis for questioning the constitutionality of the current statutory scheme.

Under this Court's precedents, the dividing line between principal and inferior officers turns not on the significance of their authority, but on whether they are subject to adequate direction and supervision by presidentially appointed and Senate-confirmed officials. Because Congress may require presidential appointment and Senate confirmation even of inferior officers, Congress's choice of that appointment mechanism for the pre-1975 officials does not imply that Congress viewed them as principal officers. In any event, the current statutory scheme provides the Secretary of Commerce and Director similar, if not more effective, mechanisms to oversee the work of administrative patent judges than were available for supervising the predecessor officials before 1975. Under the analytic framework set forth in this Court's most recent decisions, administrative patent judges are inferior officers whose appointment Congress permissibly vested in the Secretary.

ARGUMENT

ADMINISTRATIVE PATENT JUDGES ARE INFERIOR OFFICERS WHOSE APPOINTMENT CONGRESS HAS VALIDLY ENTRUSTED TO THE SECRETARY OF COMMERCE

USPTO administrative patent judges are inferior officers who may be appointed by the "Head[]" of their "Department[]," U.S. Const. Art. II, § 2, Cl. 2, rather than principal officers who must be appointed by the President with the advice and consent of the Senate. The fundamental attribute of an inferior officer is that his "work" is "directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Edmond* v.

United States, 520 U.S. 651, 663 (1997). Determining whether a particular official is subject to such direction and supervision entails a context-specific inquiry that respects Congress's broad authority to structure the Executive Branch and choose appropriate mechanisms for controlling inferior officers' work.

The USPTO's administrative patent judges are supervised and directed in numerous ways by Senate-confirmed officers. In finding those officials to be principal officers, the court of appeals improperly assessed those various forms of supervision against arbitrary all-or-nothing benchmarks, entirely discounted supervisory powers that did not meet each benchmark, and failed to appreciate the cumulative effect of the various control mechanisms. The court also erred in suggesting that differences between the current scheme and its historical forebears cast doubt on the validity of the present regime. Under this Court's Appointments Clause precedent, the current statutory provisions governing the appointment and supervision of administrative patent judges are constitutional.

A. Under The Appointments Clause, An Officer Whose Work Is Subject To Sufficient Direction And Supervision By Senate-Confirmed Officers Is An Inferior Officer

1. Any federal official who holds a continuing position established by law, and who exercises "significant authority pursuant to the laws of the United States," *Lucia* v. *SEC*, 138 S. Ct. 2044, 2051 (2018) (citation omitted), is an "Officer[] of the United States," U.S. Const. Art. II, § 2, Cl. 2. The Appointments Clause establishes a default rule that, absent any contrary congressional directive, all such officers shall be appointed by the President with the advice and consent of the Senate. *Ibid.* The Appointments Clause distinguishes, however,

between "'inferior Officers'" and other officers—*i.e.*, "principal (noninferior) officers." *Edmond*, 520 U.S. at 659 (citation omitted). The Clause provides that "Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments." U.S. Const. Art. II, § 2, Cl. 2. Thus, while principal officers must be appointed by the President and confirmed by the Senate, Congress may prescribe different means of appointing inferior officers.

"By vesting the President with the exclusive power to select the principal (noninferior) officers of the United States, the Appointments Clause prevents congressional encroachment upon the Executive and Judicial Branches." *Edmond*, 520 U.S. at 659. By requiring the advice and consent of the Senate for the appointment of those officers, the Clause "curb[s] Executive abuses of the appointment power" and "'promote[s] a judicious choice.'" *Ibid.* (citation omitted). And by permitting alternative appointment methods for inferior officers, the Clause offers greater "administrative convenience" where that consideration "outweigh[s] the benefits of the more cumbersome" advice-and-consent procedure, *Edmond*, 520 U.S. at 660, while still "limiting the appointment power" to "ensure that those who wield[] it [a]re accountable to political force and the will of the people," *Freytag* v. *Commissioner*, 501 U.S. 868, 884 (1991). See 2 *The Records of the Federal Convention of 1787*, at 627-628 (Max Farrand ed., 1911) (reasoning that an exception from presidential appointment and Senate confirmation for inferior officers was "too necessary[] to be omitted").

The Appointments Clause does not identify any specific attributes that an official must possess in order to

be an "inferior Officer[]." U.S. Const. Art. II, § 2, Cl. 2. Rather, consistent with the ordinary meaning of that term, the Court has recognized that "[w]hether one is an 'inferior' officer depends on whether he has a superior." *Edmond*, 520 U.S. at 662. "Generally speaking, the term 'inferior officer' connotes a relationship with some higher ranking officer or officers below the President." *Id.* at 662. "[I]n the context of a Clause designed to preserve political accountability relative to important Government assignments," the Court has found it "evident" that an "inferior officer[]" is one "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 663.[3]

That "understanding of the Appointments Clause conforms with the views" of the Founding Era. *Edmond*, 520 U.S. at 663. The First Congress "expressly designated" the Secretary of "the first Executive department, the Department of Foreign Affairs," as a "'principal officer,'" but deemed "his subordinate, the Chief Clerk," an "'inferior officer[] to be appointed by the said principal officer[] and to be employed therein as he shall deem proper.'" *Id.* at 663 (quoting Act of July 27, 1789, ch. 4, §§ 1-2, 1 Stat. 28-29); see Act of Aug. 7, 1789, ch. 7, § 2, 1 Stat. 50 (same for the Chief Clerk of the Department of War); see also 1 Annals of Cong. 372

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[3] The Court in *Edmond* addressed the standard for determining the status of permanent Executive Branch offices. The Court's decisions have separately addressed government officials' temporary performance of the functions of vacant principal offices, holding that an acting official need not be confirmed by the Senate in order to perform the duties of a principal officer "for a limited time[] and under special and temporary conditions." *United States* v. *Eaton*, 169 U.S. 331, 343 (1898). No such acting official is at issue here.

(1789) (Joseph Gales ed., 1834) ("[T]he inferior officers mentioned in the Constitution are clerks and other subordinate persons.").

The early Congresses followed a similar pattern across the nascent Executive Branch, repeatedly creating offices whose occupants' salient characteristic was subjection to some level of direction and supervision by a superior. See, *e.g.*, Act of Sept. 2, 1789, ch. 12, § 1, 1 Stat. 65 (creating the office of Assistant to the Secretary of the Treasury, to be appointed by, and serve under, the Secretary who was "deemed head of the department"); Act of Feb. 20, 1792, ch. 7, § 3, 1 Stat. 234 (creating the office of deputy postmaster, who would be appointed by the Postmaster General and subject to "such regulations" "as may be found necessary" by the Postmaster General); Act of Apr. 30, 1798, ch. 35, §§ 1-2, 1 Stat. 553-554 (providing for the appointment of a principal clerk in the Department of the Navy, to be appointed by the "chief officer" of the Department, the Secretary, to be "employed in such manner as he shall deem most expedient"); see also *United States* v. *Allred*, 155 U.S. 591, 595 (1895) (recognizing that the Second Congress created circuit court commissioners as inferior officers who were, "to a certain extent, independent in their statutory and judicial action," but "subject to the orders and directions of the court appointing them" in their administrative action).

2. In a pair of more recent cases, this Court has explained that, in determining whether a particular officer is subject to sufficient direction and supervision, a court should consider the *cumulative* effect of the supervisory mechanisms available to various superior officers. There is no "exclusive criterion" for meeting that standard. *Edmond*, 520 U.S. at 661.

a. In *Edmond*, the Court held that judges of the Coast Guard Court of Criminal Appeals were inferior officers, based on the collective authority of other Executive Branch officers to direct and supervise their work. 520 U.S. at 664-666. The Court recognized "the importance of the responsibilities that Court of Criminal Appeals judges bear," noting that those judges resolve constitutional challenges, review death sentences, and can independently weigh all evidence to arrive at a legally and factually correct finding of guilt and sentence. *Id.* at 662. The Court observed that the "exercise of [such] significant authority pursuant to the laws of the United States" is the hallmark of an officer of the United States. *Ibid.* (citation and internal quotation marks omitted). It emphasized, however, that the "line between principal and inferior officer for Appointments Clause purposes" depends not on whether an official exercises significant authority, but on whether he is "directed and supervised at some level" by other Senate-confirmed officials. *Id.* at 662-663. The Court held that a combination of supervisory mechanisms available to other Executive officials provided sufficient oversight to render Coast Guard judges inferior officers. *Id.* at 664-666.

The Court observed that the Coast Guard Judge Advocate General (who was subordinate to a presidentially nominated, Senate-confirmed department head) possessed several relevant supervisory powers. He "exercise[d] administrative oversight over" the Coast Guard Court of Criminal Appeals and could "'prescribe uniform rules of procedure'" for that court. *Edmond*, 520 U.S. at 664 (citation omitted). He could (with other officers) "formulate policies and procedure[s]" for reviewing cases. *Ibid.* (citation omitted). And he could "remove a

Court of Criminal Appeals judge from his judicial assignment without cause." *Ibid.*

The Court also observed that, although the Judge Advocate General "ha[d] no power to reverse" the Coast Guard judges' decisions in individual cases, "another Executive Branch entity, the Court of Appeals for the Armed Forces," could review those decisions, either in its discretion at a party's request, or automatically at the Judge Advocate General's direction and in any capital case. *Edmond*, 520 U.S. at 664; see *id.* at 664-665. That review authority was relatively narrow. *Id.* at 665. The Court of Appeals for the Armed Forces could not act *sua sponte* to review a case outside the circumstances specified by statute, and it could "take action only with respect to matters of law." Art. 67(c), Uniform Code of Military Justice (UCMJ), 10 U.S.C. 867(c) (1994). The Court nevertheless found it "significant" for Appointments Clause purposes that the Coast Guard judges lacked the 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 665. The Court concluded that, taken together, the supervisory powers possessed by these Executive officials were sufficient to render the Coast Guard judges "inferior" rather than principal officers. *Id.* at 663-665.

b. In *Free Enterprise Fund* v. *Public Co. Accounting Oversight Board*, 561 U.S. 477 (2010), the Court followed a similar approach. There, the Court considered the status of members of the Public Company Accounting Oversight Board (PCAOB or Board). The PCAOB was housed within the Securities and Exchange Commission (SEC), and it enforced the Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745, and other

securities laws against accounting firms. *Free Enterprise Fund*, 561 U.S. at 484-485. The Court recognized that the PCAOB had "expansive powers to govern" the accounting industry, including the authority to "promulgate[] auditing and ethics standards," "initiate[] formal investigations," and "issue severe sanctions" for violations of the law. *Id.* at 485. The Court noted the parties' agreement that members of the PCAOB were "Officers of the United States." *Id.* at 486 (citation omitted).

With respect to whether the PCAOB's members were principal or inferior officers, however, the Court again looked to whether those officials were subject to significant, even if not complete, oversight by Senate-confirmed officers. The Court noted that the PCAOB was "empowered to take significant enforcement actions * * * largely independently of the [SEC]," which lacked statutory authority "to start, stop, or alter individual Board investigations." *Free Enterprise Fund*, 561 U.S. at 504. The Court recognized, however, that the SEC possessed other important authority to direct and supervise the PCAOB. It could "approve the Board's budget, issue binding regulations, relieve the Board of authority, amend Board sanctions, [and] enforce Board rules on its own." *Ibid.* (citations omitted). After declaring that certain statutory restrictions on the PCAOB members' removal were "unconstitutional and void" under Article II's Vesting Clause, the Court concluded with "no hesitation" that the SEC's power to remove PCAOB members, combined with its "other oversight authority," made those members inferior officers "under *Edmond* * * * whose appointment Con-

gress may permissibly vest in a 'Hea[d] of Departmen[t].'" *Id.* at 510 (quoting U.S. Const. Art. II, § 2, Cl. 2) (brackets in original).

3. By adopting a context-sensitive approach and eschewing any "exclusive criterion" for distinguishing between principal and inferior officers, *Edmond*, 520 U.S. at 661, this Court's decisions appropriately respect Congress's prerogative to "establish[] by Law" all federal offices beyond those listed in the Constitution. U.S. Const. Art. II, § 2, Cl. 2. That broad power includes not only the bare authority to create each office, but also the authority to determine its "functions and jurisdiction," to prescribe "reasonable and relevant qualifications and rules of eligibility," and to "fix[] * * * the term for which [officers] are to be appointed and their compensation." *Myers* v. *United States*, 272 U.S. 52, 129 (1926); see 1 Annals of Cong. 582 (1789) (Joseph Gales ed., 1834) (Madison) ("The Legislature creates the office, defines the powers, limits its duration, and annexes a compensation."). Given Congress's expansive power to define the various aspects of the offices it creates, it would be incongruous to identify a single specific attribute as an essential prerequisite to inferior-officer status.

The Court's approach is also practically workable. Nearly 200 years ago, Justice Story observed that, "[i]n the practical course of the government," there has never been "any exact line drawn, who are, and who are not, to be deemed *inferior* officers in the sense of the [C]onstitution." 3 Joseph Story, *Commentaries on the Constitution of the United States* § 1530, at 386 (1833). The absence of any such bright-line rule makes sense because "[i]t is difficult to foresee or to provide for all the combinations of circumstances, which might vary

the right to appoint." *Id.* § 1529, at 385-386. This Court's precedent accommodates that reality and properly "accounts for the unique systems of direction and supervision" that govern officers who perform a wide array of administrative functions. Pet. App. 277a (Hughes, J., dissenting from denial of rehearing en banc).

To be sure, the Constitution prevents Congress from creating or structuring offices in a manner that prevents the President from "oversee[ing] the execution of the laws," or that otherwise fails to maintain political accountability for the Executive Branch's actions. *Free Enterprise Fund*, 561 U.S. at 499. But provided that principal officers remain accountable to the President and inferior officers accountable to those principal officers, entrusting the appointment of inferior officers to the President or to the "Head[]" of an executive "Department[]," U.S. Const. Art. II, § 2, Cl. 2, without requiring Senate confirmation, can only make the President *more* politically accountable for those officials' actions. Congress thus has significant leeway to determine what specific forms of direction and supervision are appropriate, and to decide when the "administrative convenience" of appointment by a department head "outweigh[s] the benefits of the more cumbersome procedure" of presidential appointment with Senate confirmation. *Edmond*, 520 U.S. at 660.

B. Administrative Patent Judges Are Inferior Officers Because Their Work Is Subject To Significant Direction And Supervision By Two Different Senate-Confirmed Officers

Under a straightforward application of *Edmond*, administrative patent judges are inferior officers. The Secretary of Commerce and the Director of the USPTO—

each of whom is appointed by the President and confirmed by the Senate, see 15 U.S.C. 1501; 35 U.S.C. 3(a)—possess a variety of mechanisms that operate in both independent and mutually reinforcing ways to oversee every aspect of those administrative adjudicators' work. Taken together, those mechanisms subject the USPTO's administrative patent judges to at least as much direction and supervision by Senate-confirmed Executive Branch officials as the Coast Guard judges whose appointments were at issue in *Edmond*.

1. a. The Secretary of Commerce exercises substantial control over the appointment of administrative patent judges and their removal from federal service. The Patent Act authorizes the Secretary, "in consultation with the Director," to appoint individuals of "competent legal knowledge and scientific ability" to serve on the Board as administrative patent judges. 35 U.S.C. 6(a). As the appointing official, the Secretary may remove administrative patent judges from federal service under the same standard that applies to federal civil-service employees generally, *i.e.*, "for such cause as will promote the efficiency of the service." 5 U.S.C. 7513(a); see 35 U.S.C. 3(c) (making USPTO "[o]fficers and employees * * * subject to the provisions of title 5, relating to Federal employees"); *Free Enterprise Fund*, 561 U.S. at 509 ("Under the traditional default rule, removal is incident to the power of appointment.").

That standard affords a government employer substantial latitude to remove officials under its supervision. It generally allows removal for any "misconduct [that] is likely to have an adverse impact on the agency's performance of its functions." *Brown* v. *Department of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000), cert. de-

nied, 533 U.S. 949 (2001). That includes removal for failure to follow a superior officer's directions or policy. See *Cobert* v. *Miller*, 800 F.3d 1340, 1351 (Fed. Cir. 2015) ("[I]t is beyond dispute that '[f]ailure to follow instructions or abide by requirements affects the agency's ability to carry out its mission.'") (citation omitted; second set of brackets in original); *Bieber* v. *Department of the Army*, 287 F.3d 1358, 1364 (Fed. Cir.) (permitting removal for insubordination, *i.e.*, "a willful and intentional refusal to obey an authorized order of a superior officer which the officer is entitled to have obeyed") (citation omitted), cert. denied, 537 U.S. 1020 (2002); *Powell* v. *USPS*, 122 M.S.P.R. 60, 63 (2014) (upholding a removal for "failure to follow instructions"). The Secretary's removal authority thus provides a significant means of overseeing administrative patent judges' work. Cf. *Morrison* v. *Olson*, 487 U.S. 654, 671 (1988) (relying on the Attorney General's authority to remove the independent counsel for cause as an indication of the counsel's inferior-officer status).

b. The Director cannot remove an administrative patent judge from federal service or countermand the Secretary's directive that a particular judge be removed. But so long as an individual appointee continues to serve as an administrative patent judge, the Director possesses "independent," 35 U.S.C. 1(a), and unfettered authority to prescribe each judge's "judicial assignment[s]," *Edmond*, 520 U.S. at 664. The Patent Act empowers the Director alone to "designate[ ]" which members of the Board—which consists of himself, three other senior USPTO officials, and 250-plus administrative patent judges—will compose the panel in any particular case. 35 U.S.C. 6(c); see 35 U.S.C. 6(a) and (b).

Exercising that authority (personally or through a delegee), the Director may exclude a particular administrative patent judge from one case, from a category of cases, or from all cases—precluding the judge from deciding any cases where, for example, the Director believes that the judge will not faithfully and properly apply the relevant statutory provisions, regulations, and agency policies. Like the Judge Advocate General's power to preclude Coast Guard Court of Criminal Appeals judges from exercising judicial authority, the Director therefore may unilaterally determine which (if any) Board cases each administrative patent judge will adjudicate.[4]

An administrative patent judge would continue in government employment even if she were precluded from participating in any Board adjudications, and the Director would be free to assign such an individual other agency work. See, *e.g.*, USPTO, U.S. Dep't of Commerce, *Classification and Performance Management Record, Form CD-516, Administrative Patent Judge: FY19 Performance Appraisal Plan* 9 (noting that administrative patent judges may be assigned "special projects, such as rulemaking [or] committee participation") (available at C.A. Doc. 36-3, at 160, 168, *New Vision Gaming, Inc.* v. *Bally Gaming, Inc.*, No. 20-1399 (Fed. Cir. July 20, 2020)). But the ability to remove officials from "*judicial assignment* without

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[4] Under current USPTO procedures, the Director has "delegated" his panel-designation authority to the "Chief Judge" of the Board, subject to guidelines the Director has prescribed. SOP1, at 1; see *id.* at 1-15. That delegated authority, however, "is non-exclusive and the Director expressly retains his or her own statutory authority to designate panels * * * at any time, * * * in his or her sole discretion." *Id.* at 1-2.

cause" is "a powerful tool for control." *Edmond*, 520 U.S. at 664 (emphasis added); see Pet. App. 294a (Wallach, J., dissenting from denial of rehearing en banc) (describing the Director's authority to control panels as "overwhelming support for the proposition that [administrative patent judges] are inferior officers").

2. Through the creation of general agency policies, the Director can exercise additional control over the work of administrative patent judges. See *Edmond*, 520 U.S. at 664 (noting the Judge Advocate General's authority to participate in the formulation of "policies and procedure" for court-martial cases) (citation omitted). The Patent Act "vest[s]" the USPTO's "powers and duties" in the Director and makes him "responsible for providing policy direction and management supervision" for the agency. 35 U.S.C. 3(a)(1) and (2)(A). It is thus the Director's prerogative and duty to establish both substantive and procedural policies that govern all adjudicative proceedings conducted by the Board.

The Director may exercise that authority in a variety of ways. The Director is empowered to promulgate regulations on behalf of the USPTO. See 35 U.S.C. 2(b)(2), 316(a)(4), 326(a)(4). He has exercised that authority by prescribing detailed regulations that govern "trial practice and procedure" before the Board, both generally and with respect to inter partes review, post-grant review, and derivation proceedings. 37 C.F.R. Pt. 42, Subpt. A (capitalization omitted). As the Federal Circuit recognized (Pet. App. 14a), he may issue binding policy directives that govern the Board, see 35 U.S.C. 3(a)(1), including instructions as to how patent law and USPTO policies are to be applied to particular fact patterns that have arisen or may arise in the future. See, *e.g.*, Memorandum from Andrei Iancu, Undersecretary

of Commerce for Intellectual Property & Director of the USPTO, *Treatment of Statements of the Applicant in the Challenged Patent In Inter Partes Reviews Under § 311* (Aug. 18, 2020). And he may determine which Board decisions will be precedential and therefore binding on future panels. See SOP2, at 1 (stating that "[n]o decision will be designated or de-designated as precedential or informative without the approval of the Director," and establishing procedures for designation and de-designation, while recognizing that those procedures "do[] not limit the authority of the Director" to make such determinations "in his or her sole discretion").

3. The Director also has substantial prerogatives with respect to the conduct of individual Board proceedings. See *Edmond*, 520 U.S. at 664-665 (attaching significance to the authority of the Court of Appeals for the Armed Forces to supervise Court of Criminal Appeals judges by reviewing individual decisions); cf. *Free Enterprise Fund*, 561 U.S. at 504 (holding that PCAOB members were inferior officers, even though the SEC had no authority, apart from removal, to "start, stop, or alter individual [PCAOB] investigations"). That authority subsists from start to finish of individual Board adjudications.

The Director possesses unilateral authority to determine whether to institute a particular inter partes review, 35 U.S.C. 314(a), and his determination "whether to institute an inter partes review under [Section 314] shall be final and nonappealable," 35 U.S.C. 314(d); see *Thryv, Inc.* v. *Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020). Similar language vests the Director with unilateral and unappealable discretion to initiate a post-grant review or a derivation proceeding to be conducted by the Board. 35 U.S.C. 135(a); 35 U.S.C. 324(a) and (e).

Although the Director has delegated to the Board—or, in the case of derivation proceedings, an individual administrative patent judge—the authority to decide whether such proceedings will be instituted, 37 C.F.R. 42.108(a) (inter partes review); 37 C.F.R. 42.208(a) (post-grant review); 37 C.F.R. 42.408(a) (derivation proceedings), he may rescind or modify that delegation at any time. The critical point for Appointments Clause purposes is that administrative patent judges have power to institute those review proceedings only because, for as long as, and to the extent that the Director has chosen to confer it.

Once an inter partes review or post-grant review has been instituted, the Director may always choose to vacate the institution decision. See *BioDelivery Sciences Int'l, Inc.* v. *Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019), cert. denied, No. 19-1381 (Oct. 5, 2020). If the Director or his delegee terminates a previously instituted inter partes or post-grant review before the Board has issued a "final written decision with respect to the patentability," 35 U.S.C. 318(a), the proceeding will have no legal consequences for either the petitioner or the patent owner, 35 U.S.C. 315(e); 35 U.S.C. 325(e).

Even after the Board has issued a final decision, the Director possesses substantial authority over any rehearing of that decision. While "[o]nly the [Board] may grant rehearings" of Board decisions, 35 U.S.C. 6(c), the Director's powers to prescribe Board procedures and policies, to designate the members of Board panels, and to participate on any given panel encompass decisions whether to rehear and any rehearings that occur. In his exercise of that authority, the Director has established a Precedential Opinion Panel, which consists of Board

members he chooses (typically including the Director himself), and which can determine whether to rehear and reverse any Board decision. SOP2, at 3-8. And unlike in *Edmond*, where the statute that authorized appellate review of the inferior officers' decisions limited such review to "matters of law," Art. 67(c), UCMJ, 10 U.S.C. 867(c) (1994); see *Edmond*, 520 U.S. at 665, a Board panel that the Director designates to rehear a case exercises the full power that the initial Board panel possessed.

* * * * *

In sum, the work of a USPTO administrative patent judge is supervised and superintended by presidentially appointed, Senate-confirmed officers at virtually every step. An administrative patent judge decides only those Board cases, if any, that the Director assigns him. In deciding those cases, the judge must apply the patent laws in accordance with regulations, policies, and guidance the Director has issued, and with past decisions the Director has designated as precedential. Once the Board issues its decision, the Director can deem that decision precedential (or not), countermand it prospectively by issuing further guidance, or both. Any proceeding in which an administrative patent judge participates may be reheard *de novo* by another panel whose members the Director also picks—a panel that typically includes the Director himself and two other Executive officials. And throughout all Board proceedings, administrative patent judges operate with the knowledge that the Secretary of Commerce may remove them from federal service entirely under the permissive efficiency-of-the-service standard—including for disobeying binding directives and policy. Taken together, those control mechanisms ensure that administrative patent judges' "work

is directed and supervised at some level by" Senate-confirmed officials. *Edmond*, 520 U.S. at 663.

C. The Federal Circuit's Contrary Conclusion Is Incorrect

The court of appeals concluded that the USPTO's 250-plus administrative patent judges are principal officers for whom the Constitution requires appointment by the President with the advice and consent of the Senate. Pet. App. 6a-22a. The court relied primarily on a mechanical application of this Court's decision in *Edmond*, with a passing reference to the appointment method that Congress had required for administrative patent judges' predecessors (known as examiners-in-chief) before 1975. Neither rationale is persuasive.

1. The court of appeals erred in its application of Edmond

The court of appeals' application of the *Edmond* framework is deeply flawed. Instead of assessing the cumulative effect of the various means by which Senate-confirmed officers can supervise and direct administrative patent judges in their work, the court distilled from *Edmond* three discrete criteria for evaluating whether the requisite oversight existed. Pet. App. 9a. Based on its perception that two of those three factors weighed in favor of principal-officer status, the court of appeals determined that "the control and supervision of the [administrative patent judges] is not sufficient to render them inferior officers." *Id.* at 22a. That reasoning is flawed in at least four respects.

a. The court of appeals erred by limiting its analysis to three discrete criteria. In evaluating the administrative patent judges' status, the court considered: "(1) whether an appointed official has the power to review and reverse the officers' decision; (2) the level of

supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." Pet. App. 9a. While those factors undoubtedly are relevant to determining whether a particular actor is a principal or inferior officer, the Court has never identified those or any other particular mechanisms of supervision and direction as necessary or exclusive indicia of inferior-officer status.

The court of appeals purported to draw its three-prong test from *Edmond*. But in *Edmond*, this Court explained that its earlier decisions had not established any "exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes," 520 U.S. at 661, and the Court did not purport to identify any exclusive criteria there. Instead, the Court held that, in "[g]eneral[ ]," "'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 662-663. And it catalogued an array of factors that, collectively, showed Coast Guard Court of Criminal Appeals judges to be subject to sufficient direction and supervision. See *id.* at 664-665.

In *Free Enterprise Fund*, the Court repeated *Edmond*'s general requirement for "'some level'" of "'direct[ion] and supervis[ion]' * * * by other officers appointed by the President with the Senate's consent," and it relied on a *different* set of supervisory mechanisms by which the SEC could oversee the work of the PCAOB. 561 U.S. at 510 (quoting *Edmond*, 520 U.S. at 663); see *id.* at 504-505; cf. *Morrison*, 487 U.S. at 671-672 (relying on another set of factors to determine that the independent counsel was an inferior officer). And just last Term, the Court again confirmed that it "ha[s]

not set forth an[y] exclusive criterion for distinguishing between principal and inferior officers." *Seila Law LLC* v. *Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2199 n.3 (2020) (citation omitted).

The Federal Circuit's three-part test is a sharp departure from this Court's approach. To be sure, the court of appeals quoted the *Edmond* Court's admonition that "[t]here is no 'exclusive criterion.'" Pet. App. 9a (citation omitted). But the practical effect of its approach was to reduce *Edmond* to a mechanical best-two-out-of-three test, under which the absence of any Executive Branch officer who can (1) remove an administrative patent judge from federal service at will or (2) unilaterally review and reverse the judge's decision outweighed all *other* supervisory powers taken together. The court acknowledged the Director's "broad policy-direction and supervisory authority," which it found "weigh[s] in favor of" characterizing administrative patent judges as inferior officers. *Id.* at 14a-15a. Yet the court held that those officials are nevertheless principal officers because the other two factors it considered—the power of higher-level officials to remove administrative patent judges, and the ability of other Executive officers to review and reverse their decisions—were not present to a degree the court deemed adequate. See *id.* at 9a-21a.

b. The court of appeals further erred by evaluating each of its exclusive criteria in isolation, treating each power as an end in itself, rather than as a means to a larger end. In so doing, the Federal Circuit missed the central point of *Edmond*: that an official's status as a principal or inferior officer turns on whether, taking all of the existing control mechanisms into consideration, the officer's "work is directed and supervised" by presidential appointees "at some level," 520 U.S. at 663. The

ultimate question is whether all the various powers taken together enable sufficient direction and supervision to deem the official inferior to a superior, see *id.* at 662 ("Whether one is an 'inferior' officer depends on whether he has a superior.")—not whether any particular supervisory mechanism meets some preconceived benchmark.

For example, the court of appeals ascribed substantial weight to the fact that, in its view, no official has the "unfettered" authority "to remove [an administrative patent judge] from judicial service without cause." Pet. App. 15a, 17a (emphasis omitted). Even if that statement were accurate, but see pp. 39-41, *infra*, susceptibility to at-will removal is not a stand-alone requirement for inferior-officer status. See *Morrison*, 487 U.S. at 671-673; cf. *Seila Law*, 140 S. Ct. at 2199-2200 (noting that, under the Vesting and Take Care Clauses, removal restrictions for inferior officers are permissible in some circumstances). The presence or absence of at-will removability is relevant because potential removal "'is a powerful tool for control' of an inferior." *Free Enterprise Fund*, 561 U.S. at 510 (quoting *Edmond*, 520 U.S. at 664). The ability to remove a subordinate gives a superior a form of leverage to induce the subordinate to do the superior's will. That kind of indirect control, however, is unnecessary if the superior can achieve the same outcome *directly*. Here, in addition to the Secretary's substantial (though not plenary) authority to remove administrative patent judges from federal service, the statute empowers the Director to establish binding substantive rules that administrative patent judges must follow and to choose which administrative patent judges will apply them in every case.

The court of appeals similarly relied on the absence of any statutory mechanism for the Director to "single-handedly review, nullify or reverse a final written decision issued by a panel of [administrative patent judges]." Pet. App. 10a; see *id.* at 10a-14a; see also 19-1434 Arthrex Resp. 13 (asserting that after-the-fact review of individual decisions is "an indispensable component" of constitutionally adequate supervision over inferior officers). But a superior's ability unilaterally to overturn an officer's decisions is only one possible mechanism for controlling the officer's work. That power may be unnecessary if the superior has other means of preventing or limiting the reach of decisions with which he disagrees. Here, the Director can dictate in advance detailed rules that an administrative patent judge must apply, and he may convene a panel of his own choosing to determine whether any individual decision should be reheard, either in whole or in part, with no limits on the scope of that rehearing. See pp. 29-32, *supra*. The Director can also blunt the future effect of any decision he views as erroneous by refusing to designate it as precedential, issuing contrary policies or guidance, or both. See pp. 29-30, *supra*.

c. In considering each mechanism of supervision and direction in isolation, the court of appeals also overlooked the ways in which the various powers of the Secretary and Director reinforce each other. In *Edmond*, the Court found it "significant" that, while no single Executive Branch official could *sua sponte* review decisions by Court of Criminal Appeals judges, one such official (the Judge Advocate General) could order limited review by another Executive Branch entity (the Court of Appeals for the Armed Forces). 520 U.S. at 665; see *id.* at 664-665. The various mechanisms for supervision

available to the Secretary and Director are similarly complementary here.

For example, the Secretary's power to remove an administrative patent judge from federal service under the generally applicable efficiency-of-the-service standard, *in conjunction* with the Director's power to prescribe the rules they must follow, enables those superiors to ensure that their will is carried out. Although neither official can remove an administrative patent judge from federal service at will, one presidentially appointed superior (the Director) may establish binding agency policy, the violation of which will provide cause for removal from federal employment by the other presidentially appointed superior (the Secretary). See pp. 26-27, 29-30, *supra*.

The Director's various supervisory powers can also work in tandem to reinforce his own independent oversight authority. For example, even if the Director "cannot * * * *sua sponte* review or vacate a final written decision," Pet. App. 11a, he can prevent an erroneous decision from taking effect even in an individual case by using his authority to issue binding policy guidance, *in concert* with his power to convene a Precedential Opinion Panel to decide whether to rehear the decision. See pp. 29-30, 31-32, *supra*. The Director could also promulgate a rule that required the Board to rehear any case where the Director issues relevant, binding guidance during the rehearing period. Indeed, the Director could require that Board opinions addressing any unresolved legal or policy issues should be circulated internally before they were issued, enabling him to issue relevant policy guidance that the Board would be required to apply in those and all other pending cases. Cf. Fed. Cir. IOP 10(5) (requiring the circulation of precedential

opinions or orders to all judges for review at least 10 working days before issuance).

Contrary to Arthrex's assertion, combining these supervisory mechanisms would not "defy Congress's clear statutory design" or "usurp the Board's role in deciding specific cases." 19-1434 Arthrex Resp. 20. Although Congress "directed *the Board* * * * to decide cases," *ibid.*, it authorized the Director to provide "policy direction" to and "management supervision" of the Board. 35 U.S.C. 3(a)(2)(A). The possible approaches described above would all be straightforward applications of the Director's statutory powers to issue regulations governing the conduct of the Board's proceedings generally, and in inter partes and post-grant reviews specifically, and otherwise to provide policy direction and management supervision in connection with all the powers vested in the USPTO. 35 U.S.C. 2(b), 3(a)(1) and (2)(A), 316(a)(4), 326(a)(4).

d. Finally, the court of appeals erred in its evaluation of the individual criteria that it identified. Under the court of appeals' mechanical application of the *Edmond* test, the constitutionality of the prescribed method of appointment for administrative patent judges ultimately turned on the court's determination that "both the Secretary of Commerce and the Director lack unfettered removal authority" over those adjudicators. Pet. App. 15a. The court remedied the perceived constitutional flaw on a prospective basis by "sever[ing] the application of Title 5's removal restrictions" to administrative patent judges. *Id.* at 27a. For the reasons described above, that singular focus on a specific tool for supervision was wrong. In any event, the Director possesses at least as much removal authority as the relevant superior officers in *Edmond*.

The source of the court of appeals' error was its conflation of the power to remove an official "*from judicial service* without cause" with "the power to remove [an administrative patent judge] *from office* without cause." Pet. App. 17a (second emphasis added). The Judge Advocate General in *Edmond* possessed the former power, not the latter. See *Edmond*, 520 U.S. at 664 ("It is conceded by the parties that the Judge Advocate General may also remove a Court of Criminal Appeals judge from his judicial assignment without cause."); see also U.S. Br. at 21, *Edmond*, *supra* (No. 96-262) (noting that the judges could be "reassigned to other duties" by the Judge Advocate General) (citation omitted); Reply Br. at 3, *Edmond*, *supra* (No. 96-262) (same).

The *Edmond* Court's focus on removal from a "judicial assignment" rather than from federal service is unsurprising. 520 U.S. at 664. From the standpoint of determining whether an officer has a "superior," the power to deprive the officer of any relevant "work" to do is at least as significant as the power to withhold the officer's salary and benefits. *Id.* at 663. And even when a particular administrative patent judge continues to receive judicial assignments, the Director's authority to determine the cases on which that judge will sit (*e.g.*, by declining to assign a particular judge to the category of Board cases with which the Director is most concerned) provides an additional mechanism for controlling the judge's work. See pp. 27-28, *supra*. In that respect, the Director's assignment authority is more sweeping than was the all-or-nothing assignment power of the Judge Advocate General in *Edmond*, who could remove a Coast Guard Court of Criminal Appeals judge from his judicial role but could not otherwise decide which judges would sit in which cases.

The court of appeals appeared to acknowledge that the Director "could potentially remove all judicial function of an [administrative patent judge] by refusing to assign the [judge] to any panel." Pet. App. 16a. It failed to recognize, however that the Court in *Edmond* described the same authority as "a powerful tool for control." 520 U.S. at 664. The court of appeals likewise observed that "Section 6(c) gives the Director the power to designate the panel who hears an *inter partes* review," Pet. App. 16a, but disregarded the *additional* control mechanism that this more particularized assignment power provides.[5]

2. History provides no sound basis for classifying administrative patent judges as principal officers

Toward the end of its merits discussion, the court of appeals noted that, until 1975, the predecessors of administrative patent judges—called "Examiners-in-Chief"—"were subject to nomination by the President and confirmation by the Senate." Pet. App. 21a. The court asserted that, in deciding reexaminations, inter

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[5] The Federal Circuit declined to determine whether the Director possessed the further ability to "de-designat[e]" an administrative patent judge from a panel mid-case. Pet. App. 16a n.3. The court stated that "it is not clear whether this type of mid-case de-designation of an [administrative patent judge] could create a Due Process problem." *Id.* at 17a n.3. Parties can receive full and fair hearings even when Senate-confirmed officers may remove adjudicators at will during the proceedings. Indeed, that is the very constitutional remedy the court of appeals ultimately imposed here. See *id.* at 25a-28a. But in any event, the *in terrorem* effect created by the power of removal does not depend on whether a Board judge can be de-designated mid-case. The proper resolution of the question presented here therefore does not turn on whether the Director possesses that authority. See *id.* at 16a n.3.

partes reviews, and post-grant reviews, today's administrative patent judges "wield significantly more authority" than their predecessors, but that "the protections ensuring accountability to the President" for Executive Branch decisions "clearly lessened in 1975." *Ibid.* Contrary to the court's apparent suggestion, that history does not support the court's conclusion that administrative patent judges are principal officers.

a. "The exercise of 'significant authority pursuant to the laws of the United States' marks, not the line between principal and inferior officer for Appointments Clause purposes, but rather * * * the line between officer and nonofficer." *Edmond*, 520 U.S. at 662 (citations omitted); cf. *Financial Oversight & Mgmt. Bd. for Puerto Rico* v. *Aurelius Inv., LLC*, 140 S. Ct. 1649, 1663 (2020). The Court in *Free Enterprise Fund* expressed "no hesitation" in determining that the members of the PCAOB were inferior officers despite the PCAOB's "expansive powers to govern an entire industry" down to "every detail of an accounting firm's practice." 561 U.S. at 485, 510. So long as administrative patent judges are subject to sufficient direction and supervision by Senate-confirmed officials, the fact that those administrative adjudicators conduct a broader range of proceedings than did pre-1975 examiners-in-chief does not suggest that they are principal officers.

b. The Appointments Clause states that "the Congress *may* by Law vest the Appointment of such inferior Officers, *as they think proper*, in the President alone, in the Courts of Law, or in the Heads of Departments." U.S. Const. Art. II, § 2, Cl. 2 (emphases added). The italicized language makes clear that Congress may require particular inferior officers to be appointed by the President and confirmed by the Senate, even though

the Constitution would allow appointment by other means. The method of appointment that Congress specified for Patent Office examiners-in-chief before 1975 therefore does not imply that Congress viewed those officials as principal officers. That aspect of pre-1975 law therefore is of limited significance in determining the Appointments Clause status of present-day administrative patent judges. See, *e.g.*, *Ex parte Siebold*, 100 U.S. 371, 397 (1880) (noting that the appointment of U.S. Marshals, "in ordinary cases, is left to the President and Senate," but Congress would be free to "vest the[ir] appointment elsewhere").

c. Contrary to the court of appeals' assertion (Pet. App. 21a), "the protections ensuring accountability to the President" did not "clearly lessen[] in 1975." Both before and after the 1975 amendment, the Patent Office was led (as the USPTO is today) by two Senate-confirmed officers accountable directly to the President. Compare 35 U.S.C. 3 (1970) (providing for presidential appointment and Senate confirmation of the Commissioner of Patents) and 35 U.S.C. 6 (1970) (charging the Commissioner, "under the direction of the Secretary of Commerce," with "superintend[ing] or perform[ing] all duties required by law respecting the granting and issuing of patents"), with 35 U.S.C. 3(a), 6(a) (1976) (same); see 35 U.S.C. 2(a), 3(a). Before and after the amendment, the Commissioner (now Director) was vested with the authority to "establish regulations * * * for the conduct of proceedings" in the Office. 35 U.S.C. 6 (1970); 35 U.S.C. 6(a) (1976); see 35 U.S.C. 2(b)(2). And before and after 1975, the Commissioner served as only one member—alongside examiners-in-chief (now administrative patent judges)—of an administrative

appeals board that possessed final decisionmaking authority over patent rights. Compare 35 U.S.C. 7, 141, 145 (1970), with 35 U.S.C. 7, 141, 145 (1976); see 35 U.S.C. 6, 141, 145-146.

To be sure, the 1975 amendment did make one salient change in the structure of the Office. Rather than vesting the appointment of examiners-in-chief in the President, by and with the advice and consent of the Senate, the 1975 Congress vested that authority in the Secretary of Commerce, in consultation with the Commissioner. See Act of Jan. 2, 1975, Pub. L. No. 93-601, 88 Stat. 1956. Neither Arthrex nor the court of appeals has identified any evidence that this change was viewed as raising constitutional concerns at the time it was made.

Contrary to the court of appeals' suggestion (Pet. App. 21a), there is no reason to conclude that vesting the appointment authority in a member of the President's Cabinet, while removing Senate involvement, reduced the accountability of examiners-in-chief to the President. See p. 25, *supra*. That is particularly so given the Commissioner's continuing ability under the post-1975 regime to supervise and regulate the Office's proceedings, combined with the Secretary's ability to remove examiners-in-chief for failing to abide by such regulations. And, as detailed above, the current statutory scheme establishes a variety of other mechanisms by which presidentially appointed and Senate-confirmed officials may direct and supervise the work of administrative patent judges. See pp. 25-33, *supra*.

The salient question here is whether present-day administrative patent judges are inferior officers under the analytic framework set forth in the Court's most recent decisions, not whether they are more or less accountable to the President than were pre-1975 examiners-in-

chief. Under this Court's context-specific inquiry for distinguishing between principal and inferior officers, Congress has broad latitude in specifying the duties and modes of appointment of the federal officials who administer the Nation's patent system. The court of appeals erred in disturbing Congress's judgment regarding the status of administrative patent judges under that regime.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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Respondents.

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

OPENING BRIEF FOR SMITH & NEPHEW, INC. AND ARTHROCARE CORP.

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(Additional captions listed on inside cover.)

SMITH & NEPHEW, INC., ET AL.,

Petitioners,

v.

ARTHREX, INC., ET AL.,

Respondents.

ARTHREX, INC.,

Petitioner,

v.

SMITH & NEPHEW, INC., ET AL.,

Respondents.

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 prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

Smith & Nephew, Inc. and ArthroCare Corp. were petitioners in proceedings before the Patent Trial and Appeal Board and appellees in the court of appeals.

Arthrex, Inc. was the patent owner in proceedings before the Patent Trial and Appeal Board and the appellant in the court of appeals.

The United States of America was an intervenor in the court of appeals.

Pursuant to this Court's Rule 29.6, Smith & Nephew, Inc. and ArthroCare Corp. state that Smith & Nephew PLC is their parent corporation and no other publicly held corporation owns 10% or more of the stock of either Smith & Nephew, Inc. or ArthroCare Corp.

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OPENING BRIEF FOR SMITH & NEPHEW, INC. AND ARTHROCARE CORP.

The Court has granted three petitions for writs of certiorari (in Nos. 19-1434, 19-1452 & 19-1458) to review two questions arising out of the same Federal Circuit judgment. *See* Order, No. 19-1434 (U.S. Oct. 13, 2020). Smith & Nephew, Inc. and ArthroCare Corp. (collectively, Smith & Nephew), petitioners in No. 19-1452, respectfully submit that the judgment below should be reversed.

OPINIONS BELOW

The opinion of the court of appeals (U.S. Pet. App. 1a) is reported at 941 F.3d 1320. That court's order denying rehearing en banc, with additional opinions (U.S. Pet. App. 229a), is reported at 953 F.3d 760. The Patent Trial and Appeal Board's final written decision (U.S. Pet. App. 60a) is unreported.

JURISDICTION

The court of appeals entered its judgment on October 31, 2019, U.S. Pet. App. 1a, and denied timely petitions for rehearing on March 23, 2020, *id.* at 229a. On March 19, 2020, by general order, this Court extended the time to file the petition for a writ of certiorari to August 20, 2020. Smith & Nephew's petition was filed on June 29, 2020, and granted on October 13, 2020. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Appointments Clause as well as most pertinent statutory provisions are reproduced in the government's petition appendix. U.S. Pet. App. 298a–321a. Additional provisions are reproduced in the Appendix to this brief.

STATEMENT

Administrative patent judges (APJs) preside over a variety of adjudicatory proceedings under the direction and supervision of the Director of the United States Patent and Trademark Office (USPTO). This Court has ruled that administrative adjudicators whose "work is directed and supervised at some level" by other executive Officers are *inferior* Officers within the meaning of the Appointments Clause and therefore may be appointed by a Head of Department, as APJs are appointed. *Edmond* v. *United States*, 520 U.S. 651, 663 (1997). In this case, however, the Federal Circuit ruled that APJs are *principal* Officers who must be appointed by the President with the advice and consent of the Senate. U.S. Pet. App. 1a–2a. The court went on to "sever[ ]" APJs' statutory removal protections and grant the patent owner a new hearing. *Ibid*.

1. Article II of the Constitution establishes a President supported by various officials in the executive chain of command. At the top are a small number of principals—such as "Ambassadors," "other public Ministers and Consuls," and at least one person in "each of the executive Departments"—who are in charge of formulating or executing federal policy in a particular area. U.S. Const. art. II, § 2. Below them are a larger number of "inferior Officers," *ibid.*, and

then an even larger number of non-Officer employees. *See generally United States* v. *Germaine*, 99 U.S. 508, 509–10 (1879).

The Appointments Clause is a "significant structural safeguard[ ] of [this] constitutional scheme." *Edmond*, 520 U.S. at 659. By requiring presidential nomination and senatorial confirmation for all principal Officers, U.S. Const. art. II, § 2, cl. 2, the Clause "ensure[s] public accountability for both the making of a bad appointment and the rejection of a good one," *Edmond*, 520 U.S. at 660. With respect to "inferior Officers," however, "administrative convenience . . . was deemed to outweigh the benefits of the more cumbersome procedure." *Ibid.* The Clause therefore permits (but does not require) Congress to vest the appointment of "inferior Officers" "in the President alone, in the Courts of Law, or in the Heads of Departments." U.S. Const. art. II, § 2, cl. 2.

a. The USPTO is an executive agency within the Department of Commerce, 35 U.S.C. § 1(a), with responsibility for granting, reviewing, amending, and canceling patent claims. The USPTO's "powers and duties" are vested in a Director, who also serves as Under Secretary of Commerce for Intellectual Property, and is nominated by the President, confirmed by the Senate, and removable by the President at will. *Id.* § 3(a)(1), (4). The Director is "responsible for providing policy direction and management supervision for the Office," *id.* § 3(a)(2)(A), and has the authority to establish regulations "govern[ing] the conduct of proceedings in the Office," *id.* § 2(b)(2).

The Director leads the Patent Trial and Appeal Board (Board), "an adjudicatory body within the PTO" that Congress created in the mold of prior adjudicatory bodies that, for most of our Nation's history, have

conducted administrative review of patent claims. *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370–71 (2018); *see also* 35 U.S.C. § 6(b). The Board is composed of the Director and his subordinates: the Deputy Director, two Commissioners, and more than 200 "administrative patent judges." 35 U.S.C. § 6(a); U.S. Pet. App. 10a. Congress provided for the Commissioners and Deputy Director to be appointed by the Secretary of Commerce. 35 U.S.C. § 3(b). APJs are currently "appointed by the Secretary, in consultation with the Director," *id.* § 6(a), at a pay rate fixed by the Director, *id.* § 3(b)(6). As officials in the civil service, *id.* § 3(c), most APJs may be terminated by the Secretary to "promote the efficiency of the service," 5 U.S.C. § 7513(a), and some—as members of the Senior Executive Service, *see* 83 Fed. Reg. 29,312, 29,324 (June 22, 2018)—are subject to even "fewer protections" from removal, *Shenwick* v. *Dep't of State*, 92 M.S.P.R. 289, 295 (M.S.P.B. 2002).

b. For nearly two centuries, Congress has provided that a principal Officer direct and supervise the work done by APJs and their predecessors, who have always been considered inferior Officers.

In 1836, Congress established the Commissioner of Patents (today known as the Director) as a "principal officer" in charge of the USPTO. Act of July 4, 1836, ch. 357, §§ 1–2, 7–8, 16, 5 Stat. 117, 117–25. Between 1861 and 1870, Congress created two types of inferior Officers who did the work now performed by APJs: Three "examiners-in-chief"—originally appointed by the President with confirmation by the Senate, *i.e.*, the "default manner of appointment for inferior officers," *Edmond*, 520 U.S. at 660—heard appeals from decisions by patent examiners, and their

decisions were appealable, in turn, to the Commissioner. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246, 246–47. And an "examiner in charge of interferences"—appointed by the Secretary of Interior (later, the Secretary of Commerce)—decided in the first instance "interference" disputes concerning which party first made an invention and thus is entitled to a patent. Act of July 8, 1870, ch. 230, §§ 2, 10, 16 Stat. 198, 198–200.

As the expansion of the Patent Office's docket made it infeasible for the Commissioner to review every appeal from these inferior Officers, Congress replaced the Commissioner's unilateral review power with the power to designate a panel of examiners to hear each appeal or interference proceeding. Act of Mar. 2, 1927, ch. 273, § 3, 44 Stat. 1335, 1335–36 ("board of appeals"); Act of Aug. 5, 1939, ch. 451, §§ 1–4, 53 Stat. 1212, 1212–13 ("board of interference examiners"). By 1975, the growing number of examiners-in-chief made presidential nomination and senatorial confirmation a "burden," and Congress vested their appointment in the Secretary of Commerce—aligning with how interference examiners had always been appointed. *Polaris Innovations Ltd.* v. *Kingston Tech. Co.*, 792 F. App'x 820, 829 (Fed. Cir. 2020) (Hughes, J., concurring) (citation omitted).

"Over the last several decades," Congress has also created several "administrative processes" for reviewing previously issued patent claims. *Oil States*, 138 S. Ct. at 1370. In 1980, Congress authorized the Board of Appeals to hear appeals from "ex parte reexaminations," 35 U.S.C. § 134(b), which are third-party challenges to the patentability of issued patent claims, *see Oil States*, 138 S. Ct. at 1370. In 1984,

Congress expanded interference proceedings to include patentability issues and authorized examiners-in-chief to conduct all interference proceedings. *See* Patent Law Amendments Act of 1984, Pub. L. No. 98-622, §§ 201–202, 98 Stat. 3383, 3386–87. And in 1999, Congress renamed examiners-in-chief APJs and empowered them to preside over appeals from "inter partes reexaminations," which are similar to ex parte reexaminations but with more third-party participation. *Oil States*, 138 S. Ct. at 1371. Congress continued to view APJs as the Director's subordinates—even briefly vesting their appointment in the Director before "redelegat[ing] the power of appointment to the Secretary" to "eliminat[e] the issue of unconstitutional appointments going forward." *In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008).

In 2011, Congress replaced inter partes reexaminations with a new procedure called "inter partes review" (IPR). *See* Leahy-Smith America Invents Act (AIA), §§ 3(n), 7(e), Pub. L. No. 112-29, 125 Stat. 284, 293, 315 (2011); 35 U.S.C. § 311. The AIA further authorized the Board to conduct "post-grant review[s]" for canceling patent claims within nine months of a post-AIA patent's issuance, 35 U.S.C. § 321; "covered business method" reviews, for a particular category of patents, AIA § 18, 125 Stat. at 329–31; and "derivation proceedings," for correcting inventorship or canceling patent claims that claim an invention derived from the applicant's invention, 35 U.S.C. § 135.

c. The IPR procedure established by the AIA—currently the most widely used administrative procedure for reviewing previously issued patent claims, and the one at issue in this case—illustrates the extent to which the Director directs and controls the work of APJs.

The IPR procedure begins when any person other than the patent owner files a petition requesting cancellation of patent claims that fail certain standards for patent validity. 35 U.S.C. § 311. The Director possesses the sole and unreviewable discretion whether to institute an IPR, *see Thryv, Inc.* v. *Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1370 (2020) (citing 35 U.S.C. § 314(d)), and whether to reconsider and dismiss an IPR after institution, *see Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1386 (Fed. Cir. 2016).

When an IPR is instituted, a panel of "at least 3 members" of the Board, "designated by the Director," determines whether the challenged claims are patentable. 35 U.S.C. § 6(c). The statute does not limit the Director's authority to alter the panel's composition and size on his own initiative at any time. *See ibid.* Accordingly, the Director takes the position that he can assign himself to a panel, and can assign, *sua sponte* reassign, or add APJs to panels based on the need "to secure and maintain uniformity of the Board's decisions" on "major policy or procedural issues." Patent Trial and Appeal Board Standard Operating Procedure 1 (Revision 15) at 6–12, 15 & n.4 (Sept. 20, 2018), https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf (all Internet sites last visited November 24, 2020).

The IPR proceedings over which APJs preside "are adjudicatory in nature": the parties "may seek discovery, file affidavits and other written memoranda, and request an oral hearing." *Return Mail, Inc.* v. *U.S. Postal Serv.*, 139 S. Ct. 1853, 1860 (2019); *see generally* 35 U.S.C. § 316. The Director has "prescribe[d] regulations" governing recurring substantive and procedural aspects of these proceedings.

35 U.S.C. § 316(a); *see also Oil States*, 138 S. Ct. at 1371 (listing provisions). The Director can provide further "policy direction and management supervision" to APJs, 35 U.S.C. § 3(a)(2)(A), by "provid[ing] instructions" with "exemplary applications of patent laws to fact patterns," U.S. Pet. App. 14a, including by designating (and redesignating) which Board decisions are nonbinding, which are "precedential" and hence binding "in subsequent matters involving similar facts or issues," and which are "informative" and hence to "be followed in most cases, absent justification" for departure, Patent Trial and Appeal Board Standard Operating Procedure 2 (Revision 10) (SOP 2) at 11–12 (Sept. 20, 2018), https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf.

At the conclusion of an instituted IPR proceeding, the panel issues a "final written decision" addressing the patentability of the challenged claims under the controlling legal authorities, including the Director's regulations and designated precedential decisions. 35 U.S.C. § 318(a). That decision, however, is subject to "rehearing[ ]" by the Board. *Id.* § 6(c). Under the current operating procedures established by the Director, a standing Precedential Opinion Panel convened and designated at the Director's sole discretion can *sua sponte* order rehearing and render a decision on rehearing. *See* SOP 2 at 4–7. By default, the Director is a member of that Panel. *Ibid.* On rehearing, the Director has the sole discretion to designate which members of the Board, and how many, sit on the panel. *See* 35 U.S.C. § 6(c).

"A[ny] party dissatisfied with the final written decision" of the Board "may appeal the decision" to the Federal Circuit, 35 U.S.C. § 319, which reviews the

Board's legal conclusions de novo and its factual findings for substantial evidence, *Gen. Hosp. Corp.* v. *Sienna Biopharm., Inc.*, 888 F.3d 1368, 1371 (Fed. Cir. 2018). Once judicial review concludes (or the time for seeking review expires), the Director will "issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable [and] confirming any claim of the patent determined to be patentable." 35 U.S.C. § 318(b).

2. Smith & Nephew is a leading portfolio medical technology company. Among many other life-saving and life-enhancing products, Smith & Nephew markets and sells knotless suture anchors, which are devices that surgeons implant in bone to help reattach soft tissue that has become detached from the bone—without requiring a surgeon to tie knots to secure the suture or the tissue in place. *See* U.S. Pet. App. 61a–62a. Arthrex, Inc. is the owner of U.S. Patent No. 9,179,907, which claims particular knotless suture anchors. *See id.* at 2a.

a. In November 2015, Arthrex sued Smith & Nephew in the U.S. District Court for the Eastern District of Texas. *See Arthrex, Inc.* v. *Smith & Nephew, Inc.*, No. 15-cv-1756 (E.D. Tex. filed Nov. 10, 2015). In December 2016, the jury found that Smith & Nephew infringed the '907 patent. C.A. App. 4713–14. But before the court could rule on post-trial motions, the parties reached a settlement with the express understanding that a previously filed IPR petition involving the '907 patent could proceed. *Id.* at 532–33 at 52:20–53:3 (acknowledgment by Arthrex's counsel).

In May 2017, the Director instituted review based on Smith & Nephew's petition and designated a panel of three APJs to preside over the IPR. C.A. App. 216. The same panel of APJs had presided over previous

IPRs filed by Arthrex, and had issued decisions favorable to Arthrex. *See*, *e.g.*, *Arthrex, Inc.* v. *Vite Techs., Inc.*, Case IPR2016-00381, Paper 7 (P.T.A.B. June 23, 2016) (institution decision); *id.*, Paper 15 (Nov. 7, 2016) (final written decision). At no time during the IPR proceedings did Arthrex assert a constitutional challenge to the appointment of the designated APJs or the Board as a whole.

The panel of APJs presided over an adjudicatory proceeding conducted pursuant to the Director's regulations, precedential decisions, and other guidance. To determine whether Arthrex's patent claims had been anticipated by "prior art," 35 U.S.C. § 311(b), the panel reviewed the parties' written submissions and considered expert and inventor testimony on "the central question . . . whether the challenged claims are entitled to the earliest priority date claimed in the '907 patent," U.S. Pet. App. 84a–85a. The Board subsequently issued a final written decision ruling that the '907 patent claims are unpatentable because the earliest effective priority date to which Arthrex was entitled was in 2014, *id.* at 75a–76a, and Arthrex "agree[d]" that the claims were anticipated by two earlier references, *id.* at 94a–97a.

b. Arthrex timely appealed the Board's decision, and the Federal Circuit vacated the decision and remanded for a new hearing. U.S. Pet. App. 33a.

The Federal Circuit panel did not address Arthrex's challenge to the Board's determination that the challenged claims are unpatentable, but instead ruled only on Arthrex's alternative argument—raised for the first time on appeal—that the three APJs who presided over the proceeding are principal Officers who were not appointed in the manner required by the Appointments Clause. *See* C.A. Dkt. 18 at 59 (opening

brief). The panel acknowledged that Arthrex had not preserved this argument before the Board, but elected to excuse this forfeiture in light of the "exceptional importance" of the constitutional question and its "wide-ranging effect on property rights and the nation's economy." U.S. Pet. App. 4a–6a.

On the merits of the Appointments Clause issue, the panel acknowledged this Court's instruction that "[w]hether one is an 'inferior' officer depends on whether he has a superior." U.S. Pet. App. 8a–9a (alteration in original) (quoting *Edmond*, 520 U.S. at 662–63). The panel then derived from *Edmond* a multipart test for inferior-officer status that turns on:

> (1) "the level of supervision and oversight an appointed official has over the officers";
>
> (2) "whether an appointed official" can "review and reverse the officers' decision"; and
>
> (3) whether the appointed official has "power to remove the officers."

Id. at 9a (citing *Edmond*, 520 U.S. at 664–65).

The panel recognized that the first factor—supervision—"weigh[ed] in favor of a conclusion that APJs are inferior officers" because APJs are subject to oversight similar to the inferior Officers in *Edmond*. U.S. Pet. App. 15a. Specifically, the Director promulgates regulations that "guide APJ-panel decision making," "has administrative authority that can affect the procedure of individual cases"—for example, by deciding whether to institute an IPR and which APJs will sit on a panel—and exercises supervisory "authority over the APJs' pay." *Id.* at 14a–15a.

The panel concluded, however, that the other two factors "support[ed] a conclusion that APJs are principal officers." U.S. Pet. App. 13a–14a, 15a–16a. Because the Director could not "single-handedly" reverse a particular final written decision, the panel reasoned, the Director's supervisory powers were "not . . . the type of review[ ]" that counted for Appointments Clause purposes. *Id.* at 10a–12a. The court added that "[t]he Director's authority to assign certain APJs to *certain panels* is not the same as the authority to remove an APJ *from judicial service* without cause." *Id.* at 17a. Concluding that the second two factors outweighed the first, the panel held that APJs are principal Officers and, therefore, their appointment by the Secretary violated the Appointments Clause. *Id.* at 22a.

To cure the constitutional violation it had identified, the panel "sever[ed]" the provision of the Patent Act that makes Title 5's for-cause removal restrictions applicable to APJs. U.S. Pet. App. 25a–26a (discussing 35 U.S.C. § 3(c)). "Although the Director still does not have independent authority to review" APJ decisions, the panel reasoned, prospectively stripping APJs of their statutory removal protections rendered them inferior rather than principal Officers because the Director's "provision of policy and regulation to guide the outcomes of those decisions," coupled with the Secretary's power to remove APJs without cause, "provides significant constraint on issued decisions." *Id.* at 28a. The court surmised that Congress "would have preferred a Board whose members are removable at will rather than no Board at all." *Id.* at 27a.

As a retrospective remedy for Arthrex, the panel vacated the Board's final written decision and remanded for a "new hearing" before a newly designated

panel of APJs. U.S. Pet. App. 31a–33a. The panel concluded that this relief was "appropriate," even though Arthrex had not raised its Appointments Clause challenge before the Board, because "[t]he Board was not capable of correcting the constitutional infirmity" and Appointments Clause "challenges under these circumstances should be incentivized at the appellate level." *Id.* at 31a–32a (citing *Lucia* v. *SEC*, 138 S. Ct. 2044, 2055 & n.5 (2018)).

c. Following the decision below, several Federal Circuit judges disagreed in other cases with the panel's Appointments Clause analysis. Judge Hughes, joined by Judge Wallach, explained in detail his view that APJs are inferior Officers "in light of the Director's significant control over [their] activities." *Polaris*, 792 F. App'x at 821 (concurring op.). Judge Dyk, joined by Judge Newman, likewise questioned whether APJs are principal Officers. *Bedgear, LLC* v. *Fredman Bros. Furniture Co.*, 783 F. App'x 1029, 1030 (Fed. Cir. 2019) (concurring op.).

Smith & Nephew, Arthrex, and the United States as intervenor all petitioned for rehearing en banc. *See* C.A. Dkts. 77–79. The Federal Circuit denied rehearing in an order accompanied by five separate opinions. U.S. Pet. App. 229a–230a.

Two concurring opinions agreed with the panel on the merits of the constitutional violation and its consequences. Judge Moore (joined by Judges O'Malley, Reyna, and Chen) wrote that the panel opinion, which she had authored, properly identified and applied "*Edmond*'s broad framework." U.S. Pet. App. 233a–234a. Judge O'Malley (joined by Judges Moore and Reyna) agreed that APJs "are principal officers," and wrote separately that the panel decision did not "ob-

viat[e] the need for [Board] rehearings" in cases raising an Appointments Clause challenge on appeal because "judicial severance is not a 'remedy'; it is a forward-looking judicial fix." *Id.* at 242a–243a.

In three separate dissenting opinions, four Federal Circuit judges disagreed with the panel decision. Judge Dyk (joined by Judges Newman and Wallach and in part by Judge Hughes) questioned the panel's conclusion that APJs are principal Officers, because they bear significant commonalities with other non-policymaking inferior Officers. U.S. Pet. App. 273a–275a. Judge Hughes (joined by Judge Wallach) reiterated his view that APJs are inferior Officers because the Director exercises "significant control over [their] activities." *Id.* at 276a. He explained that this "Court has not required that a principal officer be able to single-handedly review and reverse the decisions of inferior officers, or remove them at will, to qualify as inferior." *Id.* at 277a–278a. And Judge Wallach emphasized that the Director's "significant authority over the APJs" appropriately "preserves . . . political accountability" and "strongly supports the contention that APJs are inferior officers." *Id.* at 293a.

d. Applying the decision below, the Federal Circuit has since "vacated more than 100 decisions" in IPR proceedings, "instruct[ing] the Board to conduct further proceedings on remand before newly-designated Board panels." General Order, 2020 WL 2119932, at *1 (P.T.A.B. May 1, 2020). The court of appeals has held that this remedy is available only for patent owners, not challengers, in IPR proceedings, *see Ciena Corp.* v. *Oyster Optics, LLC*, 958 F.3d 1157, 1159 (Fed. Cir. 2020), and has afforded this remedy regardless of whether or not the patent owner or applicant raised a constitutional challenge before the

agency, *see*, *e.g.*, *In re Boloro Glob. Ltd.*, 963 F.3d 1380, 1381 (Fed. Cir. 2020) (challenge not raised before the agency); *Polaris*, 792 F. App'x at 819 (challenge raised before the agency).

In addition to IPRs, the Federal Circuit has since held that the decision below applies to other administrative review proceedings under the Patent Act. *VirnetX Inc.* v. *Cisco Sys., Inc.*, 958 F.3d 1333, 1336–37 (Fed. Cir. 2020) (inter partes reexamination); Order at 2, *In re JHO Intellectual Prop. Holdings, LLC*, No. 19-2330, Dkt. 25 (Fed. Cir. June 18, 2020) (ex parte reexamination); *see also Boloro*, 963 F.3d at 1381 (accepting government's acknowledgement that, under the decision below, "'APJs [a]re principal officers for purposes of all governmental functions of their office,'" including ex parte examination appeals (citation omitted)). The decision below thus affects virtually every aspect of administrative patent review by the Board.

SUMMARY OF ARGUMENT

The Appointments Clause permits Congress to vest the appointment of "inferior Officers" in a "Head[ ] of Department[ ]." U.S. Const. art. II, § 2, cl. 2. Because APJs are inferior Officers, the statute vesting their appointment in the Secretary of Commerce—a Department head—is constitutional.

I. APJs easily fit the Appointments Clause's category of "inferior Officers" because their work is extensively directed and supervised by the Director of the USPTO. The Federal Circuit erred in categorizing APJs as principal Officers.

A. The Appointments Clause's text, structure, and purpose confirm that inferior Officers are those whose "work is directed and supervised at some level"

by other Officers. *Edmond* v. *United States*, 520 U.S. 651, 663 (1997). Under this pragmatic approach, this Court has always held that administrative adjudicators are inferior Officers—even without complete direction or control by a superior in certain instances.

B. APJs are inferior Officers because, from soup to nuts, their work is supervised by principal Officers. The Director has all of the same "powerful tool[s] for control" over his subordinates as the Judge Advocate General in *Edmond*, 520 U.S. at 664—and more. The Director also controls, for example, whether to institute or terminate proceedings, 35 U.S.C. § 314(a), and whether to prescribe binding guidance to direct the result in individual cases, U.S. Pet. App. 14a. Under a straightforward application of *Edmond*, APJs are inferior Officers.

C. In concluding that APJs are principal Officers notwithstanding the Director's extensive supervision of the Board, the Federal Circuit singled out two specific mechanisms of control—removability and reviewability.

1. The court of appeals' rigid test departed from the pragmatic approach this Court adopted in *Edmond*. The Constitution does not envision, and courts are ill-equipped to prescribe, specific mechanisms of control that will mark the distinction between principal and inferior Officers in every circumstance and every agency. Such an inflexible test also undermines Congress's "significant discretion" to vest the appointments of inferior Officers as it thinks proper, *Morrison* v. *Olson*, 487 U.S. 654, 673 (1988), and fails to account for the full range of a superior's powers.

2. Even if removability and reviewability were the primary focus of the inquiry, APJs still would be

inferior Officers. It is well established that "Congress c[an] provide tenure protections" where an official is an "*inferior* officer[ ]," *Seila Law LLC* v. *CFPB*, 140 S. Ct. 2183, 2192 (2020), and the Director has at least the same "powerful" ability to remove APJs from "judicial assignment without cause" as the Judge Advocate General in *Edmond*, 520 U.S. at 664. Moreover, this Court has repeatedly held that officials who can "render the decision[ ]" for the Executive Branch without any further Executive review are nevertheless inferior Officers. *E.g.*, *Freytag* v. *Comm'r*, 501 U.S. 868, 882 (1991).

3. The Federal Circuit reasoned that APJs "in significant ways mirror[ ]" Copyright Royalty Judges (CRJs), whom the D.C. Circuit has held to be principal Officers. U.S. Pet. App. 19a–21a. In fact, the two regimes are worlds apart, and CRJs are subject to nowhere near the amount of supervision and control as APJs. APJs *do* closely resemble, however, at least 100 other administrative adjudicators who issue over 85,000 decisions each year. The decision below calls into question the statutorily mandated mode of appointment for these other Officers.

D. For nearly two centuries, the political branches have treated APJs and their predecessors as inferior Officers. Even after eliminating direct agency review of their decisions—in 1927—and giving them authority to preside over precursors to today's IPR proceedings—in 1984—Congress treated APJs and their predecessors as inferior Officers. In fact, Congress vested the appointment of APJs in the Secretary of Commerce (rather than the Director) precisely to *avoid* Appointments Clause concerns. The Court should give "'great weight'" to this "'[l]ong settled and established practice'" of the co-equal branches. *NLRB*

v. *Noel Canning*, 573 U.S. 513, 524 (2014) (alteration in original; citation omitted).

II. Because APJs are inferior Officers, the issues of severance and remedy addressed by the Federal Circuit need not be reached.

ARGUMENT

In prescribing the means for appointing all principal and "inferior Officers," U.S. Const. art. II, § 2, cl. 2, the Appointments Clause ensures that Executive Departments and agencies will have a principal at the top in charge of formulating or implementing national policy in a specific area, and ranks of subordinates below who help execute that policy.

Since its establishment in 1836, the USPTO has followed that design. At the top sits a presidentially nominated and senatorially confirmed principal—now aptly named the Director—who prescribes national patent policy and directs its implementation in part through agency adjudication. And helping the Director conduct those adjudications has been a cadre of administrative adjudicators, now known as APJs, who have always been viewed as inferior Officers and appointed accordingly.

The Federal Circuit erroneously ruled in this case that hundreds of subordinate APJs—who do not formulate policy and who act under the Director's extensive supervision—are principal Officers. That conclusion cannot be reconciled with an unbroken line of decisions from this Court recognizing that administrative adjudicators are inferior Officers. Nothing about administrative patent adjudication warrants departure from those precedents.

The judgment below should be reversed.

I. APJs Are Inferior Officers Of The United States.

"[A]mong the significant structural safeguards of the constitutional scheme," *Edmond* v. *United States*, 520 U.S. 651, 659 (1997), the Appointments Clause balances two important purposes.

On the one hand, the Clause "preserve[s] political accountability relative to important Government assignments." *Edmond*, 520 U.S. at 663. The President, with the Senate's advice and consent, "select[s] principal officers of the United States." *Id.* at 659–60. And "[t]hrough the President's oversight, 'the chain of dependence [is] preserved,'" so that all executive Officers "'depend . . . on the President, and the President on the community.'" *Seila Law LLC* v. *CFPB*, 140 S. Ct. 2183, 2203 (2020) (second alteration in original) (quoting 1 Annals of Cong. 499 (J. Madison)).

On the other hand, the Clause recognizes the need for efficiency and "administrative convenience" as lower offices multiply. *Edmond*, 520 U.S. at 660. It therefore gives Congress discretion in assigning "the Appointment of such inferior Officers, as [it] think[s] proper," including to a "Head[ ] of Department[ ]." U.S. Const. art. II, § 2, cl. 2.

Congress exercised this discretion in creating an efficient and accountable USPTO structure: It provided for a single Director, appointed by the President with the advice and consent of the Senate, to direct and supervise all facets of the USPTO's work; and it created ranks of APJs, appointed by the Secretary of Commerce (a Head of Department), to conduct administrative review of issued patents. The chain of executive command thus runs from the President, through the Secretary and the Director, to the APJs.

Under this Court's established framework, APJs are inferior Officers because their "work is directed and supervised" by the Director in myriad ways. *Edmond*, 520 U.S. at 663. In holding that APJs are principal Officers, the Federal Circuit rewrote this Court's precedents, adopting a rigid multipart test that conflicts with the Constitution and calls into question the appointments of hundreds of agency adjudicators across the Executive Branch. That decision also casts aside the political branches' centuries-old view that APJs and their predecessors are inferior Officers.

A. Inferior Officers Are Directed And Supervised At Some Level By Another Officer.

This Court's established approach to categorizing inferior Officers is straightforward: "Whether one is an 'inferior' officer depends on whether he has a superior" below the President. *Edmond*, 520 U.S. at 662. The superior's oversight need not take any particular form, check any "exclusive criterion," *id.* at 661, or even be "plenary," *Free Enter. Fund* v. *Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 504 (2010). The Officer may also exercise significant authority "largely independently" from the superior. *Ibid.* But so long as he is "directed and supervised at some level" by another Officer, he is an inferior Officer. *Edmond*, 520 U.S. at 663.

1. *Edmond*'s straightforward construction of the term "inferior Officer" makes perfect sense of the constitutional text, structure, and purpose.

a. *Edmond*'s construction reflects "the Constitution's original meaning." *NLRB* v. *SW Gen., Inc.*, 137 S. Ct. 929, 947 n.2 (2017) (Thomas, J., concurring). The phrase "inferior Officer" has always connoted

merely a "relationship with some higher ranking officer or officers below the President." *Edmond*, 520 U.S. at 662. Founding-era dictionaries, for example, define "inferior" in terms of a relationship of "[s]ubordinat[ion]," irrespective of the precise contours of that subordinate relationship. *E.g.*, Samuel Johnson, *Dictionary of the English Language* (1755) (Inferiour); Thomas Sheridan, *A Complete Dictionary of the English Language* (2d ed. 1789) (Inferiour); Noah Webster, *An American Dictionary of the English Language* (1828) (Inferior).

"[I]n other parts of the constitution," *Martin* v. *Hunter's Lessee*, 14 U.S. (1 Wheat.) 304, 329–30 (1816), the term "inferior" likewise means subject to some level of supervision. The term "inferior" appears three other times in the Constitution, each in reference to the lower courts. *See* U.S. Const. art. I, § 8, cl. 9 ("Tribunals inferior to the supreme Court"); *id.* art. III, § 1 ("inferior Courts" (twice)). These uses of the word "inferior" "plainly connote[ ]" some "relationship of subordination" to this Court. *Morrison* v. *Olson*, 487 U.S. 654, 719 (1988) (Scalia, J., dissenting); *see also Cohens* v. *Virginia*, 19 U.S. (6 Wheat.) 264, 396 (1821) (as a "supervising Court," this Court's "peculiar province . . . is to correct the errors of an inferior Court").

The first Congress also understood the term "inferior" to connote a subordinate relationship. *See Edmond*, 520 U.S. at 663–64. For example, when "establish[ing] the first Executive department," the Department of Foreign Affairs, Congress designated the Secretary of that Department a "'principal officer,'" and his subordinate, the "'chief Clerk,'" an "'inferior officer.'" *Id.* at 663 (quoting Act for Establishing an Executive Department, ch. 4, § 2, 1 Stat. 28, 29 (1789)).

"Congress used similar language in establishing the Department of War." *Id.* at 664. When creating the Patent Office a half-century later, Congress followed the same template with a "Chief Clerk" as an "inferior officer" below the Commissioner of Patents, who was a "principal officer." Act of July 4, 1836, ch. 357, §§ 1–2, 5 Stat. 117, 117–18.

b. *Edmond*'s straightforward construction of "inferior Officer" also makes sense of the constitutional structure.

As President Washington explained, no "'one man'" is "'able to perform all the great business of the State.'" *Free Enter. Fund*, 561 U.S. at 483 (quoting 30 *Writings of George Washington* 333, 334 (May 25, 1789) (John C. Fitzpatrick ed., 1939)). Article II reflects this reality. At the top of the Executive Branch is the President, followed by Ambassadors, cabinet-level Officers, and other principals held accountable as the President's direct agents. Below the principals are a larger number of "inferior Officers," U.S. Const. art. II, § 2, cl. 2, and then an even larger number of non-Officer employees. The Constitution thus envisions that the Executive Power will be exercised "[t]hrough the President's oversight," by a range of officials, from "'the lowest officers, [to] the middle grade, and highest,'" throughout Article II's "'chain of dependence.'" *Seila Law*, 140 S. Ct. at 2203 (quoting 1 Annals of Cong. 499 (J. Madison)).

What differentiates executive Officers in this structure is not their functions or any particular supervisory mechanism, but their relationship to other officials in the Executive Branch hierarchy. For this structure to function properly, inferior Officers must be able to exercise "significant authority" even without "complete" supervision by a superior, *Edmond*,

520 U.S. at 662, 664, and to exercise even the superior's own authority "under special and temporary conditions"—without thereby "transform[ing]" into a principal Officer, *United States* v. *Eaton*, 169 U.S. 331, 343 (1898). Otherwise, the "discharge of administrative duties would be seriously hindered." *Ibid.*

c. *Edmond*'s construction of "inferior Officer" also serves the Appointments Clause's twin purposes of "public accountability" and "administrative convenience." 520 U.S. at 660.

For principal Officers, the Appointments Clause's requirement of presidential nomination and senatorial confirmation "ensure[s] public accountability for both the making of a bad appointment and the rejection of a good one." *Edmond*, 520 U.S. at 660. At the same time, the Constitution gives Congress flexibility in choosing the method of appointing "inferior Officers," for whom "administrative convenience . . . was deemed to outweigh the benefits of the more cumbersome procedure." *Ibid.*; *see also United States* v. *Germaine*, 99 U.S. 508, 510 (1879) (discussing U.S. Const. art. II, § 2, cl. 2).

Edmond's pragmatic distinction between principal and inferior Officers preserves public accountability for the direct agents of the President in charge of formulating or implementing federal policy in a particular area. It also maintains flexibility, as Congress can readily ascertain whether it can select an alternate method of appointment for a particular Officer. As this case demonstrates, without such a practical line between inferior and principal Officers, there could be "endless controversies" as to the proper classification of Officers—precisely what the Appointments Clause aimed to prevent. *Ex parte Siebold*, 100 U.S. 371, 397–98 (1879).

2. In applying these principles, this Court has always recognized that administrative adjudicators are inferior Officers—even in the absence of complete direction or control by a superior in particular instances.

Edmond, for example, held that intermediate appellate military judges were "inferior" Officers because the Judge Advocate General could "exercise[ ] administrative oversight," remove the judges from their "judicial assignment," and "order any decision submitted for review" by the Court of Appeals for the Armed Forces (CAAF). 520 U.S. at 664–66. Review by the CAAF was significant because the Judge Advocate General could "not attempt to influence . . . the outcome of individual proceedings." *Id.* at 664; *see*, *e.g.*, *United States* v. *Mabe*, 33 M.J. 200, 206 (C.M.A. 1991) (letter to military judge about his sentencing decisions was improper influence). The Judge Advocate General's supervision thus was far from "complete," and the CAAF's review was itself "limit[ed]" in scope, as the CAAF could "not reevaluate [any] facts" for which "there [was] some competent evidence in the record." *Edmond*, 520 U.S. at 664–65. Nonetheless, this Court held that the military judges were inferior Officers "by reason of [their] supervision." *Id.* at 666; *see also Weiss* v. *United States*, 510 U.S. 163, 182 (1994) (Souter, J., concurring) (explaining that trial-level military judges were "inferior" Officers).

Similarly, the adjudicators in *Freytag* and *Lucia* unquestionably were inferior Officers, even though their decisions were not always subject to review within the Executive Branch. *Freytag* held that special trial judges of the U.S. Tax Court were inferior Officers—despite their power to "render the decisions of the Tax Court in [certain] cases." 501 U.S. at 882.

And *Lucia* recognized that administrative law judges (ALJs) of the Securities and Exchange Commission (SEC) were "near-carbon copies" of the adjudicators in *Freytag*. *Lucia* v. *SEC*, 138 S. Ct. 2044, 2052 (2018). Just as special trial judges could "definitively resolve a case for the Tax Court," *ibid.*, SEC ALJs could, among other things, issue immediately enforceable default orders without any agency review, *see In re Alchemy Ventures*, *Inc.*, Exchange Act Release No. 70,708, 2013 WL 6173809, at *4 (Oct. 17, 2013). And practically speaking, the SEC often "decide[d] against reviewing an ALJ decision at all." *Lucia*, 138 S. Ct. at 2054.

B. APJs Are Directed And Supervised By The USPTO Director.

APJs are "inferior" Officers under *Edmond* because, from soup to nuts, their work is directed and supervised by other Officers.

1. The Director, a principal Officer who is politically accountable and serves at the President's pleasure, *see* 35 U.S.C. § 3(a)(4), extensively directs and supervises APJs' work. For example, the Director has or claims the following powers, among others:

- provides "policy direction and management supervision" for APJs, 35 U.S.C. § 3(a)(2)(A);
- fixes APJs' rate of pay, *id.* § 3(b)(6);
- controls whether to institute IPRs in the first place, *id.* § 314(a);
- controls how many and which APJs sit on which panels, *id.* § 6(c);
- provides "exemplary applications of patent laws to fact patterns" that are binding on

APJs, U.S. Pet. App. 14a; *see also* 35 U.S.C. § 3(a)(2)(A);

- controls whether a panel's decision will be precedential, SOP 2 at 11–12;
- directs whether a panel's decision will be reheard by controlling whether a Precedential Opinion Panel (on which he sits) votes to rehear a case, *id.* at 4–5;
- controls how many and which APJs rehear a case, 35 U.S.C. § 6(c); and
- decides whether to dismiss an entire IPR proceeding rather than allow a panel's decision to become final, U.S. Pet. App. 279a–280a (Hughes, J., dissenting from the denial of rehearing en banc).

The Director indisputably is in charge of formulating the USPTO's "policy direction . . . for the issuance of patents," 35 U.S.C. § 3(a)(2)(A), and it is equally indisputable that he oversees the implementation of that policy through Board proceedings. To take one recent example, the Director has requested notice and comment on a proposed rule governing the relevant factors for instituting IPR proceedings. *See* Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66,502 (Oct. 20, 2020). In addition to deciding whether to institute IPRs, 35 U.S.C. § 314(a), (d), the Director decides who will preside over them, *id.* § 6(c), and even how they are resolved.

Like the Judge Advocate General in *Edmond*, the Director "exercises administrative oversight," 520 U.S. at 664, by providing "management supervision for the Office," 35 U.S.C. § 3(a)(2)(A), "prescrib[ing]

regulations" governing the substantive and procedural conduct of IPR proceedings, *id.* § 316(a), and controlling APJs' pay, *id.* § 3(b)(6). But unlike the Judge Advocate General—who could not influence individual decisions—the Director can "issue policy directives" that "include exemplary applications of patent laws to fact patterns," which APJs must follow "when presented with factually similar cases." U.S. Pet. App. 14a; *see also* 35 U.S.C. § 3(a)(2)(A). Because the Director has these mechanisms for controlling the content of APJ decisions on the front end, there is little need for the Director to review decisions on the back end.

The Director *also* controls the review and termination of IPR proceedings. If dissatisfied with the Board's decision, the Director may "single-handedly" decide not to make it precedential, or add more members to the panel (including himself) and potentially order the matter reheard. U.S. Pet. App. 278a (Hughes, J., dissenting from the denial of rehearing en banc); *see also Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1384 (Fed. Cir. 2016) (reconsideration decisions are unreviewable). Alternatively, if the Director thinks the patent claims should not be canceled, he can terminate the proceedings. *See BioDelivery Scis. Int'l, Inc.* v. *Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019) (holding termination of proceedings nearly five years after institution was final and nonappealable). The Director also asserts the authority to designate a new panel that may do so. *See RPX Corp.* v. *Applications in Internet Time, LLC*, Case IPR2015-01750, Paper 124 (P.T.A.B. Sept. 4, 2020) (replacing original panel twenty-two months after remand from Federal Circuit); *id.*, Paper 126 (P.T.A.B. Sept. 9, 2020) (institution terminated five days later).

In no circumstance, then, can an APJ "render a final decision on behalf of the United States unless permitted to do so by" the Director. *Edmond*, 520 U.S. at 665; *see also Dep't of Transp.* v. *Ass'n of Am. R.Rs.*, 575 U.S. 43, 64 (2015) (Alito, J., concurring) ("nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it"). Indeed, the *final* action in an IPR proceeding—the cancellation or confirmation of the patent claims—is by statute committed solely to the Director. 35 U.S.C. § 318(b).

2. The Secretary of Commerce, another principal Officer who serves at the President's pleasure, *see* 15 U.S.C. § 1501, also exercises supervision and control over APJs. The Secretary appoints APJs in consultation with the Director, 35 U.S.C. § 6(a), and generally may remove them "for such cause as will promote the efficiency of the service," 5 U.S.C. § 7513(a), which includes a "'failure to follow instructions,'" *Cobert* v. *Miller*, 800 F.3d 1340, 1351 (Fed. Cir. 2015) (alteration and citation omitted). Such failure could include not following the Director's binding "exemplary applications of patent laws to fact patterns." U.S. Pet. App. 14a.

3. These supervisory powers mean that "[t]he Director"—a principal Officer who is removable by the President at will—"bears the political responsibility" for the work APJs do. *Saint Regis Mohawk Tribe* v. *Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018). "'[I]t is the Director, the politically appointed executive branch official, not the private party, who ultimately decides whether to proceed against the'" patent owner in IPR proceedings. *Regents of the Univ. of Minn.* v. *LSI Corp.*, 926 F.3d 1327, 1339 (Fed. Cir. 2019) (citation omitted). And it is the Director who

formulates the applicable federal policy, prescribes guidance in individual cases (if he so chooses), and directs whether rehearing is warranted.

Participants in the patent system regularly take the Director to task for these decisions. *See*, *e.g.*, Aydin H. Harston, *Responding to Growing Criticisms, PTAB Expands Discretion to Deny Institution*, Rothwell Figg (May 17, 2019), https://www.ptablaw.com/2019/05/17/responding-to-growing-criticisms-ptab-expands-discretion-to-deny-institution/; Florian Mueller, *USPTO Drifting Out of Balance Under Director (Undersecretary) Andrei Iancu: PTAB Under Attack*, Foss Patents (May 20, 2019), http://www.foss-patents.com/2019/05/uspto-drifting-out-of-balance-under.html. If the drumbeat grows strong enough, the President can remove the Director or suffer the political consequences. *See*, *e.g.*, *Free Enter. Fund*, 561 U.S. at 498 (with clear lines of authority, the public can "'determine on whom the blame or the punishment of a pernicious measure . . . ought really to fall'" (citation omitted)).

In short, the USPTO's structure ensures that accountability for APJ decisions falls where it should: on the Director, as the President's direct agent. That is precisely the "political accountability" that the Appointments Clause both demands and ensures. *Edmond*, 520 U.S. at 663.

C. The Federal Circuit Erred In Holding That APJs Are Principal Officers.

The decision below correctly recognized that the Director "exercises a broad policy-direction and supervisory authority over the APJs" that is "similar to the supervisory authority" in *Edmond*. U.S. Pet. App.

14a–15a. That should have been the end of the analysis, or close to it. The panel, however, went on to transform *Edmond*'s inquiry into a rigid test that, direction and supervision notwithstanding, artificially focuses on two particular *mechanisms* of supervision. APJs are principal Officers, the court ultimately ruled, because "the Director lack[s] unfettered removal authority" and the "power to single-handedly review, nullify or reverse a final written decision issued by a panel of APJs." *Id.* at 10a, 15a.

Even if removability and reviewability were the exclusive or primary focus of the inquiry, APJs still would be inferior Officers. The panel's contrary conclusion rests on a flawed comparison of APJs to adjudicators on the Copyright Royalty Board and calls into question the appointment of other adjudicators throughout the federal government.

1. The Federal Circuit Rewrote *Edmond*.

As *Edmond* explained, there is no "exclusive criterion" for distinguishing principal from inferior Officers. 520 U.S. at 661. Some superiors will have certain control mechanisms, while other superiors will have different ones. The relevant inquiry is whether, when all applicable control mechanisms are considered, the Officer's "work is directed and supervised at some level" by other Officers. *Id.* at 663. By treating *specific* mechanisms of control as ends in their own right, the Federal Circuit fundamentally rewrote this inquiry and created unnecessary constitutional concerns.

a. As a textual matter, the Constitution does not speak of Officers subject to particular removal or re-

view mechanisms. Rather, it identifies principal Officers as "Ambassadors," "other public Ministers and Consuls," and presumably others (*e.g.*, cabinet members) similarly held accountable as direct agents of the President—as well as "inferior Officers" below them, U.S. Const. art. II, § 2, cl. 2, and then even more non-Officer employees.

The Constitution thereby requires a Goldilocks-type inquiry. The principal-officer category does not fit—the porridge is too hot—unless the executive official is in charge of formulating or implementing national policy in a certain area. *See Edmond*, 520 U.S. at 662. Conversely, the "broad" category of employees or "'lesser functionaries'" does not fit—the porridge is too cold—if the official exercises "'significant authority.'" *Lucia*, 138 S. Ct. at 2051 (citations omitted). The "inferior Officer" category is *just right* for those who exercise significant federal authority, but are subject to supervision in doing so. Such an inquiry is necessarily pragmatic and context-specific. The Court in *Edmond* recognized this as a virtue, not a vice.

Indeed, the Federal Circuit's approach encroaches on Congress's textually committed power to vest the appointments of inferior Officers "as [it] think[s] proper." U.S. Const. art. II, § 2, cl. 2. As this Court explained in *Morrison*, "'a more specific direction'" on the dividing line between principal and inferior Officers—as the Federal Circuit's test imposes—could "'harass[ ]'" the country with "'endless controversies.'" 487 U.S. at 674 (quoting *Siebold*, 100 U.S. at 398). To be sure, Congress has required presidential nomination and senatorial confirmation for many who are not actually principal Officers. *See generally* Christopher M. Davis & Michael Greene, Presidential Appointee

Positions Requiring Senate Confirmation and Committees Handling Nominations, CRS Report RL30959 (May 3, 2017), https://fas.org/sgp/crs/misc/RL30959.pdf. But that is merely the "default" manner of appointment for *all* Officers, including inferior Officers. *Edmond*, 520 U.S. at 660. It does not expand the category of principal Officers; it instead reaffirms Congress's "significant discretion" to vest (or not to vest) the appointment of inferior Officers elsewhere. *Morrison*, 487 U.S. at 673.

b. As a practical matter, the judicial inquiry properly considers supervisory structures as a whole—not specific mechanisms of control—because the Judiciary is ill-suited "to provide, by immutable rules," the "means by which government should, in all future time, execute its powers." *McCulloch* v. *Maryland*, 17 U.S. (4 Wheat.) 316, 415–16 (1819); *see also Free Enter. Fund*, 561 U.S. at 523 (Breyer, J., dissenting) ("the Judiciary possesses an inferior understanding of the realities of administration, and the manner in which . . . political power[ ] operates").

This Court has "never invalidated an appointment made by the head of" a Department. *Free Enter. Fund*, 561 U.S. at 511 (majority op.). Generally speaking, courts are ill-equipped to divine which specific mechanisms of control must be present or absent in all circumstances, in every agency, for an Officer to fall on the inferior-officer side of the line. *See*, *e.g.*, *Seila Law*, 140 S. Ct. at 2237 (Kagan, J., dissenting in part) ("[n]o mathematical formula governs institutional design; trade-offs are endemic to the enterprise").

The Federal Circuit's rigid test fails to account for the cumulative effect of principal Officers' full range of supervisory powers. The presence or absence of at-

will removability, for example, is less significant where a superior can directly prescribe how the inferior is supposed to perform her functions and terminate her for noncompliance. Similarly, the importance of direct reviewability of decisions is lessened where the superior sets the overarching policy for the agency and has mechanisms for controlling the content of a subordinate's decision before it issues. Just as all of an official's functions are relevant to whether the official is an inferior Officer or employee, *Freytag*, 501 U.S. at 880–82, so too are all mechanisms of control relevant to whether the official is a principal or inferior Officer.

In short, the Federal Circuit did in this case what this Court has often criticized it for doing: it adopted a "rigid and mandatory formula[ ]" that "den[ies] . . . recourse to common sense." *KSR Int'l Co.* v. *Teleflex Inc.*, 550 U.S. 398, 419, 421 (2007). Categorization of federal Officers requires pragmatism and context; it cannot be reduced to a mechanical checklist. And viewed through the pragmatic lens of *Edmond*, it is clear that APJs are inferior, not principal, Officers.

2. APJs Would Be Inferior Officers Even If Removability And Reviewability Were Paramount.

The Federal Circuit ultimately concluded that APJs are principal Officers *because* they are not removable at will and their decisions are not directly reviewable by the Director alone. Neither attribute, however, determines principal-officer status. And with respect to both attributes, APJs are subject to at least as much supervision and control as other inferior Officers.

a. The Federal Circuit got it backwards in holding that APJs are principal Officers because they have removal protections. As this Court has repeatedly (and recently) recognized, "Congress c[an] provide tenure protections" *because* an official is an "*inferior* officer[ ]." *Seila Law*, 140 S. Ct. at 2192. While principal Officers normally should be removable at will, there is no similar expectation regarding the removability of inferior Officers. On the contrary, many if not most inferior Officers enjoy some protection from removal (*e.g.*, as members of the civil service).

This Court has long made clear that when Congress "vests the appointment of inferior officers in the heads of Departments it may limit and restrict the power of removal as it deems best for the public interest." *United States* v. *Perkins*, 116 U.S. 483, 485 (1886); *accord Seila Law*, 140 S. Ct. at 2199; *Free Enter. Fund*, 561 U.S. at 494. Accordingly, this Court has repeatedly recognized similar officials who cannot be removed at will as inferior Officers. *See Lucia*, 138 S. Ct. at 2050–51 & n.1 (SEC ALJs); *Morrison*, 487 U.S. at 691–93 (independent counsel); *see also Weiss*, 510 U.S. at 179–81 & n.7; *id.* at 193 & n.8 (Souter, J., concurring) (military judges).

Unlike these other inferior Officers—who can be removed only for good cause, full stop—APJs generally may be removed "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). That broadly includes failure or refusal to follow the Director's binding "exemplary applications of patent laws to fact patterns." U.S. Pet. App. 14a; *see* U.S. Pet. 19. Such a "'[f]ailure to follow instructions'" that "'affects the agency's ability to carry out its mission'" constitutes sufficient cause for removal. *Cobert*, 800 F.3d at 1351 (alteration in original; citation omitted).

In any event, this Court has never suggested that only removal from employment counts. The "powerful tool for control" in *Edmond* was not—as the Federal Circuit assumed—removal from employment, but removal from "judicial assignment." 520 U.S. at 664. Like the military judges in *Edmond*, APJs are subject to removal from judicial assignment without cause. *See* 35 U.S.C. § 6(c). And the Director *also* controls which and how many other APJs will serve on a Board or rehearing panel. *Ibid.* Whereas the Judge Advocate General could not "attempt to influence" particular proceedings, *Edmond*, 520 U.S. at 664 (citing 10 U.S.C. § 837), no statute precludes the Director from doing so through his reassignment power.

The Federal Circuit dismissed the supervisory mechanism of reassignment as "not nearly as powerful as the power to remove from office without cause." U.S. Pet. App. 17a. But the removal power is a "powerful tool" for control of subordinates only because it causes them to "'fear and, in the performance of [their] functions, obey'" the superior's command. *Seila Law*, 140 S. Ct. at 2197 (alteration in original; citation omitted). Where, as here, the superior has *other* supervisory mechanisms for inducing such compliance, including reassignment, there is no reason to insist upon at-will removal from employment as a constitutional touchstone.

b. The Federal Circuit similarly erred in treating the reviewability of APJs' decisions by a single principal Officer as determinative of principal-officer status. This Court has never suggested that only those adjudicators whose decisions can be "single-handedly review[ed], nullif[ied] or reverse[d]" can be inferior Officers. U.S. Pet. App. 10a. To the contrary, this Court has repeatedly held that officials who can issue final

decisions without further Executive review are nevertheless inferior Officers. APJs and their predecessors have had such final decisionmaking authority for centuries.

Freytag, for instance, held that special trial judges were inferior Officers, even though they could be "assign[ed] . . . to render the decisions of the Tax Court in [certain] cases." 501 U.S. at 882; *see also* 26 U.S.C. § 7443A(c). More recently, *Lucia* held that SEC ALJs were inferior Officers even though they were "near-carbon copies" of special trial judges, who the Court reiterated could "definitively resolve a case for the Tax Court." 138 S. Ct. at 2052. SEC ALJs could issue immediately enforceable default orders without any review by the Commission. *See Alchemy Ventures*, 2013 WL 6173809, at *4; *see also Lucia*, 138 S. Ct. at 2054. Even the independent counsel in *Morrison* was an inferior Officer despite her "'full power and independent authority to exercise all investigative and prosecutorial functions and powers of the Department of Justice,'" 487 U.S. at 671 (citation omitted), a "core executive power," *Seila Law*, 140 S. Ct. at 2200.

Arthrex has asserted that *Freytag* and *Lucia* are distinguishable because the respective agency heads in those cases *could have* created a process for reviewing all adjudicatory decisions. Arthrex Cert. Mem. 14–16. But under the relevant organic statutes, each agency could also (and did) choose *not* to do so. In the absence of such a process for review, the Tax Court had no mechanism for reviewing—much less nullifying or reversing—decisions assigned to special trial judges for final resolution. *See Freytag*, 501 U.S. at 873, 882. Yet the agency's choice to allow its adjudicators to render final decisions in certain cases did not

thereby convert those adjudicators into principal Officers.

Here, the Director has the discretionary authority to convene a Precedential Opinion Panel composed of himself and the two Commissioners, who each can be removed for "nonsatisfactory performance," 35 U.S.C. § 3(b)(2)(C), to rehear any (or *every*) Board decision, *see* SOP 2 at 4–5; *see also* U.S. Pet. App. 259a–262a (Dyk, J., dissenting from the denial of rehearing en banc). In the event of controversial Board decisions, a determination by the Director not to exercise these powers would invite scrutiny comparable to what the SEC or the Chief Tax Judge would face following contentious determinations by an SEC ALJ or special trial judge. This allows the political accountability the Appointments Clause safeguards.

By focusing narrowly on the power to "single-handedly" reverse a decision, U.S. Pet. App. 10a, the Federal Circuit ignored additional aspects of decisional control that make APJs even more clearly inferior Officers than the military judges in *Edmond*. In *Edmond*, the military judges often issued decisions that were never reviewed by other executive Officers. *See* 520 U.S. at 664–65. "What [wa]s significant," this Court found, was that the military judges at issue "ha[d] no power to render a final decision . . . unless permitted to do so by other Executive officers." *Id.* at 665. The key was that a superior could *prevent* the Officer's decision from becoming final, not that she "single-handedly" could review that decision.

As Arthrex concedes, the Director likewise "can prevent a decision from issuing" by, for example, calling for review. Arthrex Cert. Mem. 21 n.4; *see* SOP 2 at 4–5. But when rehearing occurs, it takes the form of an entirely new hearing, SOP 2 at 7; 37 C.F.R.

§§ 41.52, 42.71, which is significantly broader than the "narrow[ ]" appellate review in *Edmond*, 520 U.S. at 665. And unlike the Judge Advocate General, the Director can prescribe binding guidance before any rehearing. U.S. Pet. App. 14a; *see also* 35 U.S.C. § 3(a)(2)(A).

In addition, the Director has several mechanisms for regulating the effect of APJ decisions that the Judge Advocate General did not—including unreviewable discretion to prevent any APJ decision by not instituting proceedings in the first place, *see* 35 U.S.C. § 314(d), to decide whether a panel decision will be precedential, SOP 2 at 11–12, and to dismiss the entire IPR proceeding rather than allow the panel's decision to become final, U.S. Pet. App. 279a–280a (Hughes, J., dissenting from the denial of rehearing en banc); *see also Medtronic*, 839 F.3d at 1384.

Thus, even if the inquiry were focused exclusively on removability and reviewability, APJs would be inferior Officers.

3. The Decision Below Calls Into Question Other Executive Branch Adjudicators.

The Federal Circuit supported its conclusion that APJs are principal Officers with the observation that APJs "in significant ways mirror[ ]" CRJs, who the D.C. Circuit has held are principal Officers. U.S. Pet. App. 19a–21a (discussing *Intercollegiate Broad. Sys., Inc.* v. *Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012)). While APJs are not analogous to CRJs, the decision below could affect over 100 other administrative adjudicators who issue more than 85,000 decisions each year without further review within the Ex-

ecutive Branch—but who, like APJs, are not appointed as principal Officers and are not removable at will.

a. As recounted by the D.C. Circuit in *Intercollegiate*, the Librarian of Congress exercised nowhere near the amount of supervision and control over the three CRJs that the Director does over hundreds of APJs. Even assuming that the Library of Congress, an agency of the Legislative Branch, is equivalent to a purely executive agency such as the USPTO for Appointments Clause purposes, CRJs are not analogous to APJs.

Unlike here, where "the Director's supervisory powers *weigh in favor* of a conclusion that APJs are inferior officers," U.S. Pet. App. 15a (emphasis added), the D.C. Circuit concluded that the Librarian's supervisory functions "*fall short* of the kind that would render the CRJs inferior officers," *Intercollegiate*, 684 F.3d at 1339 (emphasis added). The Librarian has no control over the judicial assignments of CRJs, *see* 17 U.S.C. § 803(a)(2), or how many or which CRJs sit on a panel; there are three CRJs, and they always sit "en banc," *id.* §§ 801(a), 803(a)(2). Nor does the Librarian have any say in whether to institute proceedings. Instead, the CRJs themselves receive petitions and determine whether petitioners have standing. *Id.* § 804(a).

The Director's review powers also far exceed the Librarian's powers with respect to CRJs' rate determinations. Although CRJs must follow the Librarian's binding guidance on "novel material question[s]" of law, 17 U.S.C. § 802(f)(1)(B), such guidance is limited to pure issues of law and, the D.C. Circuit concluded, "plainly leaves vast discretion over the rates and terms," *Intercollegiate*, 684 F.3d at 1339. Unlike

APJs, therefore, CRJs have "full independence in making determinations" of copyright royalty rates, 17 U.S.C. § 802(f)(1)(A)(i), on which, the court emphasized, "'billions of dollars'" can ride, *Intercollegiate*, 684 F.3d at 1337–38 (quoting *SoundExchange, Inc.* v. *Librarian of Congress*, 571 F.3d 1220, 1226 (D.C. Cir. 2009) (Kavanaugh, J., concurring)). In addition, the D.C. Circuit concluded that CRJs' rate determinations are not reversible or correctable by any other Officer or entity within the Executive Branch. *Id.* at 1340 (citing 17 U.S.C. § 802(f)(1)(A)(i)); *see also* 17 U.S.C. § 802(f)(1)(A)(ii). APJs' determinations, in contrast, are subject to review—if the Director so decides—meaning no APJ can speak the last word for the Executive Branch unless "permitted to do so by other Executive officers." *Edmond*, 520 U.S. at 665.

Accordingly, a conclusion that the APJs at issue in this case are inferior Officers would not be inconsistent with the D.C. Circuit's conclusion that CRJs were principal Officers.

b. At the same time, the Federal Circuit's reasoning (if adopted by this Court) would call into question the efficient operations of other systems of administrative adjudication throughout the Executive Branch.

For example, all 102 members of the Board of Veterans' Appeals (BVA), except the Chairman, are appointed by the Secretary of the Department of Veterans Affairs. 38 U.S.C. § 7101A(a)(1); *see id.* § 7101 (BVA Chairman is appointed as a principal Officer); Daniel T. Shedd, *Overview of the Appeal Process for Veterans' Claims*, CRS Report R42609 at 3 (Apr. 29, 2013). Yet they also have the same removal protections as APJs and authority to enter final decisions.

Like APJs, BVA judges have for-cause removal protections under Title 5. *See* 38 U.S.C. § 7101A(e). And the BVA "makes the agency's final decision in cases appealed to it." *Henderson ex rel. Henderson* v. *Shinseki*, 562 U.S. 428, 431 (2011); *see also* 38 U.S.C. § 7104(a) (BVA renders "[f]inal decisions" concerning veterans benefits). In fiscal year 2018 alone, the BVA rendered the final word of the Executive Branch in 85,288 decisions. Bd. of Veterans' Appeals Annual Report Fiscal Year (FY) 2018 at 9, https://www.bva.va.gov/docs/Chairmans_Annual_Rpts/BVA2018AR.pdf.

Any review of BVA decisions is comparable to that of APJ decisions. The Chairman can order reconsideration of decisions, 38 U.S.C. § 7103, but only by a panel of the BVA—not by the Chairman alone, *see id.* § 7102. And although BVA decisions also may be "revis[ed]" in light of "clear and unmistakable error," 38 U.S.C. § 7111(a), such review is conducted by the BVA, not the Secretary, *id.* § 7111(f). Final BVA decisions are appealable only to the United States Court of Appeals for Veterans Claims (CAVC), which is considered "part of the United States judiciary," U.S. Court of Appeals for Veterans Claims, *About the Court*, http://uscourts.cavc.gov/about.php, reviews BVA decisions like "an Article III court reviewing agency action," *Henderson*, 562 U.S. at 432 n.2, and has the same powers as Article III courts, *see Cox* v. *West*, 149 F.3d 1360, 1363 (Fed. Cir. 1998) (All Writs Act); 38 U.S.C. § 7265(a) (contempt of court); *id.* § 7264(c) (applying 28 U.S.C. § 455 to CAVC judges).

As another example, all five members of the Departmental Appeals Board (DAB) of the Department of Health and Human Services are appointed by the Secretary as inferior Officers. 45 C.F.R. § 16.5(a); *see also Comm. of Pa., Dep't of Pub. Welfare* v. *U.S. Dep't*

of Health & Human Servs., 80 F.3d 796, 803 (3d Cir. 1996) (Board members are inferior Officers). Similar to APJs, DAB members may be removed by the Secretary only for "unacceptable performance or cause," *Comm. of Pa.*, 80 F.3d at 803, and generally issue the Department's final decision in disputes over Department programs and appeals from ALJ decisions, *see* Dep't of Health & Human Servs., *2018 Board Decisions* (Oct. 19, 2020), https://www.hhs.gov/about/agencies/dab/decisions/board-decisions/2018/index.html (listing 79 decisions in 2018). DAB members thus provide "the final decision of the Secretary" for Medicaid disallowances, 42 U.S.C. § 1316(e)(2)(B), and determinations affecting participation in Medicare or Medicaid, 42 C.F.R. § 498.103(b)(2). As with APJ decisions, DAB decisions are subject only to reconsideration by the Board itself or judicial review. 42 U.S.C. § 1316(e)(2)(B).

The BVA and DAB decisionmakers are among the roughly 12,000 administrative adjudicators in the federal government. *See* Administrative Conference of the United States, *Non-ALJ Adjudicators in Federal Agencies: Status, Selection, Oversight, and Removal*, at 1 (Sept. 24, 2018) ("more than 10,000" non-ALJ agency adjudicators); Jack M. Beermann & Jennifer L. Mascott, *Research Report on Federal Agency ALJ Hiring After* Lucia *and Executive Order 13843*, at 5 (May 31, 2019) (1,931 ALJs). Throughout history, all three branches have consistently treated these adjudicators as inferior Officers. While it is conceivable that a few of them might be principal Officers, it is not conceivable that all or even most of them are; and APJs clearly fall on the inferior-officer side of the line.

D. The Co-Equal Branches Have Always Treated APJs And Their Predecessors As Inferior Officers.

Focusing specifically on administrative *patent* adjudicators, Congress and the President have always viewed APJs and their predecessors as inferior Officers. This "'[l]ong settled and established practice'" of the co-equal branches is entitled to "'great weight.'" *NLRB* v. *Noel Canning*, 573 U.S. 513, 524 (2014) (alteration in original; citation omitted).

1. For nearly two centuries, Congress invariably has provided for a principal Officer to direct and supervise the work that is now performed by APJs—and equally invariably has treated APJs and their predecessors as inferior Officers.

In the early Republic, Congress established the Commissioner of Patents (today known as the Director) as a "principal officer" to oversee a Patent Office including one "Chief Clerk" (an "inferior officer") and one "examining clerk." Act of July 4, 1836, ch. 357, §§ 1–2, 7–8, 16, 5 Stat. 117, 117–25; *see* Levin H. Campbell, *The Patent System of the United States so Far as It Relates to the Granting of Patents: A History* (1891), https://www.ipmall.info/content/patent-history-materials-index-patent-system-united-states-so-far-it-relates-granting. The Commissioner was given the "duty" to "superintend, execute, and perform, all such acts and things touching and respecting the granting and issuing of patents" as were provided by law. Act of July 4, 1836, ch. 357, § 1, 5 Stat. at 117–18. At this time, Congress also gave a board of three examiners appointed by the Secretary of State the last word in interference disputes over which party first made an invention. *See id.* § 7, 5 Stat. at 119–20.

As the Patent Office's docket grew, Congress added more inferior Officers to assist the Commissioner. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246, 246. Three new examiners-in-chief (today known as APJs) "perform[ed] such . . . duties as may be assigned to them by the Commissioner," and were "governed in their action by the rules to be prescribed by the Commissioner." *Id.* § 2, 12 Stat. at 246–47. Examiners-in-chief heard appeals from patent examiners' decisions, and those appeals were further appealable to the Commissioner. *Ibid.* To be sure, examiners-in-chief were nominated by the President and confirmed by the Senate, *ibid.*; but that is the "default manner of appointment for inferior officers," *Edmond*, 520 U.S. at 660. In 1870, Congress also created "examiner[s] in charge of interferences"—inferior Officers "appointed by the Secretary of the Interior" (later the Secretary of Commerce)—to decide interference proceedings in the first instance. Act of July 8, 1870, ch. 230, § 2, 16 Stat. 198, 198–99.

As the Patent Office's workload continued to expand, it became administratively infeasible for the Commissioner directly to review each appealed decision, and Congress reverted back to a system in which inferior Officers made final determinations for the USPTO. Congress first streamlined the appeals process in 1927 by empowering the Commissioner to designate three-member panels to hear appeals, instead of hearing second-tier appeals himself. Act of Mar. 2, 1927, ch. 273, § 3, 44 Stat. 1335, 1335–36. And in 1939, Congress created a "board of interference examiners" and gave the Commissioner similar authority to designate a panel "of three examiners of interferences" for each interference proceeding, Act of Aug. 5, 1939, ch. 451, §§ 1–4, 53 Stat. 1212, 1212–13, who

would make "final determination[s] for the Patent Office" that were "reviewable" only "by the courts," R. of Prac. of the U.S. Patent Office in Patent Cases 2–3 (1949). In other words, the power to designate panels was an alternative means for the Commissioner to supervise his subordinates.

As the number of examiners-in-chief and interference examiners grew into the hundreds, Congress repeatedly confirmed they were inferior Officers—even though they had removal protections, their decisions were not directly reviewable by the Commissioner (and, later, the Director), and interference proceedings involved high-stakes disputes over which claimant had first made the relevant invention.

When reorganizing the Patent Office in 1952, for example, Congress reiterated that interference examiners would continue to be appointed by the Secretary of Commerce. *See* Act of July 19, 1952, Pub. L. No. 82-593, § 3, 66 Stat. 792, 792–93. And in 1975, Congress adopted the same method of appointment for examiners-in-chief. *See* U.S. Pet. App. 21a (citing 35 U.S.C. § 3 (1975)). Congress selected this method of appointment because presidential nomination and senatorial confirmation had become a "'burden.'" *Polaris Innovations Ltd.* v. *Kingston Tech. Co.*, 792 F. App'x 820, 829 (Fed. Cir. 2020) (Hughes, J., concurring) (quoting H.R. Rep. No. 93-856, at 2 (1974)); *see also* 117 Cong. Rec. S320 (Mar. 16, 1971) ("no useful public purpose is served" by such method of appointment). That "was exactly the reason for providing for appointment of inferior officers by people other than the President." *Polaris*, 792 F. App'x at 829 (citing *Germaine*, 99 U.S. at 509–10).

At about the same time, Congress expanded the duties of examiners-in-chief. In 1980, for example,

Congress empowered examiners-in-chief to preside over "ex parte reexamination" of previously issued patents. *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2137 (2016). In 1984, Congress added patentability issues to interference proceedings and merged the two boards—one comprising examiners-in-chief, the other interference examiners—such that examiners-in-chief would conduct all interference proceedings. *See* Patent Law Amendments Act of 1984, Pub. L. No. 98-622, §§ 201–202, 98 Stat. 3383, 3386–87. And beginning in 1999, Congress empowered APJs—as they were then renamed—to preside over "inter partes reexaminations," which were the predecessors of, and had the same "basic purpose[ ]" as, today's IPRs. *Cuozzo*, 136 S. Ct. at 2137, 2144. Like adjudications in interference proceedings, determinations in inter partes examinations were not reviewable by the Director. 35 U.S.C. § 315 (2000).

Congress nevertheless did not think that these significant duties altered APJs' status as inferior Officers. To the contrary, in 1999, Congress briefly vested the appointment of APJs in the *Director*. *See* 35 U.S.C. § 6 (2000). After an influential article noted that the Director is not a Head of Department authorized to appoint inferior Officers, Congress amended the statute to vest "the power of appointment [in] the Secretary." *In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008) (discussing John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 Patently-O Pat. L.J. 21, 21–22, 26–28 (2007)); *see also* 35 U.S.C. § 6(a), (d). Congress did so expressly to "eliminat[e] the issue of unconstitutional appointments going forward." *DBC*, 545 F.3d at 1380. By vesting APJ appointments in the Secretary of Commerce, Congress signaled unequivocally its understanding that they are inferior Officers. Had Congress thought that

APJs were principal Officers, it would have required advice-and-consent procedures instead.

The AIA created new types of proceedings, such as IPRs and post-grant reviews, for administratively reviewing an issued patent's validity. *See*, *e.g.*, 35 U.S.C. §§ 311, 321. These proceedings replaced the old inter partes reexaminations, and—as various commentators have observed—"dr[ew] extensively from" the procedures used in the patentability phase of interference proceedings. Jeffrey P. Kushan, *The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent and Trademark Office*, 30 Yale L. & Pol'y Rev. 385, 390–91 (2012); Matthew A. Smith et al., *Inter Partes Revocation Proceedings: Inter Partes Review, Post-Grant Review and Inter Partes Reexamination*, at v (West 2012 ed.) (IPRs "resemble reexamination substance superimposed onto an interference framework"). By continuing to assign the Executive Branch's "second look" at issued patent claims "to the very same bureaucracy that granted the patent in the first place," *Thryv, Inc.* v. *Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 n.7 (2020), the AIA maintained the longstanding tradition of APJs serving under the direction and supervision of the Director.

The political branches' historical "chosen method" for appointing APJs and their predecessors—appointment by a Head of Department, for reasons of convenience—thus demonstrates "that neither Congress nor the President thought [APJs] were principal officers." *Weiss*, 510 U.S. at 194 (Souter, J., concurring). Rather, APJs have always been treated as inferior Officers.

2. This "'[l]ong settled and established practice'" of the co-equal branches "'is a consideration of great

weight'" under this Court's Appointments Clause precedents. *Noel Canning*, 573 U.S. at 524 (alteration in original; citation omitted). Because the inferior-officer question "concerns the legitimacy of a classification made by Congress pursuant to its constitutionally-assigned role in vesting appointment authority," it "counsels judicial deference." *In re Sealed Case*, 838 F.2d 476, 532 (D.C. Cir.) (R.B. Ginsburg, J., dissenting), *rev'd sub nom. Morrison* v. *Olson*, 487 U.S. 654 (1988).

While the Judiciary ultimately has the last word on the proper categorization of federal officials, "a page of history is worth a volume of logic." *N.Y. Tr. Co.* v. *Eisner*, 256 U.S. 345, 349 (1921). Just recently, this Court noted that "Congress' practice of requiring advice and consent" to appoint territorial governors with important federal duties "supports the inference" that they are Officers of the United States. *Fin. Oversight & Mgmt. Bd. for P.R.* v. *Aurelius Inv., LLC*, 140 S. Ct. 1649, 1658 (2020). And the Court has "*never* invalidated an appointment made by the head of" a Department, like the Secretary. *Free Enter. Fund*, 561 U.S. at 511 (emphasis added). Instead, this Court has repeatedly respected the political branches' use of "terms . . . found within the Appointments Clause," *Edmond*, 520 U.S. at 657–58 (use of "appoint" instead of "detail" or "assign"); *Weiss*, 510 U.S. at 172 (same), and even accepted the government's concessions that certain officials "are executive 'Officers,'" *Free Enter. Fund*, 561 U.S. at 506, or—particularly relevant here—are not principal Officers, *see Lucia*, 138 S. Ct. at 2051 n.3.

Some deference to the political branches is especially appropriate here. Congress and the President recently made their views explicit by amending the

Patent Act in response to constitutional concerns about how APJs were appointed. This recent, considered reaffirmation of longstanding practice presents the strongest possible indication that the co-equal branches view APJs as inferior Officers. If there were ever a case in which to give "weight" to those views, *Noel Canning*, 573 U.S. at 524, this is it.

II. THE COURT NEED NOT REACH THE SEVERANCE AND REMEDIAL ISSUES.

Because APJs are inferior Officers, there is no constitutional violation to redress. *See*, *e.g.*, *Edmond*, 520 U.S. at 666. Their statutory mode of appointment accords with Article II, and their statutory removal protections are constitutional. *See Seila Law*, 140 S. Ct. at 2192. The Federal Circuit's order vacating the Board's final written decision and remanding this case for a new trial should be reversed, and the case remanded for the Federal Circuit to consider the merits of Arthrex's appeal from the Board's unpatentability ruling. These and other issues related to the second question on which certiorari was granted, including the consequences of Arthrex's failure to make a timely Appointments Clause challenge before the agency, will be further addressed in Smith & Nephew's second brief.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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November 25, 2020

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.

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

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

ARTHREX, INC.,
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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 prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, Arthrex, Inc. states that it has no parent corporation and that no publicly held company owns 10% or more of its stock.

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NO. 19-1434

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NO. 19-1452

SMITH & NEPHEW, INC., ET AL.,

Petitioners,

v.

ARTHREX, INC., ET AL.,

Respondents.

NO. 19-1458

ARTHREX, INC.,

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v.

SMITH & NEPHEW, INC., ET AL.,

Respondents.

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

BRIEF FOR ARTHREX, INC.

PRELIMINARY STATEMENT

Under the America Invents Act, administrative patent judges ("APJs") are the final word of the Executive Branch. No superior officer has authority to review their decisions. APJs thus do not merely decide disputes

worth billions of dollars. They speak for the Executive Branch and deliver that branch's final decree. Neither Smith & Nephew nor the government cites a single case where this Court has ever held an administrative judge to be an inferior officer even though his decisions were totally unreviewable by any superior executive officer.

While the court of appeals correctly found a constitutional violation, its remedy—eliminating APJs' tenure protections—was both inadequate and contrary to statutory design. Even without tenure protections, APJs still have the final word for the Executive Branch. That power alone makes them principal officers. The court of appeals' remedy was thus insufficient to cure the violation.

The court's remedy also produced a regime that is foreign to agency adjudication. Congress has long considered tenure protections essential to the impartiality and independence of administrative judges. Congress has provided for *review of their decisions* by presidentially appointed, Senate-confirmed agency heads—a transparent process in which agency heads must accept responsibility for their actions. But Congress has insisted on tenure protections to shield administrative judges from unseen political pressure and subtle influence. Congress would not have created an administrative scheme for revoking valuable property rights that has *neither* an impartial adjudicator *nor* transparent review by an accountable agency head.

The parties and amici have now proposed at least *ten different options* to address the constitutional defect. Selecting among them is precisely the sort of policy decision that Congress, not courts, should make.

STATEMENT

I. STATUTORY BACKGROUND

Under the Appointments Clause, the President "shall nominate, and by and with the Advice and Consent of the Senate, shall appoint * * * Officers of the United States." U.S. Const. art. II, §2. Congress, however, can "vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments." *Ibid.* The Appointments Clause thus divides federal officers into two categories: "principal officers" who must be nominated by the President and confirmed by the Senate, and "inferior officers" who may be appointed by department heads. *Edmond* v. *United States*, 520 U.S. 651, 658-661 (1997).

A. Administrative Patent Judges

1. Congress created the Patent Office in 1836 along with a presidentially appointed, Senate-confirmed officer, the Commissioner of Patents, to manage its operations. Act of July 4, 1836, ch. 357, §1, 5 Stat. 117, 117-118. In 1861, Congress created the Patent Office's first administrative patent judges, known then as "examiners-in-chief." Act of Mar. 2, 1861, ch. 88, §2, 12 Stat. 246, 246. They too were appointed "by the President, by and with the advice and consent of the Senate." *Ibid.*

Examiners-in-chief heard appeals from examiners' denials of patent applications. Act of Mar. 2, 1861, ch. 88, §2, 12 Stat. at 246. They also heard appeals from interference proceedings resolving disputes over priority to an invention. *Ibid.* Parties dissatisfied with their decisions could appeal to the Commissioner—the presidentially appointed, Senate-confirmed head of the Patent Office. *Ibid.*

In 1927, Congress created a Board of Appeals composed of the Commissioner, two assistants, and the examiners-in-chief to hear appeals from denials of patent applications and interferences. Pub. L. No. 690, § 3, 44 Stat. 1335, 1335-1336 (1927). Rather than allow appeals from the Board to the Commissioner, Congress provided for judicial review. *Id.* § 8, 44 Stat. at 1336. The Board members themselves, however, were all still appointed in the manner required for principal officers—by the President with the advice and consent of the Senate. Pub. L. No. 16, § 1, 39 Stat. 8, 8 (1916).

Throughout that era, examiners-in-chief had no general authority to reexamine the validity of previously issued patents. Except in the narrow context of priority disputes in interference proceedings, the power to reconsider a previously issued patent was reserved exclusively to the courts. See, *e.g.*, Pub. L. No. 82-593, sec. 1, §§ 135, 282, 66 Stat. 792, 801-802, 812 (1952).

2. In 1975, Congress transferred authority to appoint examiners-in-chief to the Secretary of Commerce. Pub. L. No. 93-601, sec. 1, § 3(a), 88 Stat. 1956, 1956 (1975). There is no indication that Congress considered the constitutionality of that approach; the Department of Commerce urged simply that "examiners-in-chief who perform duties requiring legal and technical qualifications and experience should be appointed without the burden of the present procedures." S. Rep. No. 93-1401, at 2 (1974). Congress also directed that examiners-in-chief be "appointed under the classified civil service," granting them the same tenure protections held by other civil servants. Pub. L. No. 93-601, § 2, 88 Stat. at 1956; see 5 U.S.C. § 7513.

In 1980, Congress created an administrative procedure known as ex parte reexamination for revoking

previously issued patents. Pub. L. No. 96-517, §1, 94 Stat. 3015, 3015 (1980). Congress granted the Board of Appeals power to review examiners' decisions in those proceedings. *Id.* sec. 1, §306, 94 Stat. at 3016 (citing 35 U.S.C. §134). In 1984, Congress renamed that entity the Board of Patent Appeals and Interferences and directed it to conduct interferences as well. Pub. L. No. 98-622, §§201-202, 98 Stat. 3383, 3386-3387 (1984).

In 1999, Congress created inter partes reexamination, another administrative process for revoking previously issued patents, but with slightly more third-party participation. Pub. L. No. 106-113, app. I, §4604(a), 113 Stat. 1501A-521, 1501A-567 (1999). Congress empowered the Board to hear appeals from those decisions too. *Id.* sec. 4604(a), §315, 113 Stat. at 1501A-569.

In the same statute, Congress renamed examiners-in-chief "administrative patent judges" and transferred appointment authority to the Patent Office's Director—someone who is not a department head and thus not capable of appointing even *inferior* officers. Pub. L. No. 106-113, app. I, sec. 4717, §6(a), 113 Stat. at 1501A-580 to -581. Congress continued to provide tenure protections by making APJs "subject to the provisions of title 5 * * * relating to Federal employees." *Id.* sec. 4713, §3(c), 113 Stat. at 1501A-577. Those protections were meant to "insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system." H.R. Rep. No. 104-784, at 32 (1996).

In 2008, after a law professor pointed out that the new appointment method was "almost certainly unconstitutional," John F. Duffy, *Are Administrative Patent Judges Unconstitutional?*, 2007 Patently-O Patent L.J. 21, 21, Congress transferred appointment authority back to the Secretary, Pub. L. No. 110-313, §1(a), 122 Stat. 3014, 3014

(2008) (codified at 35 U.S.C. § 6(a)). APJs remained subject to Title 5's civil service protections. 35 U.S.C. § 3(c). Those protections permit removal only "for such cause as will promote the efficiency of the service," 5 U.S.C. § 7513(a), a standard that normally requires "misconduct * * * likely to have an adverse impact on the agency's performance of its functions," *Brown* v. *Dep't of Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000), cert. denied, 533 U.S. 949 (2001). Title 5 also provides broad procedural protections, including an appeal to the Merit Systems Protection Board. 5 U.S.C. § 7513(b)-(d).

B. The America Invents Act

This case concerns Congress's latest and most substantial augmentation of APJ authority: the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011). The AIA created three new *adjudicative* schemes for revoking previously issued patents.

The reexamination regimes that predated the AIA were "examinational" proceedings in which patent examiners applied the same procedures that govern initial consideration of patent applications. See 35 U.S.C. § 305; 35 U.S.C. § 314(a) (2006). In the AIA, Congress sought to "convert[ ] inter partes reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (2011). It wanted a process that was "objective, transparent, clear, and fair to all parties." 157 Cong. Rec. 3433 (Mar. 8, 2011) (Sen. Kyl). Congress therefore replaced inter partes reexamination with three new adjudicative procedures: inter partes review, post-grant review, and covered business method review. Pub. L. No. 112-29, §§ 6(a), 6(d), 18, 125 Stat. at 299, 305, 329.

Those proceedings are conducted by the Patent Trial and Appeal Board, which consists of about 220 APJs as well as the Patent Office's Director, Deputy Director, and

two Commissioners. 35 U.S.C. §6(a)-(b); U.S. Patent & Trademark Office, *FY 2020 Performance and Accountability Report* 17 (Nov. 2020) (reporting 221 APJs). The Board also decides appeals from denials of patent applications and ex parte reexaminations. 35 U.S.C. §6(b)(1)-(2). And it conducts derivation proceedings, a new procedure that replaced interferences. *Id.* §§6(b)(3), 135. The Board presides over all cases in panels, which must include "at least 3 members * * * who shall be designated by the Director." *Id.* §6(c). The Director is the only Board member appointed by the President and confirmed by the Senate. *Id.* §§3(a)-(b), 6(a).

This case involves an inter partes review. Any person can petition for inter partes review of a previously issued patent on the ground that the invention was anticipated or obvious in light of a prior-art patent or printed publication. 35 U.S.C. §311. The Director may institute review if he finds a "reasonable likelihood" the petitioner will prevail. *Id.* §314(a). The Director has delegated that institution authority to the Board. 37 C.F.R. §42.4(a).

The statute then calls for a fully adversarial proceeding in which both sides can take discovery, submit evidence and briefs, and present oral argument. 35 U.S.C. §316(a). Inter partes review is a "party-directed, adversarial" process that "mimics civil litigation." *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1352, 1355 (2018). The Patent Office refers to the proceedings as "trial[s]." 37 C.F.R. §42.100(a).

At the end of the proceeding, the Board issues a final written decision. 35 U.S.C. §318(a). The Director cannot review that decision; it is appealable only to the Federal Circuit. *Id.* §319 (citing 35 U.S.C. §141). Nor can the Director grant rehearing. "Only the Patent Trial and Appeal Board may grant rehearings." *Id.* §6(c).

The Patent Office has received over 11,000 petitions for inter partes review. Patent Trial & Appeal Board, *Trial Statistics* 3 (Sept. 2020). The Board has invalidated some or all claims in 80% of cases that reached final written decisions. *Id.* at 11.

II. Proceedings Below

A. Arthrex's '907 Patent

Arthrex is a pioneer in the field of arthroscopy and a leading developer of medical devices and procedures for orthopedic surgery. This case concerns Arthrex's U.S. Patent No. 9,179,907 (the "'907 patent"), which covers a novel surgical device for reattaching soft tissue to bone. Pet. App. 86a.[1] Early suture anchors required surgeons to tie knots to secure the tissue. *Ibid.* The '907 patent discloses a device for securing tissue without knots, reducing surgery times and attendant complications:

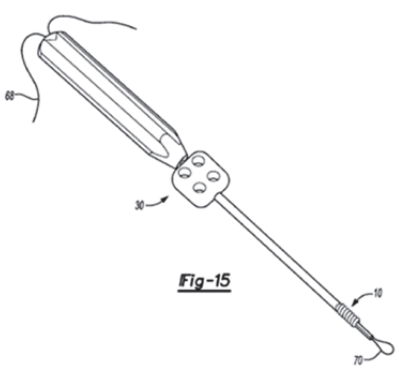

Fig-15

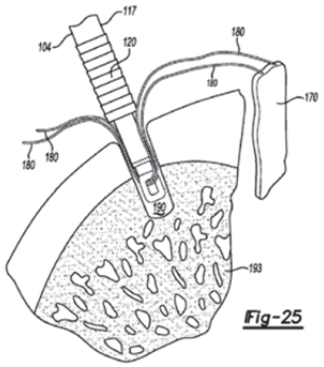

Fig-25

Pet. App. 86a-90a.

[1] Citations to "Pet. App." are to the government's petition appendix in No. 19-1434.

In 2015, Arthrex sued Smith & Nephew, Inc., and its subsidiary ArthroCare Corp., for infringing the '907 patent. Pet. App. 85a. The jury returned a verdict for Arthrex, finding the patent claims valid and infringed. *Ibid.* The parties then settled the litigation. *Ibid.*

B. The Inter Partes Review

Smith & Nephew responded to Arthrex's suit by seeking inter partes review. Pet. App. 83a. Relying on many of the same arguments it unsuccessfully advanced in the litigation, Smith & Nephew urged that the Patent Office's publication of *the inventors' own original application* was prior art that anticipated the '907 patent. *Id.* at 93a-94a, 102a n.7; Pet. in No. 19-1458, at 9.

The Patent Trial and Appeal Board agreed. The Board made credibility findings about expert testimony and evaluated testimony from the prior litigation. Pet. App. 106a-111a, 114a, 125a. It also ruled on a motion to exclude evidence. *Id.* at 126a-128a. Ultimately, it held every disputed claim invalid. *Id.* at 128a.

C. The Federal Circuit's Decision

The court of appeals vacated and remanded. Pet. App. 1a-33a. The court did not address Arthrex's challenge to the Board's patentability ruling. Instead, it held that the APJs who decided Arthrex's case were appointed in violation of the Appointments Clause.

1. The court explained that the Appointments Clause requires principal officers to be appointed by the President and confirmed by the Senate, but permits inferior officers to be appointed by department heads. Pet. App. 6a. Under *Edmond* v. *United States*, 520 U.S. 651 (1997), "'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." Pet. App. 9a (quoting 520 U.S. at 663). *Edmond*, the court explained, emphasizes three factors that distinguish principal from inferior officers: "(1) whether [a presidentially] appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." *Ibid.*

The first factor, review authority, pointed to principal officer status. No principal executive officer has authority to review APJ decisions—parties can only appeal to the Federal Circuit or seek rehearing by the Board itself. Pet. App. 9a-10a. Although the Patent Office's Director is appointed by the President and confirmed by the Senate, all Board panels must include at least three members. *Id.* at 10a. As a result, the Director cannot "single-handedly review, nullify or reverse a final written decision." *Ibid.*

The court rejected the government's argument that the Director has other powers tantamount to review. While the Director can intervene on appeal in the Federal Circuit, he can only ask the *court* to find error, not vacate the decision himself. Pet. App. 10a-11a. The Director's power to designate a Precedential Opinion Panel to decide whether to rehear a case is not review authority either: The Board, not the Director, decides whether to rehear a case, and the Director is only one member of any panel. *Id.* at 11a-12a. Finally, the Director's authority to decide whether to institute an inter partes review is not review of the decision the Board ultimately renders. *Id.* at 12a-13a.

On the second factor, supervision and oversight, the court explained that the Director can promulgate regulations and issue policy guidance. Pet. App. 14a. He can

also decide whether to institute review and designate panels. *Id.* at 14a-15a. In the court's view, that authority favored inferior officer status. *Id.* at 15a.

As to the third factor, removal power, the government argued that the Director has unrestricted authority to refuse to assign an APJ to any panels or to remove him from a panel to which he was assigned. Pet. App. 16a. The court doubted the Director had the latter power, observing that it "could create a Due Process problem." *Id.* at 16a-17a & n.3. In any case, designation authority was "not nearly as powerful as the power to remove from office without cause." *Id.* at 17a.

The Secretary could remove an APJ from office "only for such cause as will promote the efficiency of the service." Pet. App. 18a (quoting 5 U.S.C. § 7513(a)). That for-cause standard requires "misconduct [that] is likely to have an adverse impact on the agency's performance of its functions." *Ibid.* (quoting *Brown*, 229 F.3d at 1358). The statute also provides robust procedural protections that further curtail removal. *Ibid.*

The court considered additional factors, such as APJs' indefinite tenure and broad jurisdiction. Pet. App. 21a. After weighing all the factors, the court held that APJs were principal officers. *Id.* at 22a. As a result, the Secretary could not appoint them. *Ibid.*

2. The court then sought to remedy the defect by severing a portion of the statute.

The court rejected the government's proposal to sever the requirement that at least three Board members sit on every panel, which would allow the Director unilaterally to rehear any decision. Pet. App. 24a. That proposal, the court held, would result in "a significant diminution in the procedural protections afforded to patent owners." *Ibid.*

The court "d[id] not believe that Congress would have created such a system." *Ibid.*

Instead, the court severed the for-cause removal protections as applied to APJs. Pet. App. 25a-29a. The court opined that Congress "intended for the *inter partes* review system to function" and "would have preferred a Board whose members are removable at will rather than no Board at all." *Id.* at 27a. The court deemed its approach sufficient to remedy the violation: "[S]evering the restriction on removal of APJs renders them inferior rather than principal officers," even though "the Director still does not have independent authority to review decisions rendered by APJs." *Id.* at 28a.

Because Arthrex's case was heard by APJs who were not properly appointed when they issued their decision, the court ordered a new hearing before a different panel of APJs under *Lucia* v. *SEC*, 138 S. Ct. 2044 (2018). Pet. App. 29a-33a. The court rejected the argument that Arthrex was not entitled to a new hearing because it did not raise its claim before the Board. Arthrex "properly and timely raised [the claim] before the first body capable of providing it with the relief sought." *Id.* at 31a.

3. All parties sought rehearing en banc. The court of appeals denied the petitions, over multiple dissents. Pet. App. 229a-295a.

The dissenting judges disagreed with the panel's remedy. "By eliminating Title 5 removal protections for APJs," they urged, "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, and Hughes, JJ., dissenting). "Removal protections for administrative judges have been an important and longstanding feature of Congres-

sional legislation, and this protection continued to be an important feature of the AIA enacted in 2011 * * * ." *Id.* at 251a. "[R]emoval protections were seen as essential to fair performance of the APJs' quasi-judicial role." *Id.* at 254a. Another dissent agreed: "Given the federal employment protections APJs and their predecessors have enjoyed for more than three decades, * * * I do not think Congress would have divested APJs of their Title 5 removal protections to cure any alleged constitutional defect in their appointment." *Id.* at 277a (Hughes, J., joined by Wallach, J., dissenting).

4. All parties sought this Court's review. The Court granted review of the constitutional question and the severance remedy. No. 19-1434, 2020 WL 6037206 (Oct. 13, 2020). Although the government also sought review of whether Arthrex had forfeited its claim by raising it too late, the Court denied review on that question. *Ibid.*

SUMMARY OF ARGUMENT

I. The court of appeals correctly held that administrative patent judges are principal officers who cannot be appointed by department heads.

A. To ensure accountability for the appointment of principal officers, the Appointments Clause requires the President's personal involvement in their selection. The Clause further protects accountability by limiting the officers who may be appointed without presidential involvement to those who are truly "inferior"—*i.e.*, those genuinely directed and supervised by presidentially appointed superiors.

B. This Court's precedents make clear that, for administrative judges, review of decisions is an essential element of that supervision and control.

In *Edmond* v. *United States*, 520 U.S. 651 (1997), the Court held that Coast Guard judges were inferior officers. An indispensable basis for that holding was that superior officers could review the judges' decisions. The Judge Advocate General's removal and oversight powers were "not complete" because he "ha[d] no power to reverse decisions." *Id.* at 664. The Court upheld the arrangement only because *other* officers had that power: "What is significant is that the judges * * * have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Id.* at 665; see also *Free Enter. Fund* v. *Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 486, 510 (2010) (relying on SEC review of decisions); *Dep't of Transp.* v. *Ass'n of Am. R.Rs.*, 575 U.S. 43, 64 (2015) (Alito, J., concurring) ("Inferior officers can do many things, but nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it.").

That focus on review makes sense. Deciding cases is what administrative judges do. They speak for the United States by resolving controversies through their decisions. Oversight that does not include any power to correct or modify their decisions allows them to speak for the agency and take positions free from agency control.

By insulating APJ decisions from agency review, Congress departed sharply from traditional structures. "Despite th[e] great diversity in adjudication across the modern administrative state, the 'standard federal model' continues to vest final decision-making authority in the agency head." Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Calif. L. Rev. 141, 143-144 (2019). The AIA is a clear break from tradition.

C. Even if removal power could theoretically make up for the absence of review, the restrictions on removal here only exacerbate the problem. The Secretary can remove APJs only under strict civil-service standards. And the Director's authority over panel assignments is no substitute for removal from office.

D. The government cannot overcome those deficiencies by contriving schemes through which the Director could supposedly engineer preferred outcomes using other oversight powers. Those schemes violate the AIA's statutory structure, due process, or both. And they are not adequate substitutes for review regardless.

II. While the court of appeals correctly found a constitutional violation, it erred by attempting to remedy that defect by severing APJs' tenure protections.

A. The court's remedy was insufficient to cure the problem. APJs are principal officers because no superior officer can review their decisions. Eliminating tenure protections does not fix that defect. APJs are still the Executive Branch's final word in every case they decide.

B. The court's remedy is also inconsistent with the statute's basic structure. Congress has long considered tenure protections essential to secure the independence and impartiality of administrative judges. Those protections are particularly important under the AIA, which made APJs even more like typical administrative judges.

The court's remedy, moreover, does nothing to ensure public accountability. APJs still decide cases without the transparent review by superior officers that Congress traditionally requires to ensure accountability. And APJs now decide cases subject to the unseen influence of threatened removal. The court thus produced a regime that is neither impartial *nor* accountable.

C. Severance is especially inappropriate because there are many ways Congress could fix the problem. This Court ordinarily severs invalid provisions to avoid judicial policymaking. But where the Court must speculate over which of many options Congress would prefer, severance has precisely the opposite effect.

D. Neither *Seila Law LLC* v. *Consumer Financial Protection Bureau*, 140 S. Ct. 2183 (2020), nor *Free Enterprise Fund* v. *Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), can justify a severance remedy that is insufficient to cure the violation. Those cases, moreover, did not involve administrative judges—they concerned agency heads with broad policymaking and enforcement authority. Finally, those cases did not involve multiple ways to fix a problem that left the Court to speculate about Congress's preferences.

E. The canon of constitutional avoidance also counsels against the court of appeals' remedy. At the very least, there are serious doubts over whether eliminating tenure protections solves the Appointments Clause problem and complies with due process. The Court should not presume that Congress would want to adopt a remedy that tacks so close to those constitutional shoals.

ARGUMENT

I. Administrative Patent Judges Are Principal Officers

The court of appeals correctly held that administrative patent judges are principal officers. In a drastic departure from traditional agency structure, Congress authorized APJs to issue final decisions resolving disputes over billions of dollars of intellectual property subject to no review by any superior officer. APJs speak for the Executive Branch and deliver that branch's final word.

This Court has never upheld a regime that gives inferior officers that sort of unreviewable authority. The Court has never even *encountered* such a regime. The AIA is anomalous precisely because only principal officers traditionally exercise those powers.

A. The Appointments Clause's Careful Structure Ensures Accountability for Executive Officers

1. The Appointments Clause provides that the President "shall nominate, and by and with the Advice and Consent of the Senate, shall appoint * * * Officers of the United States." U.S. Const. art. II, §2. Congress, however, may "vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments." *Ibid.*

Both portions of that Clause promote accountability. By requiring the President's personal involvement in the selection of principal officers, the Clause enables the public to place "[t]he blame of a bad nomination * * * upon the President singly and absolutely." *The Federalist* No. 77, at 461 (Hamilton) (Clinton Rossiter ed., 1961); see also James Wilson, *Lectures on Law*, in 1 *The Works of James Wilson* 402 (Bird Wilson ed., 1804) ("The person who nominates or makes appointments to offices, should be known. His own office, his own character, his own fortune should be responsible."). That accountability increases the quality of appointments: "The sole and undivided responsibility of one man will naturally beget a livelier sense of duty and a more exact regard to reputation." *The Federalist* No. 76, at 455 (Hamilton).

The provision for inferior officers reinforces that accountability. While the Framers added that provision as an "administrative convenience," "that convenience was deemed to outweigh the benefits of the more cumbersome procedure *only* with respect to the appointment of

'inferior Officers.'" *Edmond* v. *United States*, 520 U.S. 651, 660 (1997) (emphasis added). The provision thus preserves accountability by limiting the class of officers who may be appointed without presidential involvement to those who are genuinely subordinate to—supervised and controlled by—other officers who were nominated by the President himself.

"[T]he term 'inferior officer' connotes a relationship with some higher ranking officer or officers below the President: Whether one is an 'inferior' officer depends on whether he has a superior." *Edmond*, 520 U.S. at 662. "[I]n 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 663.

The Appointments Clause's dual structure ensures that only principal officers appointed by the President have the final word for the Executive Branch. "What is significant is that [inferior officers] 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 665; see also *Dep't of Transp.* v. *Ass'n of Am. R.Rs.*, 575 U.S. 43, 64 (2015) (Alito, J., concurring) ("Inferior officers can do many things, but nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it.").

2. The Appointments Clause's focus on accountability reflects Article II's broader structure. Article II vests the "executive Power" in the President alone. U.S. Const. art. II, § 1. That unitary structure promotes an energetic executive. See *The Federalist* No. 70, at 427 (Hamilton) (contrasting "energy" of unitary executive with "habitual

feebleness and dilatoriness" of multimember bodies). "The Framers deemed an energetic executive essential to 'the protection of the community against foreign attacks,' 'the steady administration of the laws,' 'the protection of property,' and 'the security of liberty.'" *Seila Law LLC* v. *Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2203 (2020) (quoting *The Federalist* No. 70).

To "justify and check" that authority, "the Framers made the President the most democratic and politically accountable official in Government," chosen by the "entire Nation" through "regular elections." *Seila Law*, 140 S. Ct. at 2203. The public would know "on whom the blame or the punishment of a pernicious measure * * * ought really to fall." *Free Enter. Fund* v. *Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 498 (2010) (quoting *The Federalist* No. 70)); see also *Clinton* v. *Jones*, 520 U.S. 681, 712 (1997) (Breyer, J., concurring). As James Wilson put it:

> To [the President] the provident or improvident use of [executive authority] is to be ascribed. For the first, he will have and deserve undivided applause. For the last, he will be subjected to censure; if necessary, to punishment. He is the dignified, but accountable magistrate of a free and great people.

Wilson, *supra*, at 443. Consistent with that design, the Appointments Clause makes the President and the principal officers he personally selects accountable for executive action, so that the public may hold the President responsible for any success or failure.

B. Administrative Patent Judges Are Principal Officers Because Their Decisions Are Not Reviewable by Any Superior Executive Officer

Although the Appointments Clause ensures accountability by requiring that all inferior officers be directed

and supervised by their superiors, the nature of the superior's direction and supervision may depend on context. For administrative judges—executive officers whose sole function is to adjudicate cases—the power to review and modify decisions is an indispensable element of supervision. Supervision that leaves those officers free to speak for the agency and render the agency's final word is necessarily incomplete.

1. *This Court's Precedents Require Principal Officer Review of Decisions*

a. This Court's decision in *Edmond* directly addresses the standard for distinguishing principal from inferior officers in the specific context of administrative judges. *Edmond* leaves no doubt that administrative judges cannot be inferior officers absent a superior who can review and modify their decisions.

Edmond held that judges on the Coast Guard's Court of Criminal Appeals were inferior officers. 520 U.S. at 664-666. The Coast Guard's Judge Advocate General "exercise[d] administrative oversight" and could "remove [the judges] from [their] judicial assignment without cause." *Id.* at 664. This Court, however, described that control as "not complete" because the Judge Advocate General "ha[d] no power to reverse decisions." *Ibid.* The Court therefore relied on the authority of the Court of Appeals for the Armed Forces—a superior Executive Branch tribunal composed of principal officers, 10 U.S.C. § 942(b)(1)—to review the Coast Guard judges' decisions. *Edmond*, 520 U.S. at 664-665 & n.2.

That principal officer review was critical: It denied the Coast Guard judges power to speak for the Executive Branch without any opportunity for review by superior officers. "What is significant," the Court explained, "is 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 665. The Court contrasted the Coast Guard judges with Tax Court judges, whose "decisions are appealable only to courts of the Third Branch." *Id.* at 665-666.

Similarly, in *Free Enterprise Fund*, the Court invoked the SEC's power to review PCAOB decisions in holding that PCAOB board members were inferior officers. The Court had already severed board members' tenure protections to remedy a separation-of-powers problem. 561 U.S. at 508-510. But it did not rely on removal authority alone to find board members inferior. Instead, it looked to the SEC's "other oversight authority," which included power to "approv[e] and alter[]" board members' decisions. *Id.* at 486, 510 (citing 15 U.S.C. § 7217(c)).

In *Association of American Railroads*, Justice Alito identified "serious questions under the Appointments Clause" for an agency-appointed arbitrator who adjudicated disputes with no principal officer review. 575 U.S. at 59-60, 63 (Alito, J., concurring). He asked: "As to [the arbitrator's] 'binding' decision, who is the supervisor? Inferior officers can do many things, but nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it." *Id.* at 64. On remand, the D.C. Circuit held that the arbitrators were principal officers because there was no "procedure by which [an] arbitrator's decision is reviewable by the [agency head]." *Ass'n of Am. R.Rs.* v. *U.S. Dep't of Transp.*, 821 F.3d 19, 39 (D.C. Cir. 2016).

b. This Court's focus on review of decisions makes sense. Administrative judges decide cases—that is how they exercise executive power. Oversight that does not include any power to review those decisions is necessarily

"not complete." *Edmond*, 520 U.S. at 664. Without review, administrative judges could purport to speak for the Executive Branch and deliver that branch's final word—a hallmark of principal officer status. See *Ass'n of Am. R.Rs.*, 575 U.S. at 63-64 (Alito, J., concurring). That is why "[w]hat is significant" for administrative judges is whether they can "render a final decision on behalf of the United States" without any opportunity for review by superior officers. *Edmond*, 520 U.S. at 665.

Removal, of course, is a powerful tool for control, particularly for officers with policymaking or enforcement functions. See, *e.g.*, *Seila Law*, 140 S. Ct. at 2197-2198; *Free Enter. Fund*, 561 U.S. at 503-504. Removing such officers enables superiors to undo their policies or enforcement actions. For administrative judges, by contrast, the power to remove does not permit a superior to correct or reverse decisions already made. "The firing of the judges does not, in itself, vacate their decision[s]." Gary Lawson, *Appointments and Illegal Adjudications: The America Invents Act Through a Constitutional Lens*, 26 Geo. Mason L. Rev. 26, 61 (2018). Removal thus does nothing to undo actions the judge takes on the agency's behalf—even if they are directly contrary to the agency's policies or views.

Scholars have emphasized the power to nullify decisions as a key component of executive supervision. See Steven G. Calabresi & Christopher S. Yoo, *The Unitary Executive: Presidential Power from Washington to Bush* 14 (2008) (citing the "power to nullify or veto" as "essential to the classic theory of the unitary executive"); Steven G. Calabresi & Saikrishna B. Prakash, *The President's Power To Execute the Laws*, 104 Yale L.J. 541, 596 (1994) (similar). That power is uniquely important for administrative judges. Without any power of review, removal

simply is "not complete" as a means to ensure accountability. *Edmond*, 520 U.S. at 664.

c. Congress's current method for appointing APJs cannot be reconciled with those principles. APJs are "appointed by the Secretary, in consultation with the Director"—a procedure appropriate only for inferior officers. 35 U.S.C. §6(a). APJs, however, are principal officers because they are the agency's final word—they issue decisions that are not reviewable by any superior executive officer.

APJ decisions are not appealable within the Patent Office. They are appealable only to the Federal Circuit, an Article III court. 35 U.S.C. §319. If the Board rejects a claim and the court affirms, the statute provides that the Director "shall" cancel the claim. *Id.* §318(b). The Director must follow the APJs' decision, not the other way around.

Nor can superior officers grant rehearing of APJ decisions. "Only the Patent Trial and Appeal Board may grant rehearings." 35 U.S.C. §6(c). *One* Board member—the Director—is nominated by the President and confirmed by the Senate. *Id.* §3(a)(1). The Board, however, must preside in panels of "at least 3 members." *Id.* §6(c). As a result, no principal officer can "singlehandedly review, nullify or reverse a final written decision." Pet. App. 10a. The Director can reverse decisions only if *inferior* officers agree.

APJs thus are fundamentally different from the Coast Guard judges in *Edmond* whose decisions were reviewable by superior executive officers. Instead, they are like the Tax Court judges *Edmond* distinguished on the ground that their "decisions are appealable only to courts of the Third Branch." 520 U.S. at 665-666.

That absence of review by superior executive officers precludes APJs from being inferior officers. APJs have the "power to render a final decision on behalf of the United States" *whether or not* they are "permitted to do so by other Executive officers." *Edmond*, 520 U.S. at 665. Like the arbitrators in *Association of American Railroads*, APJs speak for the agency and give the agency's final word. 575 U.S. at 64 (Alito, J., concurring). Vesting that authority in inferior officers appointed without any presidential involvement defies the Appointments Clause's text and defeats the principles of accountability the Clause secures.

d. Smith & Nephew and the government contend that *Edmond* requires a holistic analysis in which no one factor is ever dispositive. S&N Br. 30-31; Gov't Br. 20-22. But nothing in *Edmond* suggests that Congress can classify administrative judges as inferior officers despite *completely eliminating* power to review the one thing they do—decide cases. In *Edmond*, superior officers had *some* power to review decisions, *some* power of removal, and other oversight authority. 520 U.S. at 664-666. Applying a holistic approach in those circumstances does not mean that Congress can completely eliminate review and leave superiors to rely on other, less effective tools instead. *Edmond* emphasized that "[w]hat is significant is that the judges * * * have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Id.* at 665.

It is no answer that *Edmond* requires only direction and supervision "at some level." S&N Br. 15-16. *Edmond* held that inferior officers must be "directed and supervised at some level by others *who were appointed by Presidential nomination with the advice and consent of the Senate*." 520 U.S. at 663 (emphasis added). "[A]t

some level" means that inferior officers may be supervised directly by principal officers (*i.e.*, at an immediate level) or indirectly through a chain of command (*i.e.*, at a higher level). Cf. *Seila Law*, 140 S. Ct. at 2203 ("'[T]he chain of dependence [is] preserved,' so that 'the lowest officers, the middle grade, and the highest' all 'depend, as they ought, on the President * * * .'" (quoting 1 Annals of Cong. 499 (June 17, 1789) (Madison))). "[A]t some level" does not refer to the *quality* or *extent* of supervision. It certainly does not mean that Congress can *completely eliminate* the most important oversight mechanism for the officer at issue.

In structural disputes, this Court insists on "high walls and clear distinctions because low walls and vague distinctions will not be judicially defensible in the heat of interbranch conflict." *Plaut* v. *Spendthrift Farm, Inc.*, 514 U.S. 211, 239 (1995). Smith & Nephew's amorphous "Goldilocks-type inquiry," in which a court evaluates all the facts and circumstances to determine whether "the porridge is too hot" or "the porridge is too cold" (S&N Br. 31), is constitutional mush: It is utterly standardless and offers no meaningful guidance to Congress about what appointment mechanism it must prescribe.

e. Neither *Freytag* v. *Commissioner*, 501 U.S. 868 (1991), nor *Lucia* v. *SEC*, 138 S. Ct. 2044 (2018), supports Smith & Nephew's position. In both cases, superior officers always had *authority* to review decisions.

Freytag concerned the Tax Court's "special trial judges." In some cases, special trial judges lacked authority to enter decisions, and instead merely conducted proceedings and prepared proposed findings and opinions. 501 U.S. at 873. In other cases, they could enter decisions. *Ibid.* But even then, the Tax Court had authority to *review* the decisions. See Pub. L. No. 99-514, § 1556,

100 Stat. 2085, 2754-2755 (1986) (codified as amended at 26 U.S.C. § 7443A(c)) ("The [Tax Court] may authorize a special trial judge to make the decision of the court with respect to [the proceedings] *subject to such conditions and review as the court may provide*." (emphasis added)); 93 T.C. 821, 971-972 (1989) (amending Tax Ct. R. 182(c)) (permitting Chief Judge to assign cases "subject to such * * * review as the Chief Judge may provide").

In *Lucia*, the SEC ALJ decisions were subject to Commission review; they became the agency's final word *only* if the Commission declined review. 138 S. Ct. at 2049 (citing 15 U.S.C. § 78d-1(c); 17 C.F.R. § 201.360(d)). While ALJs could enter default orders without prior approval, the Commission could review those orders too. See 17 C.F.R. § 201.155(a)-(b) ("[T]he Commission, at any time, may for good cause shown set aside a default.").

Smith & Nephew cannot explain away *Freytag* and *Lucia* as cases where agency heads "*could have* created a process for reviewing all adjudicatory decisions" but chose not to. S&N Br. 36. The relevant point is that the agencies had *authority* to review every decision. In *Edmond*, for example, the Coast Guard judges were inferior officers because the Court of Appeals for the Armed Forces had *statutory authority* to review their decisions, even though in practice the court chose to review less than 5% of cases. 520 U.S. at 664-665; Pet. Br. in *Edmond*, No. 96-262, at 29-30 (Dec. 23, 1996) ("between 2 and 4%"). What matters is whether a principal officer has *statutory authority* to supervise, not whether or how he exercises that authority. Cf. *In re Sealed Case*, 829 F.2d 50, 56 (D.C. Cir. 1987) (Iran/Contra independent counsel was inferior officer because "the Attorney Gen-

eral may rescind this regulation [creating the office] at any time"), cert. denied, 484 U.S. 1027 (1988).[2]

Neither Smith & Nephew nor the government cites a *single case* where this Court has found administrative judges to be inferior officers even though their decisions could not be reviewed by any superior officer. No such case exists. That lack of precedent speaks volumes.

2. *The AIA Departs Sharply from Tradition*

Congress's current mechanism for appointing APJs is not just contrary to this Court's precedents. It is also a sharp break from longstanding tradition.

a. From the earliest days of the Republic, "Congress reinforced supervisory authority in numerous provisions specifying that lower-level officials were subject to the superintending instruction of higher-level administrators." Jerry L. Mashaw, *Recovering American Administrative Law: Federalist Foundations, 1787-1801*, 115 Yale L.J. 1256, 1307 (2006). When Congress created the Treasury Department in 1789, for example, it allowed parties to appeal auditor decisions to the Comptroller, a presidentially appointed, Senate-confirmed officer. Act of Sept. 2, 1789, ch. 12, §§1, 5, 1 Stat. 65, 65-67. A 1796 statute permitted parties to appeal revenue officer decisions to supervisory officers and thereafter to the Secretary himself. Act of May 28, 1796, ch. 37, §§3, 8-9, 1 Stat.

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[2] *Morrison* v. *Olson*, 487 U.S. 654 (1988), is even further afield. S&N Br. 36. The Court deemed the independent counsel an inferior officer because she exercised *temporary* authority in a *single case*. 487 U.S. at 671-672. APJs are not temporary officers—they exercise their powers indefinitely. The government points to the court commissioners in *United States* v. *Allred*, 155 U.S. 591 (1895). Gov't Br. 20. But their decisions were subject to review. See *Collins* v. *Miller*, 252 U.S. 364, 369-370 (1920).

478, 479-481; see *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 96 (2007) (noting "two layers of appeal").

Similar statutes abounded over the following decades.[3] "[I]nternal administrative review of lower-level determinations" was "common." Mashaw, *supra*, at 1308-1309 & n.166; see also Harold M. Bowman, *American Administrative Tribunals*, 21 Pol. Sci. Q. 609, 613-614 (1906) (describing "system of appellate jurisdiction").

Principal officer review remains a cornerstone of the modern administrative state. The Interstate Commerce Commission appointed examiners who would "prepare proposed reports from which the parties might seek review." Paul R. Verkuil, *et al.*, *The Federal Adminis-*

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[3] See, *e.g.*, Act of Mar. 3, 1795, ch. 48, §§2-4, 1 Stat. 441, 441-442 (auditor decisions reviewable by Comptroller); Act of Mar. 3, 1797, ch. 13, §1, 1 Stat. 506, 506 (penalties reviewable by Secretary of Treasury); Act of July 9, 1798, ch. 70, §§3, 7, 22, 1 Stat. 580, 584-585, 589 (assessor valuations reviewable by commissioners); Act of Mar. 2, 1799, ch. 22, §80, 1 Stat. 627, 687-688 (certain collector decisions reviewable by Comptroller); Act of Jan. 9, 1808, ch. 8, §6, 2 Stat. 453, 454 (penalties reviewable by Secretary); Act of Mar. 3, 1809, ch. 28, §2, 2 Stat. 535, 536 (decisions reviewable by Comptroller); Act of Mar. 3, 1817, ch. 110, §5, 3 Stat. 397, 398 (certain commissioner decisions reviewable by Secretary of War); Act of Mar. 3, 1839, ch. 82, §2, 5 Stat. 339, 348-349 (customs collector decisions reviewable by Secretary of Treasury); Act of Sept. 4, 1841, ch. 16, §11, 5 Stat. 453, 456 (decisions appealable to Secretary); Act of Aug. 23, 1842, ch. 185, §2, 5 Stat. 511, 511 (auditor decisions appealable to Second Comptroller); Act of Aug. 30, 1852, ch. 106, §§9, 18, 10 Stat. 61, 67, 70 (steamboat inspector decisions appealable to supervising inspectors); Act of June 12, 1858, ch. 154, §10, 11 Stat. 319, 326-327 (district officer decisions appealable to commissioner and thereafter to Secretary); Act of Mar. 3, 1859, ch. 84, §1, 11 Stat. 435, 435-436 (engineer decisions appealable to Secretary of Interior).

trative Judiciary, in 2 Admin. Conf. of the U.S., *Recommendations and Reports* 777, 799 (1992). Over the following years, agencies "designat[ed] hearing or trial examiners to preside over hearings," while "agency heads would make the final decision." *Ramspeck* v. *Fed. Trial Exam'rs Conf.*, 345 U.S. 128, 130-131 (1953).

The architects of the Administrative Procedure Act emphasized the importance of review. Attorney General Robert Jackson cited the "long-continued policy of Congress [to] jealously confine[ ] the power of final decision in matters of substantial importance to a few principal administrative officers." H.R. Doc. No. 76-986, at 10 (1940). His influential Committee on Administrative Procedure recommended that "[a]gency heads should have the authority, when reviewing hearing commissioners' determinations, to affirm, reverse, modify * * * , or remand for further hearing." Attorney General's Comm. on Admin. Proc., *Final Report* 53 (1941).

Professor Kenneth Culp Davis, a key draftsman of the APA, echoed that view:

> [T]he agency must retain both power and responsibility with respect to every decision. One of the most pernicious ideas on the loose in the realm of administrative law is the idea that someone on behalf of the agency should have power to commit the agency to a position that the agency actively opposes. * * * [N]o one but the Presidential appointees can have final responsibility for what is done in the name of an agency.

Administrative Procedure Act: Hearings on S. 1663 Before the Subcomm. on Admin. Prac. & Proc. of the S. Comm. on the Judiciary, 88th Cong. 256 (July 23, 1964).

Congress enshrined those principles in the APA by granting agency heads power to review hearing officer decisions in all formal adjudications. Pub. L. No. 79-404, §8(a), 60 Stat. 237, 242 (1946). That remains the law today. 5 U.S.C. §557(b).

Principal officer review is also the norm for administrative adjudications generally. "Despite th[e] great diversity in adjudication across the modern administrative state, the 'standard federal model' continues to vest final decision-making authority in the agency head." Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Calif. L. Rev. 141, 143-144 (2019); see also *id.* at 157 ("[I]n the vast majority of [informal] adjudication models, the agency head has some degree of decision-making authority."); Michael Asimow, Admin. Conf. of the U.S., *Federal Administrative Adjudication Outside the Administrative Procedure Act* 20 n.77 (2019) (similar); Ronald A. Cass, *Agency Review of Administrative Law Judges' Decisions*, in Admin. Conf. of the U.S., *Recommendations and Reports* 115, 116, 201-216 (1983) (surveying structures).

b. Smith & Nephew's attempts to obscure that longstanding tradition do not withstand scrutiny.

Smith & Nephew starts with copyright royalty judges. S&N Br. 38-40. The D.C. Circuit deemed those judges to be *principal* officers in *Intercollegiate Broadcasting System, Inc.* v. *Copyright Royalty Board*, 684 F.3d 1332, 1340 (D.C. Cir. 2012), cert. denied, 569 U.S. 1004 (2013). So Smith & Nephew tries to distinguish them as subject to less oversight than APJs. In fact, the distinction cuts the other way. Copyright royalty judges' decisions are "review[able] for legal error" by the Register of Copyrights, 17 U.S.C. §802(f)(1)(D), who is herself supervised by the presidentially appointed, Senate-confirmed Librar-

ian of Congress, *id.* §701(a); 2 U.S.C. §136-1(a). Congress did not eliminate review entirely like it did here.

Smith & Nephew's reliance on the Board of Veterans' Appeals fares no better. S&N Br. 40-41. Those judges' decisions are appealable to the Court of Appeals for Veterans Claims, a tribunal made up of presidentially appointed, Senate-confirmed officers. 38 U.S.C. §§7252(a), 7253(b). The CAVC is an *administrative* court in the Executive Branch, not an Article III court. See *id.* §§7251, 7253(c) (15-year terms); H.R. Rep. No. 100-963, pt. 1, at 5 (1988) (locating court "in the executive branch"); cf. *Kuretski* v. *Comm'r*, 755 F.3d 929, 942-943 (D.C. Cir. 2014), cert. denied, 135 S. Ct. 2309 (2015). BVA judges thus are no different from the Coast Guard judges in *Edmond*, whose decisions were reviewable by the Court of Appeals for the Armed Forces, or the special trial judges in *Freytag*, whose decisions were reviewable by the Tax Court.

Finally, Smith & Nephew points to the Department of Health and Human Services' Departmental Appeals Board. S&N Br. 41-42. But that board was created by regulation, not statute. See 38 Fed. Reg. 9906 (Apr. 20, 1973). The Secretary can thus review its decisions at any time simply by amending the regulations—and has asserted authority to do exactly that. See 72 Fed. Reg. 73,708, 73,711 (Dec. 28, 2007) (proposing "Secretarial review of Board decisions"); cf. 85 Fed. Reg. 13,186, 13,188 (Mar. 6, 2020) (providing for Secretary of Labor review of Administrative Review Board decisions where Secretary had previously delegated final authority); *In re*

Sealed Case, 829 F.2d at 56. The Patent Office's Director has no similar power here.[4]

Smith & Nephew proves nothing by urging that all three branches treat "roughly 12,000 administrative adjudicators" as inferior officers. S&N Br. 42. Administrative judges are typically inferior officers because their decisions are ordinarily reviewable by their superiors. The Patent Trial and Appeal Board breaks sharply from that tradition. Smith & Nephew's inability to come up with even a *single example* from another agency underscores how far Congress strayed from that norm.

c. Smith & Nephew's reliance on Patent Office history is similarly unavailing. Originally, patentability decisions were made by a panel consisting of the Secretary of State, the Secretary of War, and the Attorney General. Act of Apr. 10, 1790, ch. 7, §1, 1 Stat. 109, 109-110. In 1836, Congress created the Commissioner of Patents, a presidentially appointed, Senate-confirmed officer who had final authority within the Patent Office over decisions. Act of July 4, 1836, ch. 357, §1, 5 Stat. 117, 117-118. When Congress created examiners-in-chief (now APJs) in 1861, it expressly permitted appeals of their decisions to the Commissioner. Act of Mar. 2, 1861, ch. 88, §2, 12 Stat. 246, 246. Congress replaced that regime with judicial review in 1927. Pub. L. No. 690, §8, 44 Stat. 1335, 1336 (1927). But examiners-in-chief remained presiden-

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[4] Smith & Nephew points to one discrete category of cases for which Congress made Departmental Appeals Board decisions the "final decision of the Secretary" by statute. S&N Br. 42 (quoting 42 U.S.C. §1316(e)(2)(B)). The Secretary has asserted authority to review and remand board decisions despite similar statutory language. See 72 Fed. Reg. at 73,711 (citing Section 410(c) of the Social Security Act, 42 U.S.C. §610(c)).

tially appointed, Senate-confirmed officers for most of the twentieth century. See, *e.g.*, Pub. L. No. 82-593, sec. 1, § 3, 66 Stat. 792, 792 (1952).

Congress departed from that appointment method only in 1975, invoking interests of convenience without any apparent consideration of constitutional questions. Pub. L. No. 93-601, sec. 1, § 3(a), 88 Stat. 1956, 1956 (1975); S. Rep. No. 93-1401, at 2 (1974) (citing "burden"). Underscoring its inattention to constitutional requirements, Congress briefly transferred appointment authority to the Director—someone who is not even a department head. Pub. L. No. 106-113, app. I, sec. 4717, § 6(a), 113 Stat. 1501A-521, 1501A-580 to -581 (1999); pp. 5-6, *supra*.

Meanwhile, Congress vastly expanded APJs' authority, culminating in its enactment of the AIA in 2011. APJs now hear not only appeals from denials of patent applications but also ex parte reexamination appeals, derivation proceedings, and multiple proceedings to reconsider previously issued patents. 35 U.S.C. § 6(b). Congress also made APJs much more like typical administrative law judges by putting them in charge of new "adjudicative" proceedings. H.R. Rep. No. 112-98, pt. 1, at 46 (2011). Congress, however, denied the Patent Office the traditional power to review those adjudicative decisions, giving APJs the agency's final word.

While Smith & Nephew points to interference examiners (at 44-45), their decisions were reviewable by presidentially appointed, Senate-confirmed examiners-in-chief until 1939. Act of July 8, 1870, ch. 230, § 46, 16 Stat. 198, 204-205; Pub. L. No. 690, § 3, 44 Stat. at 1335-1336. That year, Congress permitted appeals directly to the Court of Customs and Patent Appeals. Pub. L. No. 287, §§ 3-4, 53 Stat. 1212, 1212 (1939). But that tribunal was an *administrative* court—an Executive Branch tribunal composed

of principal officers—until 1958. Pub. L. No. 5, sec. 28, § 29, 36 Stat. 11, 105 (1909); Pub. L. No. 85-755, § 1, 72 Stat. 848, 848 (1958); *Ex parte Bakelite Corp.*, 279 U.S. 438, 458-461 (1929); cf. *Kuretski*, 755 F.3d at 942-943. At best, that history merely confirms that Congress began to stray from conventional structures only late in the game. It does not make the departures any less exceptional compared to the 150 years of tradition that came before—particularly given Congress's massive expansion of APJ authority in the AIA.[5]

That "lack of historical precedent" is "[p]erhaps the most telling indication of [a] severe constitutional problem." *Seila Law*, 140 S. Ct. at 2201. The Board's unusual structure raises grave concerns. As one scholar explains, "all the PTAB members * * * must be appointed as principal officers" because "[a]ny executive actor who issues final decisions on behalf of the United States is constitutionally a principal rather than inferior officer." Lawson, *supra*, at 64; see also Walker & Wasserman, *supra*, at 196-197 (lack of "agency-head final decision-making authority" could "prove problematic" for APJs).

d. Smith & Nephew cannot save the statute by pleading deference to Congress. S&N Br. 47-49. This Court typically does not defer to the political branches on such structural questions. In *Freytag*, the Court refused to "defer to the Executive Branch's decision" on whether special trial judges were officers or employees. 501 U.S.

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[5] Smith & Nephew notes that, in 1836, Congress permitted panels of arbitrators to review the Commissioner's decisions. See S&N Br. 43 (citing Act of July 4, 1836, ch. 357, § 7, 5 Stat. 117, 119-120). Congress replaced that scheme with judicial review three years later. Act of Mar. 3, 1839, ch. 88, § 11, 5 Stat. 353, 354. That brief, anomalous experiment is not sound precedent for anything.

at 879. "The structural interests protected by the Appointments Clause," it explained, "are not those of any one branch of Government but of the entire Republic." *Id.* at 880. "Neither Congress nor the Executive can agree to waive this structural protection." *Ibid.*; see also *New York* v. *United States*, 505 U.S. 144, 182 (1992).

This Court's reliance on longstanding practice in *NLRB* v. *Noel Canning*, 573 U.S. 513 (2014), undermines Smith & Nephew's position. That case involved *two centuries* of tradition. *Id.* at 528-533, 543-545. Here, history cuts the other way. For 114 years, examiners-in-chief were appointed in the traditional manner for principal officers. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246, 246. Congress changed course only in 1975, and even then it vacillated, vesting appointment authority for nine years in the Director, an arrangement the government has never tried to defend. Congress's recent extemporization is a *departure* from tradition.

C. The Removal Restrictions Exacerbate the Appointments Clause Violation

While the complete absence of superior officer review makes APJs principal rather than inferior officers, the court of appeals correctly found sharp limits on removal too. Together, those restrictions leave no doubt.[6]

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[6] The government faults the court of appeals for distilling potential oversight mechanisms into three categories. Gov't Br. 33-34. Even under a totality-of-the-circumstances approach, there is nothing wrong with organizing relevant facts into categories to aid analysis. In fact, the *government* proposed the "three different buckets" approach below. C.A. Arg. Audio 29:59-30:49. The court did not ignore the government's other purported control mechanisms—it merely considered them insufficient to outweigh the absence of review and limits on removal. Pet. App. 9a-22a.

1. *APJs Are Removable Only Under a Restrictive For-Cause Standard*

The Secretary of Commerce can remove APJs only "for such cause as will promote the efficiency of the service"—the same standard that governs other federal civil servants. 5 U.S.C. § 7513(a); see 35 U.S.C. § 3(c). By its terms, that is a *for-cause* standard. It significantly constrains the Secretary's control.

In *Seila Law*, this Court construed a similar standard to impose substantial limits. The statute there permitted the President to remove the CFPB's Director for "inefficiency." 12 U.S.C. § 5491(c)(3). The Court rejected the argument that this "inefficiency" standard "could be interpreted to reserve substantial discretion." 140 S. Ct. at 2206. The President could not "remove an officer based on disagreements about agency policy." *Ibid.*

The Court invoked Congress's intent that the CFPB be independent—a role the agency could not fulfill "if its head were required to implement the President's policies upon pain of removal." *Seila Law*, 140 S. Ct. at 2206-2207. The same reasoning applies here. Congress intended APJs to be independent and impartial adjudicators. See H.R. Rep. No. 104-784, at 32 (1996) (seeking to "insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system"); pp. 47-56, *infra*. Interpreting the "efficiency" standard to grant broad removal power would thwart that design.

The Federal Circuit, moreover, has strictly construed § 7513(a)'s for-cause standard in Merit Systems Protection Board appeals for decades. That court has interpreted the standard to require "misconduct * * * likely to have an adverse impact on the agency's performance of its functions." *Brown* v. *Dep't of Navy*, 229 F.3d 1356,

1358 (Fed. Cir. 2000), cert. denied, 553 U.S. 949 (2001); see also *King* v. *Frazier*, 77 F.3d 1361, 1363 (Fed. Cir. 1996) (standard "requires a showing that: (1) the employee engaged in misconduct; and (2) there exists a nexus between the misconduct and the efficiency of the service"), cert. denied, 519 U.S. 814 (1996); cf. *Nguyen* v. *Dep't of Homeland Sec.*, 737 F.3d 711, 716 (Fed. Cir. 2013) (inability to perform duties).

The government claims that a failure to follow the Director's instructions in deciding a case would be insubordination and thus cause for removal. Gov't Br. 26-27. The Federal Circuit disagrees: Administrative judges may not be removed for failing to follow agency head instructions that interfere with their "decisional independence." *Abrams* v. *Soc. Sec. Admin.*, 703 F.3d 538, 545-546 (Fed. Cir. 2012).[7]

Title 5 also provides robust procedural rights in connection with any removal. APJs are entitled to 30 days' notice, an opportunity to respond orally and in writing, a right to counsel, and an appeal to the Merit Systems Protection Board. 5 U.S.C. § 7513(b)-(d). Those procedures further constrain the Secretary's control.

The notion that *civil service protections* are minimal barriers that permit easy removal is contrary to common experience. See, *e.g.*, *The People Problem*, Gov't Exec., Jan. 21, 2015, https://bit.ly/3fJT1XB ("A whopping 78 percent of federal employees say the process for letting someone go is so cumbersome it discourages firing bad

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[7] A handful of APJs (about 3%) are in the Senior Executive Service. See 83 Fed. Reg. 29,312, 29,324 (June 22, 2018). They are removable only for cause too. 5 U.S.C. § 7543(a). So are the Commissioners. 35 U.S.C. § 3(b)(2)(C).

apples."); S. Rep. No. 95-969, at 43 (1978) (agencies found it "very difficult" to meet efficiency-of-the-service standard). As a practical matter, APJs' civil service protections sharply limit removal as a means of control.[8]

2. *The Director's Designation Authority Is No Substitute for Removal from Office*

The government urges that the Director can refuse to assign an APJ to any panels. Gov't Br. 39-41. But the statute restricts that authority too. Section 7513(a)'s for-cause standard governs constructive as well as actual removals. See *Shoaf* v. *Dep't of Agric.*, 260 F.3d 1336, 1341 (Fed. Cir. 2001). Relieving an officer of his duties can constitute a constructive termination. See *id.* at 1339-1340, 1343 (remanding for new hearing where employee claimed that "the agency provided him with absolutely no viable or meaningful assignments" and "deliberately 'idled' him in an effort to persuade him to resign").

In any case, control over assignments is no substitute for removal from office. Removal power matters because its *in terrorem* effect gives superiors leverage to induce compliance. See *Bowsher* v. *Synar*, 478 U.S. 714, 726 (1986) ("Once an officer is appointed, it is only the authority that can remove him * * * that he must fear and, in the performance of his functions, obey."). The threat of receiving a paycheck while not being assigned any work does not have the same potency as the threat of losing one's job. Some less-than-diligent officers may even welcome what amounts to a paid vacation (or, at worst, unspecified "committee" work, Gov't Br. 28). Merely

[8] While the Director can "fix the rate of basic pay" for APJs, 35 U.S.C. § 3(b)(6), any individual reduction in pay is an adverse employment action subject to the same for-cause standard, 5 U.S.C. § 7512(4).

relieving APJs of their assignments, moreover, does not free up openings to hire more competent replacements.

Edmond does not hold otherwise. Although this Court considered the Judge Advocate General's authority to remove Coast Guard judges from their judicial assignments, the Court mentioned that authority as one factor in a regime that *also* included authority to review their decisions and other oversight powers. 520 U.S. at 664-666. The Court did not hold that control over assignments was *equivalent* to removal from office, nor did it hold that the former authority would be sufficient even if superiors had no power of review whatsoever.[9]

D. The Director's Supervisory Powers Are No Substitute for Review

The government and Smith & Nephew attempt to make up for the absence of review by contriving a variety of schemes through which the Director could try to manipulate adjudications. Both the statute and due process preclude those ploys. And they are inadequate regardless.

1. *The Director Lacks Authority To Manipulate the Outcomes of Specific Cases*

a. The government's schemes defy the clear statutory structure. The government suggests, for example, that the Director could promulgate a rule or policy guidance instructing APJs what result to reach on exemplary facts that just happen to match a specific pending case. Gov't

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[9] Smith & Nephew insists the court of appeals "got it backwards" by treating removal restrictions as evidence of principal officer status. S&N Br. 34. But this Court's precedents clearly treat removal power (and hence restrictions thereon) as relevant to control. See *Edmond*, 520 U.S. at 664; *Morrison*, 487 U.S. at 671.

Br. 29, 38. The statute prohibits that sort of interference in a pending adjudication.

"[I]n the AIA Congress expressly divided the delegation of rulemaking and adjudicatory powers between the Director and the Board." *Facebook, Inc.* v. *Windy City Innovations, LLC*, 973 F.3d 1321, 1351 (Fed. Cir. 2020) (additional views); see 35 U.S.C. §§3(a)(2)(A), 6(b). That bilateral structure prohibits the Director from using his general rulemaking or policymaking authority to direct the Board how to decide specific cases. See *United States* v. *Giordano*, 416 U.S. 505, 512-514 (1974) (holding that Attorney General could not rely on general authority where more specific provision addressed power at issue); *United States ex rel. Accardi* v. *Shaughnessy*, 347 U.S. 260, 265-266 (1954) (holding that Attorney General could not interfere in specific proceeding because board "was required * * * to exercise its own judgment").

This Court rejected a similar argument in *Free Enterprise Fund*. There, the SEC had no express authority to control PCAOB investigations. 561 U.S. at 504. But the government proposed that the SEC could promulgate a rule requiring the PCAOB to obtain approval for specific investigatory steps. *Id.* at 505. The Court disagreed: Construing the SEC's general rulemaking authority to permit control over discrete investigations would conflict with the statute's more specific provisions. *Ibid.*

Congress has long protected the independence of administrative judges. Under the APA, a hearing officer "exercises his independent judgment on the evidence before him, free from pressures by the parties or other officials within the agency." *Butz* v. *Economou*, 438 U.S. 478, 513 (1978); see also Jack M. Beermann, *Administrative Adjudication and Adjudicators*, 26 Geo. Mason L. Rev. 861, 875 (2019) ("[I]n adjudicatory matters, agency

heads * * * may not supervise the actual conduct of the proceeding."). The AIA's bilateral structure grants APJs similar independence here. The government's suggestion that the Director simply *tell* the Board how to rule ignores that design.[10]

b. The government's schemes also violate due process. The government suggests, for example, that the Director could manipulate panel compositions to achieve desired outcomes. Gov't Br. 37. In *Utica Packing Co.* v. *Block*, 781 F.2d 71 (6th Cir. 1986), however, the court found a due process violation where the Secretary of Agriculture replaced an administrative judge to change a case's outcome. *Id.* at 74-75, 78. The court observed that "[t]here 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." *Id.* at 78.

The Patent Office has asserted authority to engage in such "panel-stacking." See *In re Alappat*, 33 F.3d 1526, 1536 (Fed. Cir. 1994) (en banc) (reserving judgment on whether panel-stacking violates due process). But the practice is widely criticized as offending due process. See Richard A. Epstein, *The Supreme Court Tackles Patent Reform*, 19 Federalist Soc'y Rev. 124, 128 (2018) ("The notion of due process * * * is mocked when the PTAB is

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[10] Similarly, the Director cannot de-institute review merely because he disagrees with how the Board may decide a case. Cf. Gov't Br. 31. An agency cannot use its inherent reconsideration power to subvert statutory rehearing procedures. See *Tokyo Kikai Seisakusho, Ltd.* v. *United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008). Only the Board can grant rehearing. 35 U.S.C. § 6(c). The Director therefore cannot unilaterally nullify a decision with which he disagrees simply by de-instituting review.

allowed to stack a panel with sympathetic judges, contrary to the practice of every other court."); John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 Iowa L. Rev. 2447, 2469 (2019) ("There should be no backroom puppetmaster who effectively makes the decision for which other agency actors are the legally accountable adjudicators."). This Court cannot avoid one constitutional infirmity by construing the statute to create another.[11]

2. *Prospective Direction Is Not an Adequate Substitute for Review*

a. Even if the Director had all the powers claimed, the government's proposals would still suffer from a recurring defect: They are solely forward-looking. Rules or policy guidance may enable the Director to *affect* future decisions, but they do not permit him to *correct or undo* decisions that misapply his directives. Altering panel composition might permit the Director to *influence* outcomes, but he cannot *change* decisions already made. De-instituting review may permit the Director to *prevent* decisions from issuing, but he cannot *modify or reverse* decisions already rendered, much less *compel* results he prefers.

As a practical matter, moreover, the Director cannot anticipate every legal or policy issue that may arise, much less case-specific issues like claim construction or interpretation of prior art. Effective supervision requires the power to *correct* mistakes, not merely to an-

[11] The court of appeals doubted whether the Director has authority to de-designate panel members at all. Pet. App. 16a-17a n.3. Even if the Director can de-designate panel members for legitimate reasons, due process prohibits him from manipulating panel composition to change a case's outcome.

ticipate and head them off in advance. The government suggests that the Director could order the Board to circulate draft opinions so he can issue policy guidance or de-institute review if he disagrees. Gov't Br. 38. While that contrivance is an impermissible end-run around the statute, see pp. 39-41 & n.10, *supra*, the government's need to resort to it underscores the inadequacy of the prospective powers the Director actually possesses.

Despite all the government's efforts to rewrite the Director's powers, the fact remains that APJs deliver the agency's final word. That power is a hallmark of principal officer status. See *Edmond*, 520 U.S. at 665; *Ass'n of Am. R.Rs.*, 575 U.S. at 64 (Alito, J., concurring). The government's schemes do not enable the Director to modify or retract positions an APJ has already taken on behalf of the Executive Branch.

b. The government also overstates the Director's rulemaking power. The Director can promulgate regulations governing inter partes review. 35 U.S.C. §316(a); *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2142-2143 (2016). But he has no general rulemaking authority over *substantive patentability standards*. See *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008); *Facebook*, 973 F.3d at 1353 (additional views). The Director thus cannot necessarily prevent even substantive errors he can foresee.

Moreover, while the Director can provide "policy direction and management supervision for the Office," 35 U.S.C. §3(a)(2)(A), that authority does not include issuing binding rules. A basic distinction between rules and policy statements is that the latter have "no binding effect" on the agency. *Clarian Health W., LLC* v. *Hargan*, 878 F.3d 346, 357-358 (D.C. Cir. 2017); see also *Ryder Truck Lines, Inc.* v. *United States*, 716 F.2d 1369,

1377 (11th Cir. 1983) (officials have "discretion to follow or not to follow" policies), cert. denied, 466 U.S. 927 (1984); 84 Fed. Reg. 50, 51 (Jan. 7, 2019) (Patent Office policy guidance "does not have the force and effect of law").

c. The only unilateral authority over decided cases the government identifies is the Director's purported power to designate opinions precedential or non-precedential. Gov't Br. 30. Even a non-precedential opinion, however, is still "binding in the case in which it is made." Patent Trial & Appeal Board, Standard Operating Procedure 2, at 3 (10th rev. Sept. 20, 2018). APJs might be *even more* powerful if they could bind future panels. But either way, APJs render the Executive Branch's final word in each and every case they decide.[12]

d. The government's contrived schemes confirm what is obvious from the face of the statute: Congress did not intend the Director to review Board decisions. Rather, to streamline review, Congress structured the Board as an administrative court whose decisions—just like a district court's—go straight to the court of appeals. The Constitution permits Congress to create a powerful tribunal like that. But it requires the judges to be appointed as principal officers.

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[12] The existence of the Director's precedential designation authority is hotly contested. Apple, Cisco, Intel, and Google recently sued the Director, challenging the practice as a circumvention of statutory rulemaking requirements. See *Apple Inc.* v. *Iancu*, No. 20-cv-6128, Dkt. 65, at 23-25 (N.D. Cal. filed Nov. 23, 2020).

II. The Court Of Appeals Erred By Severing Administrative Patent Judges' Tenure Protections

While the court of appeals correctly found an Appointments Clause violation, its remedy—severing APJs' tenure protections—was improper. Although this Court prefers to sever invalid portions of a statute where possible, see *Barr* v. *Am. Ass'n of Pol. Consultants, Inc.*, 140 S. Ct. 2335, 2349-2352 (2020) (plurality), severance is not appropriate unless the remaining portions are "(1) constitutionally valid, (2) capable of 'functioning independently,' and (3) consistent with Congress' basic objectives in enacting the statute," *United States* v. *Booker*, 543 U.S. 220, 258-259 (2005) (citations omitted). For several reasons, those requirements are not met here.[13]

A. The Statute Is Unconstitutional Even Without Removal Restrictions

Severing APJs' tenure protections does not result in a statute that is "constitutionally valid." *Booker*, 543 U.S. at 258. APJs remain principal officers because they still render the final word for the Executive Branch. For all the reasons in Section I.B above (pp. 19-35, *supra*), administrative judges with power to issue decisions that are not reviewable by any superior executive officer are principal officers. Eliminating tenure protections does nothing to solve the problem.

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[13] Unlike some prior statutes, *e.g.*, Pub. L. No. 82-593, § 3, 66 Stat. at 815, neither the AIA nor the 1975 or 1999 amendments adding the tenure protections contains a severability clause. While that omission does not raise any presumption *against* severability, "Congress' silence is just that—silence." *New York*, 505 U.S. at 186.

This Court's precedents make clear that, for administrative judges, review is critical to inferior officer status. *Edmond* held that oversight of administrative judges is "not complete" unless a superior has "power to reverse decisions." 520 U.S. at 664. "What is significant is that the judges * * * have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Id.* at 665; see also *Ass'n of Am. R.Rs.*, 575 U.S. at 64 (Alito, J., concurring) ("Inferior officers can do many things, but nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it."). APJs decide cases; that is their function. This Court has *never* held an administrative judge to be an inferior officer where no superior officer had power to review his decisions.

That analysis does not depend on removal restrictions. With or without tenure protections, "[t]he firing of the judges does not * * * vacate their decision[s]." Lawson, *supra*, at 61. APJs can still speak for the agency and bind the agency to an outcome—even one the agency vehemently opposes. Superiors must be able to *correct* or *retract* statements made in the agency's name, not merely punish errors or prevent future mistakes by firing the judge. Removal is a poor tool for supervising the one way administrative judges exercise executive authority: deciding cases.

Permitting APJs to adjudicate disputes, while denying the Director any power of review, departs starkly from traditional agency structure. From the earliest days of the Republic, Congress provided for administrative review of inferior officers' decisions. "[T]he 'standard federal model' continues to vest final decision-making authority in the agency head." Walker & Wasserman, *supra*, at

143-144. Tenure protection has no bearing on that departure from tradition.

B. Congress Would Not Have Enacted the America Invents Act Without Tenure Protections for Administrative Patent Judges

Even if the court of appeals' remedy could solve the problem, severance must be "consistent with Congress' basic objectives in enacting the statute." *Booker*, 543 U.S. at 258-259. A court "cannot rewrite a statute and give it an effect altogether different from that sought by the measure viewed as a whole." *Murphy* v. *Nat'l Collegiate Athletic Ass'n*, 138 S. Ct. 1461, 1482 (2018). The remaining provisions must "function in a *manner* consistent with the intent of Congress." *Alaska Airlines, Inc.* v. *Brock*, 480 U.S. 678, 685 (1987). A court may not sever tenure protections if "striking the removal provisions would lead to a statute that Congress would probably have refused to adopt." *Bowsher*, 478 U.S. at 735.

The court of appeals' remedy cannot be reconciled with those principles. Congress has long considered tenure protections essential to safeguard the independence and impartiality of administrative judges. Congress has combined those protections with transparent review processes in which agency heads accountable to the President can review decisions. Congress would not have enacted a regime that includes *neither* tenure protections for administrative judges *nor* any review by an accountable agency head—a regime in which transparent review of impartial decisions is replaced by subtle political pressure and other unseen influence. The court of appeals' remedy produced a regime that is unrecognizable in the realm of agency adjudication.

1. *Congress Has Long Considered Tenure Protections Essential for Officers Exercising Judicial Functions*

a. The role of tenure protections in securing impartial administration of justice predates the Constitution by a century. In 1701, the Act of Settlement established that English judges would hold office during good behavior rather than at the King's pleasure. See 12 & 13 Will. 3, c. 2, §3 (1701). The Crown's withdrawal of those protections from colonial judges was one of the grievances asserted in the Declaration of Independence. See *The Declaration of Independence* ¶11 (1776) ("He has made Judges dependent on his Will alone, for the tenure of their offices * * * .").

The Framers understood the need for those protections: "In the general course of human nature, *a power over a man's subsistence amounts to a power over his will*." *The Federalist* No. 79, at 472 (Hamilton). "[J]udges who hold their offices by a temporary commission" would not act with "inflexible and uniform adherence to the rights of the Constitution, and of individuals." *The Federalist* No. 78, at 470-471 (Hamilton). Article III thus provides that judges "shall hold their Offices during good Behaviour." U.S. Const. art. III, §1.

b. Those protections are no less important for administrative judges. During the First Congress, Madison proposed that the Comptroller of the Treasury be granted tenure protections because some of his duties "partake[] strongly of the judicial character, and there may be strong reasons why an officer of this kind should not hold his office at the pleasure of the Executive branch." 1 Annals of Cong. 611-612 (June 29, 1789). Madison ultimately withdrew the proposal, *id.* at 615 (June 30, 1789), but only after others objected that the Comptroller per-

formed primarily non-adjudicative duties, see, *e.g.*, *id.* at 613 (June 29, 1789) (Sedgwick).

Even *Myers* v. *United States*, 272 U.S. 52 (1926)—the high-water mark of this Court's removal jurisprudence—recognized that administrative judges are different. "[T]here may be duties of a quasi-judicial character imposed on executive officers and members of executive tribunals whose decisions after hearing affect interests of individuals, the discharge of which the President cannot in a particular case properly influence or control." *Id.* at 135. The President could remove such an officer only outside the context of a specific case, on the ground that the officer's authority "has not been on the whole intelligently or wisely exercised." *Ibid.*

In *Wiener* v. *United States*, 357 U.S. 349 (1958), the Court held that the President could not remove members of the War Claims Commission at will. The Commission was an "adjudicating body" with an "intrinsic judicial character." *Id.* at 354-355. The Court "inferred that Congress did not wish to have hang over the Commission the Damocles' sword of removal by the President for no reason other than that he preferred to have on that Commission men of his own choosing." *Id.* at 356.[14]

Today, even strong proponents of the unitary executive recognize the propriety of tenure protections for administrative judges. The "conventional and estab-

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[14] *Wiener* relied on *Humphrey's Executor* v. *United States*, 295 U.S. 602 (1935), which upheld tenure protections for Federal Trade Commissioners who performed what could fairly be described as predominantly executive functions. See *Wiener*, 357 U.S. at 353. The Court need not embrace *Humphrey's Executor* to accept *Wiener*'s more modest holding regarding administrative judges who perform solely adjudicative duties.

lished view" is that "the President's control does not require at will removal for administrative law judges or other officials who solely adjudicate within the executive branch." Neomi Rao, *Removal: Necessary and Sufficient for Presidential Control*, 65 Ala. L. Rev. 1205, 1247 (2014). "[P]residents have not historically asserted the authority to remove adjudicators at will," and "this long-standing and largely unquestioned understanding has developed into a very strong convention." *Id.* at 1249; see also *The Constitutional Separation of Powers Between the President and Congress*, 20 Op. O.L.C. 124, 169 (1996) (tenure protections for adjudicators "will continue to meet with consistent judicial approval").

c. Congress embraced that view when it created the modern administrative law judge in the Administrative Procedure Act. Before the APA, hearing officers were often dependent on their superiors for their job, salary, and promotion. See *Ramspeck*, 345 U.S. at 130-132 & n.2. Many complained that hearing officers were "mere tools of the agency concerned and subservient to the agency heads in making their proposed findings of fact and recommendations." *Id.* at 131.

The committees advising Congress urged that "[r]emoval of a hearing commissioner during his term should be for cause only." Attorney General's Comm., *supra*, at 49. "Independence of judgment * * * will be achieved * * * [by a] definite tenure of office at a fixed salary." *Id.* at 47; see also President's Comm. on Admin. Mgmt., *Administrative Management in the Government of the United States* 37 (1937) (adjudicators should be "removable only for causes stated in the statute").

Congress heeded that advice in the APA. The statute permitted removal of examiners "only for good cause established and determined by the Civil Service Commis-

sion." Pub. L. No. 79-404, § 11, 60 Stat. 237, 244 (1946). Administrative law judges enjoy the same protections today. 5 U.S.C. § 7521(a).

By providing those protections, Congress sought "to render examiners independent and secure in their tenure and compensation." S. Rep. No. 79-752, at 29 (1945). It wanted adjudicators whose "independence and tenure are so guarded * * * as to give the assurances of neutrality." *Wong Yang Sung* v. *McGrath*, 339 U.S. 33, 52 (1950). "The substantial independence that the Administrative Procedure Act's removal protections provide to administrative law judges" remains "a central part of the Act's overall scheme." *Lucia*, 138 S. Ct. at 2060 (Breyer, J., concurring in part).

d. Congress has provided those protections without surrendering the accountability the Appointments Clause demands. Under the traditional model, tenure-protected administrative judges issue initial decisions. Those decisions are then subject to transparent review by accountable agency heads responsible for their actions in accepting or rejecting a decision. See pp. 27-32, *supra*.

That combination reflects Congress's longstanding judgment that review, not removal, is the right way to supervise administrative judges without sacrificing the fairness of agency adjudication:

> Even though the agency might reverse a hearing examiner's decision for policy reasons, the parties and the public would have had the benefit of a visibly independent determination of the evidentiary facts. It would then be clear to all that the evidentiary facts were found fairly and accurately. The application of policy at the agency level would then be seen for what it was: a policy determination

> rather than a skewing of evidentiary factfinding for policy reasons.

Verkuil, *et al.*, *supra*, at 802; see also Daniel J. Gifford, *Federal Administrative Law Judges*, 49 Admin. L. Rev. 1, 8 (1997) (same).

"[A] fundamental precondition of accountability in administration [is] the degree to which the public can understand the sources and levers of bureaucratic action." Elena Kagan, *Presidential Administration*, 114 Harv. L. Rev. 2245, 2332 (2001). Review of decisions promotes that goal because the public knows whom to applaud or blame when an agency reverses a decision. By contrast, controlling administrative judges through subtle and unseen threats of removal skews decisionmaking while allowing the officer actually responsible for a decision to avoid accountability.

The course charted by the court below achieves *neither* benefit of the traditional model. There is no initial decision by an impartial adjudicator. And there is no oversight through transparent, on-the-record review by a principal officer accountable for his actions. The notion that Congress would have adopted a system that offers *neither* impartiality *nor* accountability defies both longstanding tradition and common sense.

2. *Tenure Protections Are Particularly Important Under the AIA*

Impartiality and transparency are no less crucial for APJs. When Congress first granted the Patent Office power to reexamine previously issued patents in 1980, examiners-in-chief were removable only for cause. Pub. L. No. 93-601, §2, 88 Stat. 1956, 1956 (1975); 5 U.S.C. §7513(a). Those protections were meant to "insulate these quasi-judicial officers from outside pressures and

preserve integrity within the application examination system." H.R. Rep. No. 104-784, at 32 (1996).

Those protections became even more important when Congress enacted the AIA in 2011. The reexaminations that predated the AIA were "agency-led, inquisitorial process[es]" in which third parties played a limited role. *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1355 (2018). In the AIA, Congress sought to "convert[] inter partes reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (2011); see also 157 Cong. Rec. 3428 (Mar. 8, 2011) (Sen. Kyl) ("important structural change" was "conver[sion] into an adjudicative proceeding"); 157 Cong. Rec. 3375 (Mar. 7, 2011) (Sen. Sessions) (similar). Congress's "overarching purpose" was "to create a patent system that is *clearer, fairer, more transparent, and more objective*." 157 Cong. Rec. 12,984 (Sept. 6, 2011) (Sen. Kyl) (emphasis added).

Congress thus created a "party-directed, adversarial process" that "mimics civil litigation." *SAS Inst.*, 138 S. Ct. at 1352, 1355. APJs function like trial judges, presiding over adversarial proceedings in which parties take discovery, submit briefs and evidence, and present oral argument. 35 U.S.C. §316(a). The Patent Office itself refers to the proceedings as "trial[s]." 37 C.F.R. §42.100(a). The Patent Office's Director explained the judicial role APJs would play: "You could think of them as judges. Administrative Law Judges— * * * They are trained essentially as judges. So they are not examining patent applications, they are adjudicating." *Commerce, Justice, Science, and Related Agencies Appropriations for 2012: Hearings Before the Subcomm. on Com., Just., Sci. & Related Agencies of the H. Comm. on Appropriations*, 112th Cong. 196 (Mar. 2, 2011) (David Kappos).

Having made APJs even more like traditional administrative law judges, Congress clearly would have expected them to adjudicate impartially. Congress would not have denied them protections it has long considered necessary to secure that impartiality.

3. *Eliminating Tenure Protections for APJs Defies Congressional Intent*

Severance must be "consistent with Congress' basic objectives in enacting the statute." *Booker*, 543 U.S. at 258-259. Congress's basic objective here was to establish a new *adjudicative* regime that was "clearer, fairer, more transparent, and more objective." 157 Cong. Rec. 12,984 (Sept. 6, 2011) (Sen. Kyl). Denying APJs the independence and impartiality Congress has traditionally considered fundamental to the fairness of agency adjudication defies those basic objectives. Congress would not have created a system where transparency gives way to unseen influence behind the scenes.

A court cannot give a statute "an effect altogether different from that sought by the measure viewed as a whole." *Murphy*, 138 S. Ct. at 1482. The statute must "function in a *manner* consistent with the intent of Congress." *Alaska Airlines*, 480 U.S. at 685. Congress intended APJs to be independent and impartial adjudicators. A regime where political subordinates revoke valuable property rights while trying to please their superiors and avoid losing their jobs would be a drastic departure from what Congress enacted.

The statutory structure confirms that Congress intended the Board to be independent. The Board acts in panels of at least three members, 35 U.S.C. §6(c); the Director serves as just one member, *id.* §6(a), and Board decisions are appealable only to Article III courts, *id.* §141. Empowering the Secretary to dominate the

Board's decisionmaking by threatening to fire anyone who disregards his policy preferences is incompatible with that structure.[15]

As the dissents below recognized, "[b]y eliminating Title 5 removal protections for APJs," the court "perform[ed] major surgery to the statute that Congress could not possibly have foreseen or intended." Pet. App. 250a-251a (Dyk, J., dissenting). "Removal protections for administrative judges have been an important and long-standing feature of Congressional legislation * * * ." *Id.* at 251a; see also *id.* at 277a (Hughes, J., dissenting).

Members of Congress agreed. "I find it inconsistent with the idea of creating an adjudicatory body to have judges who have no job security. It goes against the idea of providing independent, impartial justice if a judge is thinking about his or her livelihood while also weighing the facts of a case." *The Patent Trial and Appeal Board and the Appointments Clause: Hearing Before the Subcomm. on Cts., Intell. Prop. & the Internet of the H. Comm. on the Judiciary*, 116th Cong. 45:45-46:03 (Nov. 19, 2019) (Rep. Johnson). "[L]itigants will be left wondering if the decision they receive truly represents the impartial weighing of facts and evidence under the law. * * * [T]hat is generally not consistent with the way that adjudicatory tribunals are structured." *Id.* at 53:41-53:58 (Rep. Nadler).

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[15] Such a regime would also undermine Congress's requirement that APJs be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 6(a). Congress did not envision that patents would be revoked at the behest of high-level political appointees with no scientific or legal training.

The court of appeals asserted that Congress "intended for the *inter partes* review system to function" and "would have preferred a Board whose members are removable at will rather than no Board at all." Pet. App. 27a. But Congress was trying to *improve* patent review, not mow down patents by any means necessary.

The court's refusal to sever the requirement that the Board preside in panels of at least three judges underscores the point. The court noted that "[t]he breadth of backgrounds and the implicit checks and balances within each three-judge panel contribute to the public confidence," and that "severing three judge review from the statute would be a significant diminution in the procedural protections afforded to patent owners." Pet. App. 24a-25a. That rationale was correct—but no less applicable to the tenure protections.

APJs decide the fate of billions of dollars of intellectual property. Congress plainly intended them to have the tenure protections it has long considered essential to independent and impartial adjudication. The court of appeals' remedy—which provides neither impartiality nor the transparent review by superior officers that ensures public accountability—defies that intent and undermines the fairness of these important proceedings.

C. Severance Is Especially Inappropriate Given the Many Ways Congress Could Remedy the Violation

1. The sheer multitude of remedial options is another reason to reject the court of appeals' remedy. This Court is especially reluctant to sever a provision when there are many ways to proceed and the Court would have to speculate to predict what Congress would prefer. See *Randall* v. *Sorrell*, 548 U.S. 230, 262 (2006) (plurality) (refusing to sever contribution limits because plurality

could not "foresee which of many different possible ways the legislature might respond to the constitutional objections"); cf. *Bowsher*, 478 U.S. at 734-736 (declining to "weigh[ ] * * * the importance Congress attached to the removal provisions * * * against the importance it placed on [other provisions]"); *Free Enter. Fund*, 561 U.S. at 509-510 (refusing to "blue-pencil a sufficient number of the Board's responsibilities" because "such editorial freedom * * * belongs to the Legislature, not the Judiciary").

That reluctance reflects the severability doctrine's underlying rationale. Ordinarily, courts sever invalid provisions to "avoid judicial policymaking or *de facto* judicial legislation in determining just how much of the remainder of a statute should be invalidated." *Barr*, 140 S. Ct. at 2351 (plurality). Where a court cannot discern which of many routes Congress might take, severance has the opposite effect: It *invites* judicial policymaking by requiring the court to speculate about legislative preferences. Congress should make those policy decisions.

2. That is the situation here. The constitutional violation does not arise from any one provision. Rather, it results from the *combination* of an appointment process insufficient for principal officers and other provisions that grant APJs broad powers while restricting oversight. Those circumstances practically guarantee a variety of ways Congress could respond. See *Seila Law*, 140 S. Ct. at 2222-2224 (Thomas, J., concurring in part) ("When confronted with two provisions that operate together to violate the Constitution," a court is "left to choose based on nothing more than speculation as to what the Legislature would have preferred.").

Congress could select from a range of historically grounded remedies. Congress could provide for APJs to be appointed by the President and confirmed by the

Senate, consistent with their important functions. Examiners-in-chief were appointed that way for 114 years. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246, 246. The Senate already confirms tens of thousands of nominations per year. See Elizabeth Rybicki, Cong. Rsch. Serv., RL31980, *Senate Consideration of Presidential Nominations* 1 (2017) (approximately 65,000 military nominations and 2,000 civilian nominations every two years).

Congress could grant the Director authority to review APJ decisions. That approach would conform to the "standard federal model" for agency adjudication. Walker & Wasserman, *supra*, at 143-144. It would also permit the Director to supervise APJs in a transparent, accountable manner, rather than through covert influence and threats of removal.

Or Congress could reject inter partes review. See, *e.g.*, Restoring America's Leadership in Innovation Act of 2020, H.R. 7366, 116th Cong. § 4 (June 25, 2020). Congress could conclude that fairness and impartiality would be best served by reserving the power to invalidate patents to the impartial judicial branch, where it resided for centuries.

The amicus briefs propose still more alternatives. See Morgan Br. 24-25 (grant Secretary "waivable option" to remove APJs without cause); Unified Patents Br. 26 (eliminate tenure protections for Deputy Director); *ibid.* (eliminate tenure protections for Deputy Director and Commissioners); High Tech Inventors Alliance Br. 26-27 (sever three-judge requirement); *id.* at 27-28 (sever restriction that only Board may grant rehearing); Unified Patents Br. 21-23 (make Board decisions advisory on Director); U.S. Inventor Cert. Br. in No. 19-1458, at 8-9 (make Board decisions advisory generally). By our count, the parties and amici have now proposed at least *ten*

different options to solve the problem, with more amicus briefs still to come.

The "as applied" nature of the court of appeals' remedy compounds the problem. Because there is no tenure provision specific to APJs, the court could not literally "sever" anything—it had to invalidate Title 5's protections "as applied to APJs" but no one else. Pet. App. 26a-27a. That freeform adjustment of statutory language invites even more judicial policymaking. See *United States* v. *Nat'l Treasury Emps. Union*, 513 U.S. 454, 479 & n.26 (1995) (refusing to sever invalid applications because "drawing one or more lines * * * involves a far more serious invasion of the legislative domain"); *Ayotte* v. *Planned Parenthood of N. New Eng.*, 546 U.S. 320, 330 (2006) (cautioning against "making distinctions * * * where line-drawing is inherently complex"). With so many alternatives, Congress, not the Court, should decide.

3. Given the range of policy choices better left to Congress, the Court should hold the current inter partes review regime unconstitutional, dismiss this inter partes review, and defer to Congress to fix the problem, as it has in the past. See, *e.g.*, *N. Pipeline Constr. Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50, 88 (1982) (plurality) (holding bankruptcy courts unconstitutional and "afford[ing] Congress an opportunity to reconstitute [them]"). That approach would clear the decks for Congress to act rather than distorting legislative debate by imposing this Court's preferred solution as a default. It would also leave parties free to challenge patents through declaratory actions or other avenues in the interim. See *Medtronic, Inc.* v. *Mirowski Fam. Ventures, LLC*, 571 U.S. 191, 195 (2014).

Alternatively, the Court could simply grant Arthrex the relief it seeks by ordering dismissal of this inter

partes review, while leaving any broader questions to Congress. See *Seila Law*, 140 S. Ct. at 2224 (Thomas, J., concurring in part). Either approach would remedy the constitutional violation in this case while respecting Congress's legislative prerogatives.

D. *Seila Law* and *Free Enterprise Fund* Do Not Support Severance in This Case

Neither *Seila Law* nor *Free Enterprise Fund* supports the court of appeals' remedy.

1. Severance was clearly *sufficient* to remedy the violations in *Seila Law* and *Free Enterprise Fund*. In *Seila Law*, the Court severed the removal restrictions on the CFPB's Director to remedy a separation-of-powers violation. 140 S. Ct. at 2207-2211 (plurality). The Director was already appointed as a principal officer, so there was no Appointments Clause issue. *Id.* at 2193 (majority).

In *Free Enterprise Fund*, the Court severed the removal restrictions on the PCAOB's board members to remedy a separation-of-powers problem. 561 U.S. at 508-510. The Court rejected the Appointments Clause challenge based on the SEC's removal authority *and* its power to review decisions. *Id.* at 486, 510. The Court had no occasion to address whether at-will removal power alone would be sufficient.

Here, by contrast, severance of removal restrictions is not an adequate remedy. Even without tenure protections, APJs are still principal officers because no superior officer can review their decisions.

2. *Seila Law* and *Free Enterprise Fund* also presented very different questions of congressional intent.

The CFPB Director in *Seila Law* was an agency head with potent rulemaking and enforcement powers. 140 S. Ct. at 2193. She performed adjudicative functions only

by reviewing hearing officers' recommended decisions as one component of her vast responsibilities. *Ibid.*

Similarly, the PCAOB board members in *Free Enterprise Fund* managed an entity with "expansive powers to govern an entire industry." 561 U.S. at 485. The PCAOB promulgated auditing and ethics rules, performed inspections, and conducted investigations and enforcement proceedings. *Ibid.* The board members performed adjudicatory functions only in that they *also* oversaw the PCAOB's disciplinary proceedings. *Ibid.*

Congress has no settled tradition of granting tenure protections to agency heads with broad policymaking and enforcement authority. Except for multimember commissions that run independent agencies, Congress normally makes agency heads removable at will to ensure their accountability. See *Seila Law*, 140 S. Ct. at 2201-2204; Kirti Datla & Richard L. Revesz, *Deconstructing Independent Agencies (and Executive Agencies)*, 98 Cornell L. Rev. 769, 786 (2013). Stripping tenure protections from the CFPB's Director or the PCAOB's board members thus was no innovation: It merely brought those officers in line with how Congress normally treats executive agency heads.

This case, by contrast, involves administrative judges charged solely with impartial adjudication. There is a "longstanding and largely unquestioned" tradition of tenure protections for "administrative law judges or other officials who *solely* adjudicate within the executive branch." Rao, *supra*, at 1247-1249 (emphasis added); see also *Free Enter. Fund*, 561 U.S. at 507 n.10 (contrasting PCAOB board members with "administrative law judges [who] * * * perform adjudicative rather than enforcement or policymaking functions"). Congress deems those protections essential to secure independence and impar-

tiality. Eliminating those protections here would be a radical departure from tradition.

3. Finally, *Seila Law* and *Free Enterprise Fund* differ with respect to the degree of judicial policymaking at stake. Both cases were separation-of-powers challenges in which the removal restrictions were the *avowed target* of the claims. See *Seila Law*, 140 S. Ct. at 2197; *Free Enter. Fund*, 561 U.S. at 492. Severing those restrictions was the obvious and appropriate response.

In this case, by contrast, Arthrex is not arguing that APJs' tenure protections are unconstitutional. Arthrex claims that APJs are principal officers who must be appointed as the Constitution requires. Removal restrictions matter only because the court of appeals thought that adjusting those restrictions was one way out of many to fix the problem. Even then, the court could not actually *sever* anything; it had to *adjust* the statute by deeming it inapplicable to APJs alone. That judicial policymaking far exceeded anything required in *Seila Law* or *Free Enterprise Fund*.

E. Severance Violates Constitutional Avoidance Principles

Constitutional avoidance provides one final reason to reject the court of appeals' remedy. A "cardinal principle" of statutory interpretation is that, "where an otherwise acceptable construction of a statute would raise serious constitutional problems, the Court will construe the statute to avoid such problems" whenever possible. *Edward J. DeBartolo Corp.* v. *Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 575 (1988). That canon reflects "the reasonable presumption that Congress did not intend [an] alternative [construction] which raises serious constitutional doubts." *Clark* v. *Martinez*, 543 U.S. 371, 381 (2005).

The same principle applies to remedies. Severance is primarily a question of "legislative intent." *Booker*, 543 U.S. at 246. The Court will not presume that Congress would prefer a remedy that raises grave constitutional doubts. In *Treasury Employees*, for example, the Court declined to sever certain applications of an honorarium ban because, even as severed, the statute "would likely raise independent constitutional concerns whose adjudication is unnecessary to decide this case." 513 U.S. at 479. And in *Ayotte*, the Court cautioned against remedies that would require it to navigate a "murky constitutional context." 546 U.S. at 330.

Similar doubts abound here. The Court must necessarily confront one constitutional question: whether the statute as drafted violates the Appointments Clause. But the Court should not adopt a remedy that requires it to confront *additional* questions. The court of appeals' approach raises many.

First, there are serious questions about whether the court of appeals' remedy is sufficient to solve the problem. If this Court agrees with the court of appeals that the absence of review and the restrictions on removal combine to produce a constitutional violation, there would still be grave doubts about whether the absence of review alone makes APJs principal officers. Merely severing APJs' tenure protections would force this Court to confront that constitutional question. For the reasons above, the best reading of this Court's precedents is that review of decisions is essential. See pp. 19-27, *supra*. At a minimum, that is a substantial question the Court should not needlessly confront.

Second, eliminating APJs' tenure protections raises serious due process questions. Due process requires a "neutral and detached" decisionmaker. *Ward* v. *Village*

of Monroeville, 409 U.S. 57, 61-62 (1972). Although this Court has not decided whether at-will removal of administrative judges violates due process, the question is widely recognized to be substantial. See, *e.g.,* Kent Barnett, *Regulating Impartiality in Agency Adjudication*, 69 Duke L.J. 1695, 1704 (2020) ("[E]ven from the Supreme Court's rough sketch of due process's requirements, the concerns over agencies or the president removing administrative adjudicators at will is obvious."); Beermann, *supra*, at 861-862; Rao, *supra*, at 1248; Kagan, *supra*, at 2363. Even the court below recognized that removing an APJ from a proceeding "could create a Due Process problem." Pet. App. 16a-17a n.3.

Those due process concerns are magnified here by the absence of transparent, on-the-record review. By denying the Director review power, Congress encouraged him to resort to subtle and indirect means, such as panel-stacking, selective de-institution, and now implied threats of removal. See Emily S. Bremer, *Reckoning with Adjudication's Exceptionalism Norm*, 69 Duke L.J. 1749, 1783-1786 (2020). A system where adjudicators decide cases subject to hidden influences, unseen by the parties or the public, is at best constitutionally dubious. The Court need not conclusively decide that it violates due process to hold that Congress would not have wanted to skirt so close to the constitutional line.

CONCLUSION

The court of appeals' judgment should be affirmed with respect to the merits and reversed with respect to the severance remedy.

Respectfully submitted.

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CONSTITUTIONAL AND STATUTORY APPENDIX

1. The United States Constitution provides in relevant part as follows:

Article II, § 2

* * * * *

[The President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

* * * * *

2. Title 5 of the United States Code provides in relevant part as follows:

§ 7513. Cause and procedure

(a) Under regulations prescribed by the Office of Personnel Management, an agency may take an action covered by this subchapter against an employee only for such cause as will promote the efficiency of the service.

(b) An employee against whom an action is proposed is entitled to—

(1) at least 30 days' advance written notice, unless there is reasonable cause to believe the employee has committed a crime for which a sentence of imprisonment may be imposed, stating the specific reasons for the proposed action;

(2) a reasonable time, but not less than 7 days, to answer orally and in writing and to furnish affidavits and other documentary evidence in support of the answer;

(3) be represented by an attorney or other representative; and

(4) a written decision and the specific reasons therefor at the earliest practicable date.

(c) An agency may provide, by regulation, for a hearing which may be in lieu of or in addition to the opportunity to answer provided under subsection (b)(2) of this section.

(d) An employee against whom an action is taken under this section is entitled to appeal to the Merit Systems Protection Board under section 7701 of this title.

(e) Copies of the notice of proposed action, the answer of the employee when written, a summary thereof when made orally, the notice of decision and reasons therefor,

and any order effecting an action covered by this subchapter, together with any supporting material, shall be maintained by the agency and shall be furnished to the Board upon its request and to the employee affected upon the employee's request.

3. Title 35 of the United States Code provides in relevant part as follows:

§ 3. Officers and employees

(a) UNDER SECRETARY AND DIRECTOR.—

(1) IN GENERAL.—The powers and duties of the United States Patent and Trademark Office shall be vested in an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this title referred to as the "Director"), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Director shall be a person who has a professional background and experience in patent or trademark law.

(2) DUTIES.—

(A) IN GENERAL.—The Director shall be responsible for providing policy direction and management supervision for the Office and for the issuance of patents and the registration of trademarks. The Director shall perform these duties in a fair, impartial, and equitable manner.

(B) CONSULTING WITH THE PUBLIC ADVISORY COMMITTEES.—The Director shall consult with the Patent Public Advisory Committee established in section 5 on a regular basis on matters relating to the patent operations of the Office, shall consult with the Trademark Public Advisory Committee established in section 5 on a regular basis on matters relating to the trademark operations of the Office, and shall consult with the respective Public Advisory Committee before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user

fees or patent or trademark regulations which are subject to the requirement to provide notice and opportunity for public comment under section 553 of title 5, as the case may be.

(3) OATH.—The Director shall, before taking office, take an oath to discharge faithfully the duties of the Office.

(4) REMOVAL.—The Director may be removed from office by the President. The President shall provide notification of any such removal to both Houses of Congress.

(b) OFFICERS AND EMPLOYEES OF THE OFFICE.—

(1) DEPUTY UNDER SECRETARY AND DEPUTY DIRECTOR.—The Secretary of Commerce, upon nomination by the Director, shall appoint a Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office who shall be vested with the authority to act in the capacity of the Director in the event of the absence or incapacity of the Director. The Deputy Director shall be a citizen of the United States who has a professional background and experience in patent or trademark law.

(2) COMMISSIONERS.—

(A) APPOINTMENT AND DUTIES.—The Secretary of Commerce shall appoint a Commissioner for Patents and a Commissioner for Trademarks, without regard to chapter 33, 51, or 53 of title 5. The Commissioner for Patents shall be a citizen of the United States with demonstrated management ability and professional background and experience in patent law and serve for a term of 5 years. The Commissioner for Trademarks shall be a citizen of the United

States with demonstrated management ability and professional background and experience in trademark law and serve for a term of 5 years. The Commissioner for Patents and the Commissioner for Trademarks shall serve as the chief operating officers for the operations of the Office relating to patents and trademarks, respectively, and shall be responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively. The Secretary may reappoint a Commissioner to subsequent terms of 5 years as long as the performance of the Commissioner as set forth in the performance agreement in subparagraph (B) is satisfactory.

(B) SALARY AND PERFORMANCE AGREEMENT.—The Commissioners shall be paid an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service established under section 5382 of title 5, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of title 5. The compensation of the Commissioners shall be considered, for purposes of section 207(c)(2)(A) of title 18, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of title 18. In addition, the Commissioners may receive a bonus in an amount of up to, but not in excess of, 50 percent of the Commissioners' annual rate of basic pay, based upon an evaluation by the Secretary of Commerce, acting through the Director, of the Commissioners' performance as defined in an annual performance agreement between the Commissioners and the Secretary. The annual performance agreements shall

incorporate measurable organization and individual goals in key operational areas as delineated in an annual performance plan agreed to by the Commissioners and the Secretary. Payment of a bonus under this subparagraph may be made to the Commissioners only to the extent that such payment does not cause the Commissioners' total aggregate compensation in a calendar year to equal or exceed the amount of the salary of the Vice President under section 104 of title 3.

(C) REMOVAL.—The Commissioners may be removed from office by the Secretary for misconduct or nonsatisfactory performance under the performance agreement described in subparagraph (B), without regard to the provisions of title 5. The Secretary shall provide notification of any such removal to both Houses of Congress.

(3) OTHER OFFICERS AND EMPLOYEES.—The Director shall—

(A) appoint such officers, employees (including attorneys), and agents of the Office as the Director considers necessary to carry out the functions of the Office; and

(B) define the title, authority, and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Director may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

(4) TRAINING OF EXAMINERS.—The Office shall submit to the Congress a proposal to provide an incentive program to retain as employees patent and trademark examiners of the primary examiner grade or higher who are eligible for retirement, for the sole purpose of training patent and trademark examiners.

(5) NATIONAL SECURITY POSITIONS.—The Director, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances, in order to maintain the secrecy of certain inventions, as described in section 181, and to prevent disclosure of sensitive and strategic information in the interest of national security.

(6) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES.—The Director may fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for level III of the Executive Schedule under section 5314 of title 5. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation under section 5306(e) or 5373 of title 5.

(c) CONTINUED APPLICABILITY OF TITLE 5.—Officers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees.

(d) ADOPTION OF EXISTING LABOR AGREEMENTS.—The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of the Patent and Trademark Office Efficiency Act, with respect to such Office (as then in effect).

(e) CARRYOVER OF PERSONNEL.—

(1) FROM PTO.—Effective as of the effective date of the Patent and Trademark Office Efficiency Act, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Office, without a break in service.

(2) OTHER PERSONNEL.—Any individual who, on the day before the effective date of the Patent and Trademark Office Efficiency Act, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office, as necessary to carry out the purposes of that Act, if—

(A) such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;

(B) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent's work time, as determined by the Secretary of Commerce; or

(C) such transfer would be in the interest of the Office, as determined by the Secretary of Commerce in consultation with the Director.

Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.

(f) TRANSITION PROVISIONS.—

(1) INTERIM APPOINTMENT OF DIRECTOR.—On or after the effective date of the Patent and Trademark

Office Efficiency Act, the President shall appoint an individual to serve as the Director until the date on which a Director qualifies under subsection (a). The President shall not make more than one such appointment under this subsection.

(2) CONTINUATION IN OFFICE OF CERTAIN OFFICERS.—(A) The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Patents until the date on which a Commissioner for Patents is appointed under subsection (b).

(B) The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Trademarks until the date on which a Commissioner for Trademarks is appointed under subsection (b).

§ 6. Patent Trial and Appeal Board

(a) IN GENERAL.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) DUTIES.—The Patent Trial and Appeal Board shall—

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-MEMBER PANELS.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) TREATMENT OF PRIOR APPOINTMENTS.—The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

§ 311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

§ 312. Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter

pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

§ 316. Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under

subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or

in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

§ 318. Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything

patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

4. Act of March 2, 1861, Chapter 88, 12 Stat. 246 (1861), provided in relevant part as follows:

SEC. 2. *And be it further enacted*, That, for the purpose of securing greater uniformity of action in the grant and refusal of letters-patent, there shall be appointed, by the President, by and with the advice and consent of the Senate, three examiners-in-chief, at an annual salary of three thousand dollars each, to be *composed of* persons of competent legal knowledge and scientific ability, whose duty it shall be, on the written petition of the applicant for that purpose being filed, to revise and determine upon the validity of decisions made by examiners when adverse to the grant of letters-patent; and also to revise and determine in like manner upon the validity of the decisions of examiners in interferences cases, and when required by the Commissioner in applications for the extension of patents, and to perform such other duties as may be assigned to them by the Commissioner; that from their decisions appeals may be taken to the Commissioner of Patents in person, upon payment of the fee hereinafter prescribed; that the said examiners-in-chief shall be governed in their action by the rules to be prescribed by the Commissioner of Patents.

5. Pub. L. No. 93-601, 88 Stat. 1956 (1975), provided in relevant part as follows:

[S]ection 3, title 35, of the United States Code is amended to read as follows:

"§ 3. Officers and employees

"(a) There shall be in the Patent Office a Commissioner of Patents, a Deputy Commissioner, two Assistant Commissioners, and not more than fifteen examiners-in-chief. The Deputy Commissioner, or, in the event of a vacancy in that office, the Assistant Commissioner senior in date of appointment shall fill the office of Commissioner during a vacancy in that office until the Commissioner is appointed and takes office. The Commissioner of Patents, the Deputy Commissioner, and the Assistant Commissioners shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce, upon the nomination of the Commissioner, in accordance with law, shall appoint all other officers and employees.

"(b) The Secretary of Commerce may vest in himself the functions of the Patent Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.

"(c) The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent Office at not in excess of the maximum scheduled rate provided for positions in grade 17 of the General Schedule of the Classification Act of 1949, as amended."

SEC. 2. The first paragraph of section 7 of title 35 of the United States Code is amended to read as follows:

"The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be ap-

pointed under the classified civil service. The Commissioner, the deputy commissioner, the assistant commissioners, and the examiners-in-chief shall constitute a Board of Appeals, which on written appeal of the applicant, shall review adverse decisions of examiners upon applications for patents. Each appeal shall be heard by at least three members of the Board of Appeals, the members hearing such appeal to be designated by the Commissioner. The Board of Appeals has sole power to grant rehearings."

6. Pub. L. No. 106-113 app. I, 113 Stat. 1501A-521 (1999), provided in relevant part as follows:

SEC. 4713. Organization and Management.

Section 3 of title 35, United States Code, is amended to read as follows:

"§3. Officers and employees

* * * * *

"(c) CONTINUED APPLICABILITY OF TITLE 5, UNITED STATES CODE.—Officers and employees of the Office shall be subject to the provisions of title 5, United States Code, relating to Federal employees.

* * * * *

SEC. 4717. Board of Patent Appeals and Interferences.

Chapter 1 of title 35, United States Code, is amended—

(1) by striking section 7 and redesignating sections 8 through 14 as sections 7 through 13, respectively; and

(2) by inserting after section 5 the following:

"§ 6. Board of Patent Appeals and Interferences

"(a) ESTABLISHMENT AND COMPOSITION.—There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director.

"(b) DUTIES.—The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of

invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least three members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant rehearings."

7. Pub. L. No. 110-313, 122 Stat. 3014 (2008), provided in relevant part as follows:

SEC. 1. Appointment of Administrative Patent Judges and Administrative Trademark Judges.

(a) ADMINISTRATIVE PATENT JUDGES.—Section 6 of title 35, United States Code, is amended—

(1) in subsection (a)—

(A) in the second sentence, by striking "Deputy Commissioner" and inserting "Deputy Director"; and

(B) in the last sentence, by striking "Director" and inserting "Secretary of Commerce, in consultation with the Director"; and

(C) by adding at the end the following:

"(c) AUTHORITY OF THE SECRETARY.—The Secretary of Commerce may, in his or her discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge.

"(d) DEFENSE TO CHALLENGE OF APPOINTMENT.—It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer."

* * * * *

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.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY AND RESPONSE BRIEF FOR THE UNITED STATES

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(Additional Captions On Inside Cover)

SMITH & NEPHEW, INC., ET AL., PETITIONERS

v.

ARTHREX, INC., ET AL.

ARTHREX, INC., PETITIONER

v.

SMITH & NEPHEW, INC., ET AL.

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 prospectively by severing the application of 5 U.S.C. 7513(a) to those judges.

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ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
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REPLY AND RESPONSE BRIEF
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SUMMARY OF ARGUMENT

I. Under the Court's existing analytic framework, this case is straightforward. Administrative patent judges on the United States Patent and Trademark

Office's (USPTO's) Patent Trial and Appeal Board (Board) are inferior officers, because from start to finish their work is "directed and supervised at some level" by the Secretary of Commerce and the USPTO Director, both of whom are presidentially appointed, Senate-confirmed Executive Branch officials. See *Edmond* v. *United States*, 520 U.S. 651, 663 (1997).

A. Arthrex's attempts to discount those officials' oversight powers are unpersuasive. While the Secretary can remove a judge from federal service only for misconduct that is likely to affect an agency's work, failing to follow the Director's binding regulations and binding policy guidance readily qualifies. And although the Director's unfettered removal authority applies only to judicial assignments, not federal service, the *Edmond* Court found precisely that type of removal authority to be a powerful tool for control.

The Director's independent authority to issue binding policy guidance, as well as his unilateral authority to designate or de-designate Board decisions as precedential, fill any gap in his ability to establish the general policies that the judges must apply. And while the Director is not authorized to reverse a final Board decision unilaterally, he can institute or de-institute Board proceedings at any time before the Board renders its decision. That power, combined with the Director's substantial control over any rehearing after a final decision is issued, provides significant control over each of those individual proceedings.

Contrary to Arthrex's contention, the Secretary's and Director's exercise of these statutory oversight authorities—either singly or in combination—is consistent with the overall statutory scheme and with due process requirements. The Patent Act expressly contemplates

that the Director will both establish general USPTO policy and participate in individual Board proceedings. And there is no inherent unfairness in his exercise of those authorities to serve legitimate goals.

B. Arthrex proposes a new categorical rule, under which an administrative judge cannot be an inferior officer unless a Senate-confirmed officer can exercise plenary review over her decisions. Under this Court's precedents, however, there is no exclusive criterion for inferior-officer status, including for administrative judges. Although review authority can provide one significant means for control, it is not the only way—and not always the best way—to ensure effective supervision.

Arthrex's appeal to history and tradition is also unavailing. Since 1793, Congress has frequently granted final decisionmaking authority on patent rights to officials who had not received Senate confirmation. Indeed, throughout the period (since 1980) when the USPTO has been authorized to reconsider the validity of previously issued patents by re-examination, that task has always been entrusted to non-Senate-confirmed agency officials. And since 1870, initial patent examiners (who no one contends are principal officers) have been authorized to issue the Executive Branch's final word in granting patent rights. Far from supporting Arthrex's position, this longstanding congressional practice provides powerful evidence that final authority to determine the validity of a patent is not enough to make the decisionmaker a principal officer of the United States.

II. If the Court concludes that administrative patent judges are principal officers under the current statutory scheme, the Court should affirm the court of appeals' remedial holding, severing the judges' modest tenure protections to render them inferior officers.

A. When it identifies a constitutional flaw in a federal statute, this Court applies a strong presumption in favor of invalidating only particular unconstitutional provisions or applications of the law, while leaving the rest in force, as long as the remainder of the statutory scheme can function independently. Here, the remaining Patent Act provisions will function as Congress intended if administrative patent judges are removable at will. And nothing in the Act's text or history indicates that, if affording tenure protections rendered the statute unconstitutional, Congress would have preferred to forgo inter partes reviews entirely rather than to have such reviews conducted by officials who can be removed at will.

Arthrex's contrary assertions are misguided. Although the Court has sometimes *permitted* tenure protections for certain Executive Branch adjudicators, it has never *required* them. And while Congress has afforded tenure protections for administrative judges in some circumstances, most prominently under the Administrative Procedure Act, it has not uniformly done so. Nothing in the Patent Act suggests that the modest tenure protections afforded to administrative patent judges under that law are critical to its operation. And there is no barrier to the Court's invalidating those removal restrictions only as applied to administrative patent judges.

B. The possibility of other potential cures to any Appointments Clause violation does not counsel against following the court of appeals' approach. If severing administrative patent judges' removal restrictions would not cure any constitutional problem the Court identifies, or if it would introduce a new constitutional infir-

mity, the Court should consider other remedial approaches. But the mere possibility that other potential responses exist does not foreclose the Court from adopting any solution at all.

ARGUMENT

I. ADMINISTRATIVE PATENT JUDGES ARE INFERIOR OFFICERS WHOSE APPOINTMENT CONGRESS VALIDLY VESTED IN THE SECRETARY OF COMMERCE

USPTO administrative patent judges are inferior officers who may be validly appointed under the Appointments Clause by the "Head[]" of their "Department[]," Art. II, § 2, Cl. 2, rather than by the President with the advice and consent of the Senate. The court of appeals reached a different conclusion only by employing a deeply flawed, mechanical application of this Court's decision in *Edmond* v. *United States*, 520 U.S. 651 (1997), and by failing to appreciate the numerous ways in which the Secretary of Commerce and the Director of the USPTO direct and supervise those judges' work.

Except for a passing footnote, Arthrex does not defend that approach. Instead, while disputing various aspects of the government's description of the Secretary's and Director's supervisory authority, Arthrex principally advocates a new test for determining inferior-officer status, at least for officials who perform adjudicatory functions. Arthrex's criticisms of the government's application of *Edmond* are misguided, and its arguments for wholesale replacement of the Court's traditional approach are unpersuasive. The court of appeals' judgment should be reversed.

A. From Start To Finish, The Work Of Administrative Patent Judges Is Subject to Significant Supervision and Direction By Senate-Confirmed Officers

Under *Edmond*, inferior officers are those "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." 520 U.S. at 663. Two Senate-confirmed officers—the Secretary and the Director—possess a variety of mechanisms that operate in both independent and mutually reinforcing ways to provide substantial direction and supervision to administrative patent judges. Arthrex's efforts to dismiss or discount those oversight authorities lack merit.

1. a. The Secretary exercises significant control over administrative patent judges through his authority to appoint all such judges, and his concomitant authority to remove them from federal service under the permissive efficiency-of-the-service standard. U.S. Br. 26-27. Particularly when combined with the Director's authority to set binding policy for the Office, see pp. 10-12, *infra*, the Secretary's appointment and removal authority provides a meaningful tool for oversight and control.[1]

Arthrex emphasizes (Br. 36-38) that the Federal Circuit has interpreted the efficiency-of-the-service standard to require "misconduct * * * likely to have an ad-

[1] As our opening brief explains (at 4 n.1), a somewhat different removal standard applies to a small number of administrative patent judges who are members of the Senior Executive Service. Neither the court of appeals nor Arthrex has suggested that those judges should be classified differently for purposes of the Appointments Clause. See Arthrex Br. 37 n.7. In any event, none of those judges served on the Board panel that ruled in this case. See U.S. Br. 5 n.1.

verse impact on the agency's performance of its functions," *Brown* v. *Department of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000), cert. denied, 533 U.S. 949 (2001), and characterizes (Br. 38) that standard as a "sharp[] limit[ation]" on the Secretary's authority. But at least in the present statutory context, that interpretation poses no serious impediment to the Secretary's supervision of administrative patent judges' work. A civil servant's failure or refusal to follow a superior's binding instructions or policy *is* misconduct. See U.S. Br. 27 (citing, *e.g.*, *Cobert* v. *Miller*, 800 F.3d 1340, 1351 (Fed. Cir. 2015)). And when an administrative judge engages in such misconduct while carrying out her adjudicative work on behalf of the agency, an adverse impact on agency functions is the likely result. See, *e.g.*, *Exum* v. *Department of Homeland Security*, 446 Fed. Appx. 282, 283-284 (Fed. Cir. 2011) (per curiam) (upholding, under the efficiency-of-the-service standard, the removal of an immigration officer who had failed to follow agency policies when "adjudicat[ing] applications of aliens seeking to become lawful permanent residents").

Arthrex asserts (Br. 37) that the Federal Circuit has held to the contrary, but the single case it cites is inapposite. *Abrams* v. *Social Security Administration*, 703 F.3d 538 (Fed. Cir. 2012), involved the removal of an administrative law judge under the "good cause" removal standard in 5 U.S.C. 7521(a) established by the Administrative Procedure Act (APA), 5 U.S.C. 701 *et seq.*, for judges appointed under 5 U.S.C. 3105. 703 F.3d at 543 (quoting 5 U.S.C. 7521(a)); see 5 U.S.C. 7521(a). As the court below held (and Arthrex does not dispute), an administrative patent judge's removal is not governed by Section 7521(a) because administrative patent judges are appointed under 35 U.S.C. 3, not 5 U.S.C. 3105. See

Pet. App. 18a n.4. Thus, as the court below explained, their removal requires "a lower threshold" than under the Federal Circuit's prior construction of Section 7521(a). *Ibid.*; see *Lucia* v. *SEC*, 138 S. Ct. 2044, 2061 (2018) (Breyer, J., concurring in the judgment in part and dissenting in part) (noting the government's disagreement with that interpretation of Section 7521(a)).

This Court's decision in *Seila Law LLC* v. *CFPB*, 140 S. Ct. 2183 (2020), is also not to the contrary. In *Seila Law*, the Court held unconstitutional a provision that limited the permissible grounds for removing the CFPB Director—the single head of an independent agency—to "inefficiency, neglect of duty, or malfeasance in office." *Id.* at 2193 (quoting 12 U.S.C. 5491(c)(3)). The Court found that this removal standard, as it had previously been understood, interfered with the President's ability to fulfill his responsibilities under the Take Care Clause and violated the separation of powers in the context of that case. See 140 S. Ct. at 2197. And it declined to adopt a different statutory interpretation to address that constitutional infirmity, noting that the appointed amicus had failed to offer "any workable standard derived from the statutory language." *Id.* at 2206. That reasoning, which concerned the permissible interpretation of different statutory language in response to distinct constitutional concerns, has no bearing on the scope or efficacy of the removal authority that the Secretary possesses under the efficiency-of-the-service standard here.

b. In addition to the Secretary's authority to appoint and remove administrative patent judges from federal service entirely, the Director has independent and

unfettered authority with respect to those officers' "judicial assignment[s]," *Edmond*, 520 U.S. at 664. U.S. Br. 27-29.

Arthrex suggests that a subordinate must "fear and, in the performance of his functions, obey" only a superior with the power to remove the officer from federal service altogether. Br. 38 (quoting *Bowsher* v. *Synar*, 478 U.S. 714, 726 (1986)). But as Arthrex acknowledges (Br. 39), the Judge Advocate General in *Edmond* was authorized to remove his inferior officers only from their judicial assignments, not from federal service. See U.S. Br. 40. The Court nevertheless found, citing the very passage in *Bowsher* on which Arthrex relies, that the ability to remove administrative judges from their judicial assignments provided a "powerful tool for control." *Edmond*, 520 U.S. at 664.

Arthrex also argues (Br. 38) that, although some administrative patent judges would welcome the "paid vacation," divesting a judge of her judicial assignments would constitute a "constructive" removal from federal service. To establish constructive removal, a claimant must actually resign and then show "that the agency effectively imposed the terms of the employee's resignation or retirement, that the employee had no realistic alternative but to resign or retire, and that the employee's resignation or retirement was the result of improper acts by the agency." *Staats* v. *USPS*, 99 F.3d 1120, 1124 (Fed. Cir. 1996); see *Shoaf* v. *Department of Agric.*, 260 F.3d 1336, 1341 (Fed. Cir. 2001) (constructive removal requires "working conditions * * * so intolerable * * * that a reasonable person in the employee's position would have felt compelled to resign"). Arthrex identifies no reason to conclude that relieving an administrative patent judge of her judicial assignments

would meet that "demanding legal standard," *Staats*, 99 F.3d at 1124, particularly since an administrative patent judge can be assigned meaningful non-judicial work, see U.S. Br. 28.

In any event, Arthrex does not (and could not plausibly) suggest that declining to designate a judge to sit on a particular panel (or rehearing panel), or to hear a particular category of cases, would constitute a constructive removal. In light of the other available means for direction and supervision, the Court need not decide whether that unfettered case-specific designation authority would be sufficient standing alone to render administrative patent judges inferior officers. It is enough to recognize that it provides the Director with one effective means, among many, for directing and supervising the judges' work—indeed, one that can be more effective than the more drastic binary authority possessed by the Judge Advocate General in *Edmond*. U.S. Br. 40.

2. The Director also exercises significant control over administrative patent judges' work through the creation of general agency policies, including by promulgating regulations governing the Board's adjudicatory process, issuing binding policy directives, and determining what, if any, precedential weight a final Board decision will receive. U.S. Br. 28-33.

Arthrex contends that the Director possesses "no general rulemaking authority over *substantive patentability standards*." Br. 43 (citing *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008)). Even if that were correct, the authority to adopt procedural rules governing all Board proceedings would provide an important tool for direction and supervision of the judges who conduct those proceedings. See *Edmond*,

520 U.S. at 664 (relying on the Judge Advocate General's authority to "prescribe uniform rules of procedure" for the Court of Criminal Appeals) (citation omitted); cf. *Mistretta* v. *United States*, 488 U.S. 361, 392 (1989) ("[T]he rules of procedure have important effects on the substantive rights of litigants.").

In any event, *Cooper* is inapposite here because the Federal Circuit decided that case before the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, granted the Director extensive new regulatory authority. See 35 U.S.C. 316(a), 326(a). *Cooper* and similar decisions thus "interpret a different statute," *Cuozzo Speed Technologies, LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016) (citing *Cooper*, 536 F.3d at 1335), and do not control the interpretation of the Director's new "more broadly" worded authority under the AIA, *ibid.* (citing 35 U.S.C. 316(a)(4)); see *ibid.* (noting that, even before the AIA, the statute did not "clearly contain the [Federal] Circuit's claimed limitation").[2]

Moreover, any gap in the Director's authority to direct administrative patent judges through regulations is readily filled by the Director's authority to provide

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[2] The non-binding "[a]dditional views" expressed in *Facebook, Inc.* v. *Windy City Innovations, LLC*, 973 F.3d 1321, 1347 (Fed. Cir. 2020), also do not support Arthrex's narrow conception of the Director's regulatory authority. In their separate opinion in *Facebook*, the judges considered whether certain precedential opinions of the Board warranted *Chevron* deference. *Ibid.* Those judges found *Chevron* to be inapposite, but their rationales for that conclusion support a broad view of the Director's regulatory authority. The judges reasoned that, in light of the AIA's express delegation to the Director (rather than to the Board) of "the ability to adopt legal standards and procedures *by prescribing regulations*," neither the Director nor the Board could exercise the same interpretive authority through adjudication. *Id.* at 1350.

"policy direction" to and "management supervision" of the Board. 35 U.S.C. 3(a)(2)(A); see, *e.g.*, *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019). Arthrex observes (Br. 43-44) that such policy directives do not have "the force and effect of law" because they do not bind third parties or create any rights or benefits enforceable against the USPTO. 84 Fed. Reg. at 51. For purposes of the Appointments Clause, however, the salient point is that the policy directives are one means by which the Director can supervise and direct *the Board's* performance of its functions. See *ibid.* ("All USPTO personnel are, as a matter of internal agency management, expected to follow the [Director's policy] guidance."); Pet. App. 14a (Federal Circuit holding that Section 3(a)(2)(A) authorizes the Director to "issue policy directives" to the Board, "includ[ing] exemplary applications of patent laws to fact patterns").

The Director's general policymaking authority is further bolstered by his power to designate or de-designate any Board decision as precedential, thus granting it or depriving it of any prospective significance beyond the parties. Citing three pages of argument in other patent owners' pending motion for summary judgment in district court, Arthrex suggests (Br. 44 n.12) that the Director's precedential designation authority is "hotly contested." But that authority has not been contested in this case, and the Federal Circuit rightly took it as a given that the Director possesses such authority and that "all precedential decisions of the Board are binding on future panels." Pet. App. 14a. Arthrex provides no substantive reason to question that important tool for providing clear and transparent direction and supervision here.

3. Finally, the Director has substantial authority to influence the conduct of any individual Board proceeding. The Director possesses sole and unreviewable power to institute and de-institute Board proceedings. He is also authorized to designate a Board panel, which may include himself, to determine whether to rehear any individual decision. U.S. Br. 30-32.

Arthrex contends (Br. 41 n.10) that vacating an institution decision once made would "subvert" the statutory rehearing procedures. But the Director does not claim the right to vacate his institution decision as a means of rescinding a final written decision by the Board resolving disputed patentability issues. If the Director disagrees with a final decision by the Board, he has other mechanisms to revisit that decision or diminish its prospective significance. U.S. Br. 31-32. The statute provides, however, that the Board "shall issue a final written decision" in AIA adjudications only if the proceeding "is instituted *and not dismissed*." 35 U.S.C. 318(a) (inter partes review) (emphasis added); see 35 U.S.C. 328(a) (post-grant review) (same). The AIA thus "contemplates that a proceeding" may be terminated by the Director or his delegee before the Board issues a final decision. See, *e.g.*, *Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1385-1386 (Fed. Cir. 2016), cert. dismissed, 137 S. Ct. 2113 (2017); *BioDelivery Scis. Int'l, Inc.* v. *Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019), cert. denied, 141 S. Ct. 254 (2020).

4. While each of these powers gives the Secretary or Director meaningful authority to direct and supervise administrative patent judges' work, those powers *in combination* allow particularly effective supervision.

U.S. Br. 35-39. The Director could, for example, promulgate a rule requiring Board opinions to be circulated in advance of issuance (much like many federal circuit courts require pre-circulation of certain panel decisions), thus enabling him either to issue relevant guidance on any unresolved legal or policy issues or to deinstitute review before any final decision is issued. Through that mechanism alone, the Director could deprive administrative patent judges of any "power to render a final decision on behalf of the United States unless permitted to do so" by the Director himself. *Edmond*, 520 U.S. at 665.

a. Arthrex contends (Br. 39) that the government's examples of ways in which the various oversight authorities can reinforce each other would "defy" the statutory scheme. That is incorrect. Congress's delegation of rulemaking authority to the Director and adjudicatory authority to the Board, for example, does not prevent the Director from using his rulemaking and policymaking authority to influence individual Board proceedings. Congress vested the Director with "[t]he powers and duties of the [USPTO]," 35 U.S.C. 3(a)(1), and made him responsible for "providing policy direction and management supervision for the Office," of which the Board is an important part, 35 U.S.C. 3(a)(2)(A). The AIA specifically grants the Director unilateral authority to institute the Board's adjudicative proceedings, 35 U.S.C. 135(a), 314(a), 324(a) and (e), and to issue regulations that "govern" those proceedings, 35 U.S.C. 2(b)(2)(A), 316(a)(4), 326(a)(4).

If Congress had intended to limit the Director's exercise of those powers to oversee the Board's work, it would have said so expressly—as it did with the Security and Exchange Commission's (SEC's) authority to

supervise the work of the independent agency at issue in *Free Enterprise Fund* v. *Public Co. Accounting Oversight Board*, 561 U.S. 477 (2010). See 15 U.S.C. 7217(d)(2) (authorizing the SEC to "impose limitations upon the activities, functions, and operations of the Board" only after making certain findings "on the record, after notice and opportunity for a hearing"). Absent such an express limitation, the Director has ample authority to ensure that the Board complies with his policies and direction in any given proceeding, even if he cannot "simply *tell* the Board how to rule" in a specific case, Arthrex Br. 41.

b. There is likewise no merit to Arthrex's suggestion (Br. 41-42) that the Secretary's and Director's use of their oversight authority to supervise individual proceedings would violate due process. In a variety of circumstances, and often with this Court's blessing, Congress has authorized presidentially appointed, Senate-confirmed agency heads to *personally* conduct administrative adjudications. See, *e.g.*, *SEC* v. *Chenery Corp.*, 332 U.S. 194 (1947) (affirming SEC's direct approval of reorganization plan); *United States ex rel. Dunlap* v. *Black*, 128 U.S. 40, 49-51 (1888) (enforcing by mandamus the personal determination of a pension claim by the Secretary of the Interior); see Harold J. Krent, *Presidential Control of Adjudication Within the Executive Branch*, 65 Case W. Res. L. Rev. 1083, 1089-1091 (2015) (collecting examples); cf. *Withrow* v. *Larkin*, 421 U.S. 35, 56 (1975) (rejecting a due process challenge to adjudication by state administrative agencies). And in Arthrex's view, the Constitution *requires* that a Senate-confirmed officer at least have the authority to review and modify any agency decision.

If it does not inherently offend due process for such an official to personally conduct or review every administrative adjudication, there can be no inherent due process problem when the same official selects which inferior officers will comprise an adjudicatory panel, publishes policy directives for those inferiors to follow, or exercises his other legitimate authority to supervise them—particularly where any final decision is subject to judicial review in an Article III court. See *Kalaris* v. *Donovan*, 697 F.2d 376, 401 (D.C. Cir.) (rejecting due process challenge to adjudicative structure of Department of Labor's Benefits Review Board, and refusing to "call into constitutional question the validity of the many quasi-judicial boards whose judgments are subject to the direct or indirect control of the Executive Branch"), cert. denied, 462 U.S. 1119 (1983).

That is particularly true here. AIA proceedings conducted by the Board are designed not simply to resolve private disputes, but to enable the USPTO to take "'a second look at an earlier administrative grant of a patent'" and to correct the agency's prior errors in granting that "public franchise." *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1374-1375 (2018) (citation omitted); see *Cuozzo*, 136 S. Ct. at 2140 (describing inter partes review as a mechanism by which the USPTO may "revisit and revise earlier patent grants"). The Secretary and Director thus have a substantial interest in ensuring "consistency across [all USPTO] decision makers" who are involved in such patentability determinations. Patent Trial and Appeal Board, *Standard Operating Procedure 2 (Revision 10)* at 2 (Sept. 20, 2018), https://go.usa.gov/xwXem. Those officials' use of various oversight tools to achieve

that end does not create any inherent "risk of unfairness" that might offend due process. *Utica Packing Co.* v. *Block*, 781 F.2d 71, 78 (6th Cir. 1986). Contrary to Arthrex's suggestion (Br. 42), providing the constitutionally mandated supervision of administrative patent judges does not require the Director to act as the judges' "backroom puppetmaster," but rather only as their congressionally designated boss.[3]

Any potential for unfairness in individual Board proceedings should therefore be addressed through the consideration of the facts and circumstances of those cases, see *Cuozzo*, 136 S. Ct. at 2141-2142 (noting the reviewing court's authority to set aside any final decision in inter partes review that is "contrary to constitutional right") (quoting 5 U.S.C. 706(2)(B)), not through the categorical rejection of the Secretary's and the Director's legitimate statutory authorities. That is particularly so if restricting the authority of the Secretary and Director would create a separate constitutional problem.

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[3] Arthrex notes in passing (Br. 8) that, for inter partes review, the "Board has invalidated some or all claims in 80% of cases that reached final written decisions." But taking into account all decisions that terminate the case—denials of institution, settlements, dismissals, etc.—the Board actually finds less than 30% of all challenged claims unpatentable in final written decisions. And the likelihood of a patent owner receiving an invalidity outcome is about the same at the Board as it is in district court litigation. See, *e.g.*, U.S. Patent and Trademark Office, *PTAB Trial Statistics: FY20 End of Year Outcome Roundup, IPR, PGR, CBM*, https://go.usa.gov/xAfPc.

B. The Appointments Clause Does Not Require That Every Decision By An Inferior Officer Must Be Subject To Review And Possible Modification By A Principal Officer

When the supervisory mechanisms available to the Commerce Secretary and USPTO Director are taken together, administrative patent judges are inferior officers with two presidentially appointed, Senate-confirmed superiors who direct and supervise their work at virtually every step. Evidently recognizing that it cannot prevail under that contextual approach, Arthrex proposes a new test. At least with respect to officers who perform adjudicatory functions, Arthrex contends (Br. 20-22) that a federal officer cannot be "inferior" unless a presidentially appointed, Senate-confirmed official can "review and modify" each of his decisions. The Court should reject that approach.

1. The Appointments Clause imposes no exclusive criterion for inferior-officer status

The Appointments Clause does not identify any specific attribute that renders an officer of the United States an "inferior Officer[]," U.S. Const. Art. II, § 2, Cl. 2, beyond the implicit requirement that "he has a superior." *Edmond*, 520 U.S. at 662. In establishing the first offices of the Executive Branch, early Congresses did not identify any further indispensable attributes. For more than 200 years since, in keeping with Congress's substantial authority to structure the Executive Branch and the impracticality of attempting "to foresee[] or to provide for all the combinations of circumstances" that might arise, 3 Joseph Story, *Commentaries on the Constitution of the United States* § 1529, at 385-386 (1833), this Court has not identified any such exclusive criterion. U.S. Br. 17-25.

a. Arthrex's argument principally proceeds in three steps. Arthrex first points (Br. 20) to the *Edmond* Court's observation that the Judge Advocate General's control over the judges of the Coast Guard Court of Criminal Appeals was "not complete" because, among other things, the Judge Advocate General had "no power to reverse decisions of th[at] court." 520 U.S. at 664. Arthrex then notes (Br. 20-21) that the Court found it "significant" that another Executive Branch entity, the Court of Appeals for the Armed Forces (CAAF), *did* possess such review authority, so that the inferior-officer judges "ha[d] no power to render a final decision on behalf of the United States unless permitted to do so by [those] Executive officers." *Id.* at 664-665. From those two premises, Arthrex argues (Br. 21-23) both that (i) review authority is what makes supervision of administrative judges "complete" and (ii) unless presidentially appointed, Senate-confirmed officers possess such "complete" authority over administrative judges, those judges are themselves principal officers.

Arthrex's premises are accurate, but its conclusions do not follow. The *Edmond* Court did not find that the CAAF's review authority, even combined with the Judge Advocate General's powers, provided complete control over the Coast Guard judges. To the contrary, the Court acknowledged the meaningful "limitation[s] upon review" by the CAAF, *Edmond*, 520 U.S. at 665, and it recognized *two* ways in which the Judge Advocate General's authority was incomplete, *id.* at 664. Even assuming that the CAAF's limited review authority made up for the Judge Advocate General's inability to exercise any review function, the Court did not suggest that any executive officer could evade the other limitation on

the Judge Advocate General's authority, *i.e.*, the Uniform Code of Military Justice's (UCMJ's) prohibition on improperly "influenc[ing] (by threat of removal or otherwise) the outcome" of individual court martials. *Ibid.* (citing 10 U.S.C. 837 (1994)).

Edmond therefore cannot reasonably be read to establish that an administrative judge, or any other executive officer, must be subject to "complete" control by one or more Senate-confirmed officials in order to be considered an inferior officer. That was not true of the Coast Guard judges whom the Court found to be inferior officers in that case. *A fortiori*, the decision did not identify any particular mechanism of control, including review authority, as essential to providing "complete" control. Rather, consistent with the Court's precedents before and since, the *Edmond* Court considered the cumulative effect of the available control mechanisms to determine whether presidentially appointed, Senate-confirmed officials exercised *sufficient* direction and supervision to ensure that Coast Guard judges "ha[ve] a superior." 520 U.S. at 662; see *id.* at 664-666.

The *Edmond* Court's discussion of *Freytag* v. *Commissioner*, 501 U.S. 868 (1991), reinforces that conclusion. Cf. Arthrex Br. 21. The Court identified "two significant distinctions between [the] Tax Court judges" whose status was at issue in *Freytag* and the Court of Criminal Appeals judges in *Edmond*: first, "no Executive Branch tribunal comparable to the Court of Appeals for the Armed Forces" reviewed decisions of Tax Court judges; and second, "no officer comparable to a Judge Advocate General * * * supervise[d] the work of the Tax Court, with the power to determine its procedural rules, to remove any judge without cause, and to order any decision submitted for review." 520 U.S. at

665-666. The Court thus focused on the differences between the cumulative supervisory mechanisms to which Tax Court and Court of Criminal Appeals judges respectively were subject. And despite those distinctions, the *Edmond* Court was careful to point out that "*Freytag* d[id] not hold that Tax Court judges are principal officers." *Ibid.*

b. The other precedents on which Arthrex relies likewise do not support its constitutional approach. Arthrex observes (Br. 21) that, in *Free Enterprise Fund*, the Public Company Accounting Oversight Board's (PCAOB's) "issuance of rules" and "imposition of sanctions" were "subject to Commission approval and alteration." 561 U.S. at 486. But the PCAOB was still "empowered to take significant enforcement actions * * * largely independently of the Commission," which lacked authority "to start, stop, or alter individual Board investigations." *Id.* at 504. Accordingly, the Court recognized that the SEC's control over the Board was not "plenary." *Ibid.* The Court nevertheless had "no hesitation in concluding" that the PCAOB members were inferior officers, basing that conclusion not on any particular supervisory power, but on the totality of the Commission's "oversight authority." *Id.* at 510. Indeed, to the extent the Court highlighted any specific authority as particularly salient, it was the Commission's newly recognized "power to remove Board members at will," not the Commission's ability to review the PCAOB's sanctions decisions. *Ibid.*[4]

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[4] Similarly in *Morrison* v. *Olson*, 487 U.S. 654 (1988), the independent counsel decisions to frame indictments, file informations, initiate prosecutions, and dismiss matters were not subject to review within the Executive Branch. *Id.* at 662-664.

Arthrex's reliance (Br. 21) on Justice Alito's separate opinion in *Department of Transportation* v. *Association of American Railroads*, 575 U.S. 43 (2015), is likewise misplaced. That case did not involve an administrative adjudication, but an elaborate process for adopting certain "metrics and standards" governing private railroads. *Id.* at 47 (citation omitted); see *id.* at 46-49. In expressing doubt about the scheme's compliance with the Appointments Clause, Justice Alito recognized that "an officer without a supervisor must be [a] principal" officer. *Id.* at 63-64 (Alito, J., concurring). He also stated that, if the statute there were read to authorize the appointment of a public official for the sole purpose of "making law *without supervision*" by any presidentially appointed, Senate-confirmed officer (or by anyone at all), it would "raise serious questions under the Appointments Clause." *Ibid.* (emphasis added). The circumstances here bear no resemblance to such a scheme.

c. The ability of a superior to review and modify the decisions of an inferior is one significant way to exercise direction and control over that inferior's work. But it is not the only way. And depending on the details of a particular statutory scheme, it may not even be the most effective.

For example, Arthrex observes (Br. 22) that removal authority alone cannot "undo" a previous decision that a judge has made on the agency's behalf, even if the decision is "directly contrary to the agency's policies or views." But the review authority afforded the CAAF in *Edmond* applied only in specified circumstances and permitted the CAAF to "take action only with respect to matters of law," UCMJ, 10 U.S.C. 867(c) (1994). And

as explained above and in our opening brief, even without unilateral review authority, the Secretary and Director have ample means of ensuring that no Board decision establishes any policy with which they disagree.

There is substantial variety across the federal government in how agency adjudicatory bodies are structured, and in the degree of direct review to which their individual decisions are subject. See, *e.g.*, Michael Asimow, Administrative Conference of the U.S., *Federal Administrative Adjudication Outside the Administrative Procedure Act* App. A (2019). Several agencies contain adjudicative bodies composed of officials who may be appointed by the department head, and whose decisions are the final word for the Executive Branch in at least some categories of cases. See, *e.g.*, 33 U.S.C. 921(b) and (c) (Department of Labor Benefits Review Board); 8 U.S.C. 1324b(e) and (i)(1) (Department of Justice Executive Office of Immigration Review); 41 U.S.C. 7105, 7107 (Civilian and Postal Service Boards of Contract Appeals). In other agencies, presidentially appointed and Senate-confirmed officials have only circumscribed review authority over administrative judges' decisions, as was the case in *Edmond*, 520 U.S. at 665—such as review over only particular aspects of the decision, in only certain circumstances, or under a deferential standard of review.

Arthrex acknowledges (Br. 20) that, for most Executive Branch officers, "the nature of the superior's direction and supervision may depend on context." But it argues (Br. 20-21) that, for administrative judges, the power to review and modify decisions is "an indispensable element of supervision" because "that is how they exercise executive power." That is unpersuasive.

To be sure, other Executive Branch officers exercise power in different ways than do administrative judges, *e.g.*, by taking enforcement actions, pursuing investigations, or promulgating regulations. Yet this Court has never required plenary principal-officer review of *those* actions as an indispensable element of inferior-officer status. See, *e.g.*, *Free Enterprise Fund*, 561 U.S. at 504 (noting the PCAOB's ability to "take significant enforcement actions * * * largely independently of the Commission"); *Morrison* v. *Olson*, 487 U.S. 654, 662 (1988) ("With respect to all matters within the independent counsel's jurisdiction, the Act grants the counsel 'full power and independent authority to exercise all investigative and prosecutorial functions and powers of the Department of Justice.'"). There is no sound reason that the appointment of administrative judges should be subject to a more categorical rule. Indeed, in *Free Enterprise Fund*, the Court reserved the question whether administrative judges may require *less* presidential control because "unlike members of the [PCAOB]," they "perform adjudicative rather than enforcement or policymaking functions." 561 U.S. at 507 n.10; see *Myers* v. *United States*, 272 U.S. 52, 135 (1926) (similar). As with other executive officials, the determination whether an administrative judge is a principal or inferior officer turns on whether all of the available mechanisms of control, taken together, enable presidentially appointed, Senate-confirmed officials to meaningfully "direct[] and supervise[]" the judge's work. *Edmond*, 520 U.S. at 663.

2. History provides no sound basis for treating principal-officer review as an indispensable prerequisite to inferior-officer status

History and tradition do not support Arthrex's proposed rule. Cf. Arthrex Br. 27-35. As a matter of policy, Congress has often authorized principal-officer review of administrative adjudications, including most prominently under the APA. That practice, however, does not imply that the Appointments Clause requires such review. In the patent context in particular, Congress has long authorized Executive Branch officials who were not principal officers to issue final agency decisions regarding patent rights.

a. In 1793, the Second Congress enacted interference procedures to address the resolution of disputes where two applicants sought a patent for the same invention. See Act of Feb. 21, 1793, ch. 11, § 9, 1 Stat. 322-323. Rather than vest such decisions in the Secretary of State, who otherwise had authority to issue patents, see § 1, 1 Stat. 318-321, Congress provided that "interfering applications * * * shall be submitted to the arbitration of three persons" chosen by the parties or the Secretary depending on the circumstances, and that "the decision or award of such arbitrators, delivered to the Secretary of State * * * or any two of them, *shall be final*, as far as respects the granting of the patent." § 9, 1 Stat. 322-323 (emphasis added).

In 1836, when Congress established the first iteration of the Patent Office, headed by the Commissioner of Patents, it again entrusted some final patent decisions to officials appointed by a department head. See Act of July 4, 1836 (1836 Act), ch. 357, 5 Stat. 117. The 1836 Act provided that, when the Commissioner denied

a patent application, the applicant could appeal the denial to "a board of examiners, to be composed of three disinterested persons, who shall be appointed for that purpose by the Secretary of State." § 7, 5 Stat. 119-120. That board of Secretary-appointed officers had the "power * * * to reverse the decision of the Commissioner, either in whole or in part," and the board's opinion "governed [any] further proceedings to be had on [the] application." *Ibid.* In an interference, if either of the competing applicants was "dissatisfied with the decision of the Commissioner on the question of priority of right or invention," the disappointed applicant could appeal to the board of examiners in the same way. § 8, 5 Stat. 120-121.[5]

In 1861, Congress established a permanent appellate board of examiners, consisting of three "examiners-in-chief" (predecessors to administrative patent judges), "for the purpose of securing greater uniformity of action in the grant and refusal" of patents. Act of Mar. 2, 1861 (1861 Act), ch. 88, § 2, 12 Stat. 246-247. Initially, these examiners-in-chief decided appeals from patent-application denials and interferences, and their decisions were appealable to the Commissioner. *Ibid.* In 1927, however, Congress made the Commissioner just one member of the "Board of appeals," composed of the

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[5] As Arthrex notes (Br. 34 n.5), this board of examiners was abolished in 1839. See Act of Mar. 3, 1839, ch. 88, §§ 11-12, 5 Stat. 354-355 (making decisions of the Commissioner appealable to the District Court for the District of Columbia). But that change was due to difficulty in securing examiners to serve on an ad hoc basis and to other sources of delays—not because of any perceived conflict with the Appointments Clause. See P. J. Federico, *Evolution of Patent Office Appeals*, 22 J. Pat. Off. Soc'y 838, 842 (1940).

examiners-in-chief and several other officials, and it authorized any panel of at least three Board members to issue the Executive Branch's final word on patent applications and interferences. Act of Mar. 2, 1927 (1927 Act), ch. 273, §§ 3-6, 8, 11, 44 Stat. 1335-1337.

Arthrex emphasizes (Br. 32-33) that, under the 1861 and 1927 statutes, the examiners-in-chief were presidentially appointed and Senate-confirmed. But because presidential appointment with Senate confirmation is the "default" method for appointment of inferior officers, *Edmond*, 520 U.S. at 660, that fact alone does not indicate that Congress considered the examiners-in-chief to be principal officers. And several other aspects of the laws indicate that Congress considered examiner-in-chiefs to be inferior officers. The 1836 Act made clear that the Commissioner was the "chief officer" in the Patent Office, responsible for "superintend[ing]" all "acts and things touching and respecting the granting and issuing of patents." 1836 Act, § 1, 5 Stat. 117-118; see § 2, 5 Stat. 118 (referring to the Commissioner as the "principal officer"). The 1861 Act amendments, creating the office of examiner-in-chief, did not alter that aspect of the Patent Office's structure. Indeed, they specifically provided that examiners-in-chief were to be "governed in their action by the rules to be prescribed by the Commissioner." § 2, 12 Stat. 246-247. And even after the 1927 Act amendments, the Commissioner continued to be charged with "superintend[ing]" "all duties respecting the granting and issuing of patents directed by law," 35 U.S.C. 6 (1926); had the authority to "establish regulations * * * for the conduct of proceedings in the Patent Office," *ibid.*; and possessed the unfettered ability to designate the members of each three-person

panel of the Board of Appeals, 1927 Act § 3, 44 Stat. 1335-1336.

In 1870, Congress vested initial patent examiners with the authority to issue final decisions granting patents. See Act of July 8, 1870 (1870 Act), ch. 230, §§ 2, 31, 16 Stat. 198-199, 202. The 1870 Act provided for the appointment of 67 initial patent examiners of various ranks "by the Secretary of the Interior, upon nomination of the [C]ommissioner." § 2, 16 Stat. 198-199. Upon the filing of a patent application, the Commission was required to "cause an examination to be made" by one of those examiners, and "if on such examination it shall appear that the claimant is justly entitled to a patent," the Act required the Commissioner to "issue a patent therefor" without the possibility for further review. § 31, 16 Stat. 202. Even today, that authority to issue the agency's final word on any patent *grant*, absent post-issuance review, is still vested in initial patent examiners, who are now appointed by the Director alone. See 35 U.S.C. 3(b)(3)(A), 131.

In the Patent Act of 1952, Congress created an additional way for non-Senate-confirmed federal officials to play a decisive role in determining patent rights. As in the 1927 Act, Congress there provided that a "Board of Appeals" would "review adverse decisions of examiners upon applications for patents," with the Board consisting of the Commissioner, assistant commissioners, and examiners-in-chief, all Senate-confirmed presidential appointees. Act of July 19, 1952, ch. 950, § 7, 66 Stat. 793; see §§ 141, 145, 66 Stat. 802-803 (permitting those dissatisfied with the Board's decision to appeal to the United States Court of Customs and Patent Appeals or

file a civil action against the Commissioner).[6] Congress again required that "[e]ach appeal shall be heard by at least three members of the Board * * * to be designated by the Commissioner." § 7, 66 Stat. 793. But the Commissioner was permitted to "designate any patent examiner of the primary examiner grade or higher * * * to serve as examiner-in-chief" and to "act as a member of the Board" for up to six months, so long as only one such examiner served on a panel hearing a particular appeal. *Ibid.* Thus, such primary examiners—who were appointed by the Secretary of Commerce at the time, see § 3, 66 Stat. 792-793—were permitted to do the work of the Board, potentially casting the deciding vote between two Senate-confirmed Board members.

Finally, as Arthrex acknowledges (Br. 33), since 1975 and throughout the entire history of statutory mechanisms for the USPTO's reconsideration of previously issued patents, officials without Senate confirmation have made final decisions regarding patent rights. See Act of Jan. 2, 1975 (1975 Act), Pub. L. No. 93-601, 88 Stat. 1956. As Arthrex notes (Br. 33), as part of a 1999 appropriations bill, Congress temporarily vested the appointment authority for administrative patent judges in the Director. See Patent and Trademark Office Efficiency Act, Pub. L. No. 106-113, § 4717, 113 Stat. 1501A-580 to 1501A-581. After a law professor raised Appointments Clause concerns about that scheme, Congress passed a stand-alone bill that vested those judges' ap-

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[6] After 1958, when Congress clarified that the Court of Customs and Patent Appeals was an Article III court, it was clear that review by that tribunal did not constitute Executive Branch review. See *Glidden Co.* v. *Zdanok*, 370 U.S. 530, 540-541 (1962) (citing Act of Aug. 25, 1958, Pub. L. No. 85-755, 72 Stat. 848).

pointment in the Secretary of Commerce, where it remains today. See Act of Aug. 12, 2008, Pub. L. No. 110-313, § 1(a)(1), 122 Stat. 3014; *In re DBC*, 545 F.3d 1373, 1377-1378 (Fed. Cir. 2008), cert. denied, 558 U.S. 816 (2009). The current appointment scheme for administrative patent judges thus represents Congress's considered judgment, entitled to the respect that this Court ordinarily affords constitutional determinations of a coordinate Branch, that those judges may be appointed in a manner that the Appointments Clause specifies as appropriate for inferior officers.

b. Contrary to Arthrex's suggestion, there is no "lack of historical precedent" for the current statutory scheme that governs the many thousands of patent decisions the Executive Branch must make each year. Br. 34 (citation omitted). Rather, since "the earliest days of the Republic," *Freytag*, 501 U.S. at 890 (citation omitted), Congress has vested a variety of officials, including officials who have not received Senate confirmation, with authority to issue the final decision of the Executive Branch on patent rights. "Because 'traditional ways of conducting government . . . give meaning' to the Constitution," this longstanding congressional practice "provides evidence" that this authority may be exercised by persons who are not principal officers of the United States. *Ibid.* (citation omitted).

II. IF THE COURT CONCLUDES THAT ADMINISTRATIVE PATENT JUDGES ARE PRINCIPAL OFFICERS UNDER THE CURRENT SCHEME, THE COURT SHOULD AFFIRM THE FEDERAL CIRCUIT'S REMEDIAL HOLDING SEVERING THE STATUTORY REMOVAL RESTRICTIONS

After holding that administrative patent judges are principal officers, and therefore were invalidly appointed under the current statutory scheme, the court of appeals held that it could cure the Appointments Clause violation prospectively by "sever[ing] the application of Title 5's [efficiency-of-the-service] removal restrictions to" administrative patent judges, thus making them removable at will by the Secretary of Commerce. Pet. App. 27a; see *id.* at 29a ("We hold that the application of Title 5's removal protections to [administrative patent judges] is unconstitutional and must be severed."). The court reasoned that severance of those restrictions "render[ed] [administrative patent judges] inferior rather than principal officers" who could validly be appointed by their department head. *Id.* at 28a. If this Court concludes that administrative patent judges are principal officers under the existing statutory scheme, it should affirm the court of appeals' remedial holding curing the Appointments Clause violation.

A. Administrative Patent Judges' Modest Tenure Protections May Be Severed From The Rest Of The Statute

1. "Generally speaking, when confronting a constitutional flaw in a statute,'" this Court seeks "to limit the solution to the problem," either by invalidating "only the unconstitutional applications of a statute while leaving other applications in force," or by severing any "problematic portions while leaving the remainder in-

tact." *Ayotte* v. *Planned Parenthood of N. New England*, 546 U.S. 320, 328-329 (2006). "[E]ven in the absence of a severability clause," the Court applies "a strong presumption of severability." *Barr* v. *American Ass'n of Political Consultants, Inc.*, 140 S. Ct. 2335, 2350-2351 (2020) (*AAPC*) (plurality opinion); see *Seila Law*, 140 S. Ct. at 2209. As long as the "remainder of the statute is 'capable of functioning independently' and thus would be 'fully operative' as a law," "[t]he Court's precedents reflect a decisive preference for surgical severance rather than wholesale destruction." *AAPC*, 140 S. Ct. at 2350-2352 (citation omitted).

The Court's decision in *Free Enterprise Fund* is illustrative. When confronted with "a number of statutory provisions that, working together," violated the separation of powers, this Court held invalid only the for-cause removal restrictions that applied to PCAOB members, "leav[ing] the Board removable by the Commission at will," and preserving the rest of the statute. 561 U.S. at 509. The Court explained that, with the "tenure restrictions excised," the statutory scheme "remain[ed] 'fully operative as a law.'" *Ibid.* (citation omitted). The Court found that "nothing in the statute's text or historical context ma[de] it 'evident' that Congress, faced with the limitations imposed by the Constitution, would have preferred no Board at all to a Board whose members are removable at will." *Ibid.* (citation omitted).

In *Intercollegiate Broadcasting System, Inc.* v. *Copyright Royalty Board*, 684 F.3d 1332 (2012), cert. denied, 569 U.S. 1004 (2013), the D.C. Circuit followed a similar approach in resolving an Appointments Clause challenge to the administrative judges of the Copyright Royalty Board (CRB). After concluding that CRB judges were

principal officers—and therefore could not be appointed by the Librarian of Congress—the court of appeals determined that, as in *Free Enterprise Fund*, "invalidating and severing the restrictions on the Librarian's ability to remove the [judges] eliminate[d] the Appointments Clause violation and minimize[d] any collateral damage." *Id.* at 1340. "With unfettered removal power," the court reasoned, the Librarian possessed the level of control needed to render the judges "validly appointed inferior officers." *Id.* at 1341.

In the present case, given the Federal Circuit's conclusion that the statutory scheme could not be sustained in full, the remedy that it chose—invalidating the application to administrative patent judges of the removal restrictions in 5 U.S.C. 7513(a)—represented "the narrowest possible modification to the scheme Congress created and cure[d] [any] constitutional violation in the same manner as [in] *Free Enterprise Fund* and *Intercollegiate*." Pet. App. 27a. The court noted that "[a]ll parties and the government agree[d] that this would be an appropriate cure for an Appointments Clause infirmity." *Ibid.* And the Court found in the statute's text and history no reason to doubt that Congress "would have preferred a Board whose members are removable at will rather than no Board at all." *Ibid.* (quoting *Free Enterprise Fund*, 561 U.S. at 509).

2. Arthrex contends that the court of appeals erred in severing the application of Title 5's removal restrictions to administrative patent judges. Its arguments are unsound.

a. Arthrex principally argues (Br. 45-47) that the court of appeals' severance approach is insufficient to cure the Appointments Clause violation because the Di-

rector and Secretary still lack the authority to unilaterally review administrative patent judges' decisions. That argument fails because direct review of an administrative judge's individual decisions is not a constitutional prerequisite to inferior-officer status under the Appointments Clause. If this Court affirms the Federal Circuit's holding that administrative patent judges are not already subject to constitutionally sufficient direction and supervision under the existing statutory scheme, making those judges removable at will would provide Senate-confirmed officials with constitutionally adequate supervisory authority over their work, even if the judges' decisions "will still not be directly reversible." *Intercollegiate Broad. Sys.*, 684 F.3d at 1341; see *Free Enterprise Fund*, 561 U.S. at 510.

b. Arthrex contends that "Congress would not have enacted the America Invents Act without tenure protections for administrative patent judges." Br. 47 (capitalization altered; emphasis omitted); see Br. 47-56. Arthrex argues (Br. 59) that, rather than sever the application of the Title 5 tenure protections to administrative patent judges, "the Court should hold the current inter partes review regime unconstitutional." That remedial approach is unsound.

i. The crux of Arthrex's remedial approach is that tenure protections are "[e]ssential" for all Executive Branch adjudicators. Arthrex Br. 48 (emphasis omitted). But while this Court has "permitted Congress to give" tenure protections for certain Executive Branch officers in certain circumstances, it has never held that such tenure protections are required. *Seila Law*, 140 S. Ct. at 2197-2200. To the contrary, Congress has long authorized agency *heads* who are removable at will to personally adjudicate cases. See p. 15, *supra*. Indeed,

under the first Patent Act, patent adjudication was vested directly in the Secretary of State, Secretary of War, and the Attorney General, or any two of them. Act of April 10, 1790, ch. 7, § 1, 1 Stat. 109-110. Lower courts have also correctly rejected arguments that tenure protections are necessary to "preserve [officers'] unbiased, independent judgments." See *Kalaris*, 697 F.2d at 394, 396 (rejecting argument that removal restrictions were constitutionally required for members of the Department of Labor's Benefits Review Board, "inferior officers" who perform adjudications).[7]

Arthrex emphasizes (Br. 50-52) the tenure protections that Congress afforded to administrative law judges in the APA, 5 U.S.C. 7521(a). But Arthrex again ignores that Congress did not afford administrative patent judges the "good cause" removal protection that applies to administrative law judges under Section 7521(a). See pp. 7-8, *supra*. And Congress has created other inferior adjudicative bodies without insulating their members from removal at all. See 5 U.S.C. 7511(b)(8) (exempting certain administrative judges from civil-service removal protections); 41 U.S.C. 7105(c) (Tennessee Valley Authority Board of Contract Appeals); 41 U.S.C. 7105(d) (Postal Service Board of Contract Appeals); see also, *e.g.*, *Reagan* v. *United States*, 182 U.S. 419, 426-427 (1901) (commissioners of

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[7] Madison's description of the first Comptroller of the Treasury is not to the contrary. Cf. Arthrex Br. 48. "Madison's actual proposal, consistent with his view of the Constitution, was that the Comptroller hold office for a term of 'years, unless sooner removed by the President'" at will. *Seila Law*, 140 S. Ct. at 2205 (quoting *Free Enterprise Fund*, 561 U.S. at 500 n.6); see 1 Annals of Cong. 612 (1789) (Joseph Gales ed., 1834).

the Indian Territory); *United States* v. *Allred*, 155 U.S. 591, 594 (1895) (circuit court commissioners).

ii. Arthrex's contention (Br. 52-56) that tenure protections for administrative patent judges are "particularly important" under the AIA, Br. 52, is similarly misplaced. The Patent Act does not establish *any* removal restrictions that are specific to administrative patent judges. See 35 U.S.C. 6 (providing for administrative patent judges without addressing their removal). Although the Act includes particular removal provisions for other USPTO offices, see 35 U.S.C. 3(a) (making the Director removable at will by the President); 35 U.S.C. 3(b)(2)(C) (authorizing removal of the Commissioners of Patents and Trademarks by the Secretary of Commerce "for misconduct or nonsatisfactory performance"), the removal of administrative patent judges is subject to Title 5's efficiency-of-the-service standard only by virtue of a catch-all provision making all "[o]fficers and employees" of the USPTO "subject to the provisions of title 5, relating to Federal employees." 35 U.S.C. 3(c). Congress evidently did not view either the patent-law context, or the adjudicative functions that administrative patent judges perform, as warranting a special removal standard.[8]

iii. As compared to severance of administrative patent judges' tenure protections, Arthrex's preferred remedy—invalidation of "the current inter partes review regime," Br. 59—would much more severely disrupt

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[8] Arthrex asserts (Br. 52) that, "[w]hen Congress first granted the Patent Office power to reexamine previously issued patents in 1980, examiners-in-chief were removable only for cause." But the provision on which Arthrex relies did not mention removal, stating only that examiners-in-chief "shall be appointed under the classified civil service." 1975 Act, § 2, 88 Stat. 1956.

Congress's policy choices, by negating a post-issuance review mechanism that was a centerpiece of the AIA. Respondents identify no basis, moreover, for distinguishing inter partes review from other functions that administrative patent judges perform. Both in conducting other types of post-issuance review proceedings, see 35 U.S.C. 306, and in resolving disappointed patent applicants' appeals from examiners' rejections, 35 U.S.C. 134, administrative patent judges perform adjudicatory functions and issue final decisions on behalf of the agency. Arthrex does not explain why, if its Appointments Clause and remedial arguments are accepted, the Board could continue to conduct those proceedings but not inter partes reviews. Arthrex's proposed severance remedy would be especially disruptive if its logical consequence was to preclude administrative patent judges from performing those functions as well.

iv. Arthrex's appeal (Br. 53-54) to the adversarial nature of some Board proceedings is likewise unavailing. To be sure, the proceeding that the Board conducted in this case, inter partes review, resembles civil litigation in certain respects.[9] But like all post-issuance proceedings, it is still fundamentally an Executive Branch process by which the USPTO may "reconsider[]" the agency's own prior decision "to grant a pub-

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[9] In other significant ways, however, inter partes review differs from adjudication in Article III courts. The decision whether to "institute [inter partes] review is made by the Director and committed to his unreviewable discretion," *Oil States*, 138 S. Ct. at 1378 n.5, and the Director can de-institute such a proceeding at any time before a final decision is issued, see p. 13, *supra*. And the Board can continue to reconsider a challenged patent claim "even after [an] adverse party has settled" or dropped out. *Cuozzo*, 136 S. Ct. at 2144; see 35 U.S.C. 317(a).

lic franchise." *Oil States*, 138 S. Ct. at 1373, 1378. Congress established that process to expand the USPTO's existing tools to "protect the public's 'paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.'" *Cuozzo*, 136 S. Ct. at 2144 (ctiation omitted); see H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 48 (2011). As such, it is designed to ensure that the existence of a United States patent reflects the USPTO's current, informed judgment that the claimed invention satisfies the statute's patentability requirements.

In that context, it is unsurprising that Congress has granted the Secretary and the Director significant authority to direct and supervise the work of administrative patent judges. In light of those control mechanisms, including the Director's authority to remove an administrative patent judge from her judicial assignments, see pp. 8-10, *supra*, affording the Secretary the further authority to remove administrative patent judges from federal service at will would not be "incompatible with [the AIA's] structure," Arthrex Br. 55. Indeed, the President already has the at-will authority to remove the Director—who is himself a member of the Board—from federal service. 35 U.S.C. 3(a)(4).

c. Contrary to Arthrex's assertion (Br. 59), there is nothing problematic about the "'as applied' nature" of the court of appeals' severance holding. "[T]his Court has on several occasions declared a statute invalid as to a particular application without striking the entire provision that appears to encompass it." *United States* v. *National Treasury Emps. Union*, 513 U.S. 454, 487 (1995) (O'Connor, J., concurring in the judgment in part and dissenting in part) (citing cases); see, *e.g.*, *Ayotte*, 546 U.S. at 331 (remanding for consideration of whether

narrower, as-applied remedy was appropriate rather than "invalidat[ing] the law wholesale"); *United States* v. *Grace*, 461 U.S. 171 (1983) (invalidating statute as applied to "sidewalks," even though the statute's text did not distinguish between sidewalks and other applications). Such an approach follows from the "'normal rule'" that "'partial'" rather than wholesale "'invalidation is the required course,'" so as not to "nullify more of a legislature's work than is necessary." *Ayotte*, 546 U.S. at 329 (citation omitted).

d. Arthrex's appeal (Br. 62-64) to principles of constitutional avoidance to avoid a severance remedy is particularly misplaced. To the extent the answer to the Appointments Clause question in this case turns on the resolution of any statutory ambiguities—*e.g.*, whether the Patent Act authorizes the Director to issue rules or other directives that will bind the Board on matters of patentability, or to de-institute an inter partes review based on his disagreement with a proposed Board decision—the Court should interpret the statute so as to avoid any Appointments Clause infirmity. To that extent, principles of constitutional avoidance apply in this case. But it is *Arthrex's* approach of repeatedly construing the Secretary's and Director's authority as narrowly as possible (and sometimes more narrowly still) that is inconsistent with those principles.

If the Court reaches the severability question, constitutional-avoidance principles have no remaining role to play. In that circumstance, the Court by definition will have found an Appointments Clause infirmity in the statutory scheme as enacted. The Court's severance precedents would then call for the invalidation of whatever statutory provisions or applications must be excised to leave in place a fully operative scheme that

satisfies the Appointments Clause's requirements as this Court has construed them. To be sure, the Court could not properly remedy an Appointments Clause violation by severing statutory provisions that are necessary to prevent some *other* constitutional infirmity. But, contrary to Arthrex's contention (Br. 63-64), severing tenure protections for Executive Branch adjudicators does not raise any meaningful due process concern. See pp. 15-17, *supra*.

B. The Existence Of Other Potential Means To Cure Any Appointments Clause Problem Does Not Cast Doubt On The Court Of Appeals' Approach

Finally, there is nothing remarkable about the possibility that Congress, this Court, or various amici could devise alternative approaches to curing any Appointments Clause problem here. The existence of those potential approaches does not call into doubt the court of appeals' severability holding. Cf. Arthrex Br. 56-60.

1. If the Court determines that severing the tenure protections for administrative patent judges would not cure any Appointments Clause problem that the Court identifies, or is unavailable for any other reason, the Court should consider whether an alternative approach that is consistent with this Court's precedents would solve the problem. For example, if the Court agrees with Arthrex that further Executive Branch review of an administrative adjudicator's individual decisions is an essential prerequisite to the adjudicator's inferior-officer status, it could (in lieu of or in combination with the court of appeals' approach, as appropriate) sever 35 U.S.C. 6(c)'s directive that "[o]nly the Patent Trial and Appeal Board may grant rehearings" of the Board's final decisions. In the absence of such an express limi-

tation, and in light of the Patent Act's vesting in the Director of "[t]he powers and duties of the [USPTO]," see 35 U.S.C. 3(a), the statute would fairly be read to permit the Director to review and reverse any Board decisions with which he disagrees. See, *e.g.*, *Strand* v. *United States*, 951 F.3d 1347, 1351-1354 (Fed. Cir. 2020) (interpreting a statute that required the Navy Secretary to correct any service records by "acting through boards of civilians" to permit the Secretary to review those boards' otherwise final decisions), cert. denied, No. 20-111 (Dec. 7, 2020) (citation and emphasis omitted).[10]

2. The mere existence of other potential cures for any Appointments Clause violation, however, does not prevent this Court from adopting the narrowest approach. In *Free Enterprise Fund*, for example, the Court held that "the language providing for good-cause removal" of members of the PCAOB was "only one of a number of statutory provisions that, working together, produce[d] a constitutional violation." 561 U.S. at 509. "In theory," the Court explained, it might address the separation-of-powers violations by invalidating "a sufficient number of the Board's responsibilities so that its members would no longer be 'Officers of the United States.'" *Ibid.* Or, reminiscent of Arthrex's theory here, the Court suggested that it might restrict the Board's powers "so that it would be a purely recommendatory panel." *Ibid.* But the existence of those alternative approaches to fixing the problem did not preclude the Court from taking the much less disruptive

[10] Congress recently granted the Director a similar right to review decisions by the comparable Trademark Trial and Appeal Board in the Trademark Modernization Act of 2020, Pub. L. No. 116-260, Div. Q, Tit. II, Subtit. B, § 228 (Dec. 27, 2020).

approach of invalidating the removal restrictions, leaving Congress "free to pursue" any other approach "going forward." *Id.* at 510.

Similarly in *Seila Law*, the Court observed that, "[a]s in every severability case," there may have been "means of remedying the defect in the CFPB's structure" other than invalidating the restriction on removal of the agency's head. 140 S. Ct. at 2211. For example, the problem could in theory have been resolved by "converting the CFPB into a multimember agency." *Ibid.* While recognizing those potential alternatives, however, the Court instead adopted a narrower remedy that minimized the departure from the scheme that Congress had enacted, while noting that its "severability analysis" would not "foreclose Congress from pursuing alternative responses to the problem." *Ibid.* This Court's severability precedents thus make clear that the Court's "decisive preference for surgical severance rather than wholesale destruction," *AAPC*, 140 S. Ct. at 2350-2351 (plurality opinion), is not confined to circumstances in which there exists just one possible solution to a constitutional problem.

CONCLUSION

The judgment of the court of appeals should be reversed on the ground that the court's resolution of the first question presented was erroneous. In the alternative, if the Court affirms the court of appeals' Appointments Clause holding, it should also affirm that court's resolution of the second question presented.

Respectfully submitted.

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

IN THE
Supreme Court of the United States

UNITED STATES OF AMERICA,

Petitioner,

v.

ARTHREX, INC., ET AL.,

Respondents.

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

RESPONSE AND REPLY BRIEF FOR SMITH & NEPHEW, INC. AND ARTHROCARE CORP.

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(Additional captions listed on inside cover.)

SMITH & NEPHEW, INC., ET AL.,

Petitioners,

v.

ARTHREX, INC., ET AL.,

Respondents.

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v.

SMITH & NEPHEW, INC., ET AL.,

Respondents.

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 prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

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RESPONSE AND REPLY BRIEF FOR SMITH & NEPHEW, INC. AND ARTHROCARE CORP.

SUMMARY OF ARGUMENT

I. No one—not the three parties, nor any of the 31 *amici curiae*—defends the Appointments Clause analysis applied by the Federal Circuit. Instead, Arthrex now insists that there is a single "exclusive criterion" for determining whether administrative adjudicators are principal or inferior Officers. This Court, however, has squarely held to the contrary. *Edmond* v. *United States*, 520 U.S. 651, 661 (1997). APJs are inferior Officers under *Edmond*.

I.A. As Arthrex does not dispute (at 32–33), Congress has always treated APJs and their predecessors as *inferior* Officers, empowering them to decide patentability—with judicial review before their decisions become final—for nearly 100 years. This same framework has governed reconsideration of issued patent claims, such as the IPR proceeding at issue here, for 40 years. From a structural perspective, the roles and responsibilities of APJs in the AIA regime are neither novel nor unusual, and the co-equal branches' "'[l]ong settled and established practice'" merits deference. *NLRB* v. *Noel Canning*, 573 U.S. 513, 524 (2014) (alteration in original; citation omitted).

I.B. Under the Court's established Appointments Clause framework, Congress permissibly made APJs inferior Officers appointed by the Secretary of Commerce. Throughout the federal government, administrative adjudicators have always been deemed inferior Officers, and APJs are no different: They do not make policy (the Director does). Their actions are not final

(unless permitted by the Director). And their work is "directed and supervised" by the Director and other Officers before, during, and after they make patentability decisions. *Edmond*, 520 U.S. at 663.

I.C. Unable to defend the decision below, Arthrex advances (at 20) the radical proposition that "administrative judges cannot be inferior officers absent a superior who can review and modify their decisions." Arthrex derives its pronouncement from just three sentences taken out of context from previous opinions. This approach finds no footing in the Court's actual precedents, which have never adopted such a rigid rule. Indeed, the Court has never deemed any administrative adjudicator a principal Officer, even where the adjudicator could issue decisions not subject to executive review.

I.D. If the Court were to deem hundreds of APJs principal Officers, it would have to confront the continued viability of *Humphrey's Executor* v. *United States*, 295 U.S. 602 (1935). Because Congress gave APJs removal protections (which Arthrex contends are constitutionally required), a ruling that APJs are principal Officers would squarely raise the question whether the President's removal authority can be so limited. *See Seila Law LLC* v. *CFPB*, 140 S. Ct. 2183, 2192 (2020) (plurality op.).

II. Because APJs are inferior Officers, there is nothing for this Court to remedy or fix. If the Court were to deem APJs principal Officers, however, it should deny the case-specific and systemic relief that Arthrex requests.

II.A. The only particularized relief that is "appropriate" given the circumstances of this case, *Ryder* v.

United States, 515 U.S. 177, 182–83 (1995), is a declaratory judgment. Arthrex is not entitled to a new hearing because it failed to make a "timely" Appointments Clause challenge "before the [agency]." *Lucia* v. *SEC*, 138 S. Ct. 2044, 2055 (2018). Nor should the Court grant Arthrex's cursory request for "dismissal" of the IPR proceeding. A court cannot order "dismissal" in any IPR proceeding and especially here, where Arthrex settled related civil litigation with S&N in an agreement contingent on having the IPR "continue." U.S. Pet. App. 86a. And Arthrex forfeited any such request by failing to seek dismissal before the agency, before the Federal Circuit panel, or indeed before this Court in its petition for a writ of certiorari.

II.B. If the Court were to find any constitutional defect in how APJs are appointed, it should reject Arthrex's attempt to "ride a discrete constitutional flaw . . . to take down the whole" IPR system. *Barr* v. *Am. Ass'n of Political Consultants, Inc.*, 140 S. Ct. 2335, 2351 (2020) (plurality op.). This Court has a "decisive preference for surgical severance rather than wholesale destruction." *Id.* at 2350–51. Depending on what (if anything) the Court finds problematic on the merits, the Court should "'limit the solution to the problem.'" *Free Enter. Fund* v. *Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 508 (2010) (citation omitted).

The judgment below should be reversed.

ARGUMENT

I. APJs Are Inferior Officers Of The United States.

Arthrex asks this Court to second-guess a series of reasonable policy choices, stretching back to the early Republic, about how to design and implement an administrative system for granting and reviewing patents. The political branches have always treated APJs and their predecessors as inferior Officers since their creation. For nearly 100 years, those same inferior Officers have made decisions on patent grants that have been reviewable only by a court *before* they become final; and for nearly 40 years, they have conducted "second look" proceedings, such as today's IPRs, in the same manner.

Like other administrative adjudicators, APJs are inferior Officers under this Court's established framework. Indeed, every facet of their work is "directed and supervised" by other Officers, *Edmond* v. *United States*, 520 U.S. 651, 663 (1997), especially the Senate-confirmed Director. Only the Director can finally cancel or confirm patent claims at the conclusion of an IPR, and no APJ decision becomes a "final decision . . . unless permitted" by the Director, *id.* at 665, who can pursue rehearing, intervene in any judicial review, and de-institute the IPR proceeding. APJ decisions are also subject to review by the Federal Circuit—an Article III court—before they become final.

Arthrex does not defend the three-step framework applied by the Federal Circuit, insisting instead that "Principal Officer Review of Decisions" is the *sine qua non* of inferior-officer status. Arthrex Br. 20 (emphasis removed). But it cannot cite a single case adopting any bright-line test for inferior Officers, much less a

rigid rule that "administrative judges cannot be inferior officers absent a superior who can review and modify their decisions." *Ibid.* And Arthrex does not dispute that this Court has repeatedly held a wide variety of administrative adjudicators to be inferior Officers, and has never found such an adjudicator to be a principal Officer—even where their decisions were not subject to administrative review.

At bottom, Arthrex asks this Court to throw overboard its own Appointments Clause precedents and the centuries-old views of the political branches based on a single sentence from *Edmond* and two sentences from other opinions construing *Edmond*. *See* Arthrex Br. 20–21. *Edmond* actually held, however, that there is *no* "exclusive criterion" for inferior-officer status; and in conducting its holistic analysis, the Court found "significant" not review and correction by a principal Officer—as Arthrex insists—but the inability to "*render a final decision* . . . unless permitted to do so by *other Executive* officers." 520 U.S. at 661, 665 (emphases added). Because that statement equally applies to APJs, *Edmond* says everything this Court needs to hold that APJs are inferior Officers.

A. Administrative Patent Review Has Deep Historical Roots.

Arthrex and its *amici* repeatedly accuse Congress of setting up an "anomalous" regime of administrative patent review when it enacted the AIA in 2011. Arthrex Br. 17; *see*, *e.g.*, U.S. Lumber Coal. Br. 14 ("aberration"). Their strategy is clear: They aim to ride the coattails of other recent cases in which the Court has viewed with skepticism other, genuinely "novel governmental structures." *Seila Law LLC* v. *CFPB*, 140 S. Ct. 2183, 2207 (2020). The history of the USPTO, however, tells quite a different story.

The current regime of administrative patent review is neither new nor untraditional. The Patent Office as a separate entity dates to 1836, at which time examiners appointed by the Secretary of State—not principal Officers appointed by the President—spoke the agency's last word on patentability decisions. *See* Act of July 4, 1836, ch. 357, §§ 1, 7, 16, 5 Stat. 117, 117–24. The continuation of that historical practice is a far cry from 21st-century novelties such as single-director "'independent'" agencies, *Seila Law*, 140 S. Ct. at 2207, or dual for-cause limitations, *Free Enter. Fund* v. *Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 492 (2010).

1. As S&N and the United States have explained—and Arthrex does not actually dispute—the political branches have always treated APJs and their predecessors as inferior Officers since their creation in the mid-19th century. S&N Br. 43–49; U.S. Br. 41–45; Arthrex Br. 32–34. For nearly 100 years, Congress has elected to have those inferior Officers make decisions on patent grants that are reviewable only by a court *before* they become final. And for nearly 40 years, Congress has elected to have them conduct "second look" proceedings, such as today's IPRs, in the same manner.

Arthrex's assertion (at 34) that the AIA "depart[ed]" from "150 years of tradition" of having principal-officer review of patent decisions has no basis in the historical record. Throughout this Nation's history, Congress has "experiment[ed]" with various forms of administrative patent review—including by allowing "panels of arbitrators to review the Commissioner's decisions," as Arthrex acknowledges (at 34 n.5). Final patent adjudication by non-principal Officers itself dates back to 1793. *See United States ex rel.*

Bernardin v. *Duell*, 172 U.S. 576, 583 (1899) (under the Patent Act of 1793, interference decisions by three arbitrators chosen by private parties and the Secretary of State were "final, as respected the granting of the patent").

Indeed, patent examiners—who are unquestionably not principal Officers—have always spoken the last word over patent *grants* without any principal-officer review. And by 1855 at the latest, they were giving the Patent Office's *de facto* last word on *rejected* patents too. As the Patent Office explained, by that time it had become "wholly impossible" to administer a system of direct appeals to the Commissioner, and "a rejection by the examiner [wa]s, in point of fact, final." U.S. Patent Office, Annual Report of the Commissioner of Patents for 1855 (Jan. 31, 1856), https://www.ipmall.info/sites/default/files/hosted_resources/PatentHistory/poar1855.htm. The Commissioner thus supervised patent decisions primarily by "lay[ing] down the [applicable] general rules and principles," *State of Affairs at the Patent Office*, 13 Sci. Am. 125 (Dec. 26, 1857), https://www.ipmall.info/content/patent-history-materials-index-patent-materials-scientific-american-vol-13-old-series-sep.

By 1861, when examiners-in-chief were created for "revis[ing] and determin[ing]" patentability decisions, those Officers—undisputedly the predecessors of APJs along with interference examiners, *see* Arthrex Br. 3, 33—would have taken over this *de facto* last-word authority from patent examiners. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246, 246–47.

Starting in 1927, Congress codified this practice, giving the Commissioner *ex ante* power to designate appeals panels of examiners-in-chief, while making those panels' decisions reviewable by courts (not the

Commissioner) before they became final. Act of Mar. 2, 1927, ch. 273, § 3, 44 Stat. 1335, 1335–36. In 1939, Congress took the same approach with interference proceedings. Act of Aug. 5, 1939, ch. 451, §§ 1–4, 53 Stat. 1212, 1212–13. Arthrex conveniently omits that those proceedings were directly appealable through a "bill in equity" to an Article III court, which would provide judicial review of a *non-final* decision as merely "one step in the statutory proceeding . . . whereby that tribunal is interposed in aid of the patent-office." *Butterworth* v. *United States*, 112 U.S. 50, 60–61 (1884). Contrary to Arthrex's assertion (at 34), intra-executive review thus was not the historical "tradition."[1]

Arthrex notes that for much of their history examiners-in-chief (though never interference examiners) were "appointed *in the manner* required for principal officers," Arthrex Br. 4 (emphasis added)—but that is not remotely the same as showing that they *were* principal Officers. As Arthrex well knows, presidential appointment and senatorial confirmation is also the "default" method to appoint inferior Officers. *Edmond*, 520 U.S. at 660. When Congress was considering whether to give a Head of Department authority to appoint examiners-in-chief, it confirmed that exam-

[1] Arthrex mistakenly states (at 33) that in 1939 Congress made interference decisions separately appealable to "an Executive Branch tribunal" called the Court of Customs and Patent Appeals (CCPA). In fact, Congress always considered the CCPA an Article III court: After this Court deemed the CCPA an Article I court, Congress "pronounced its disagreement" and made clear that the CCPA is and always has been an Article III court. *Glidden Co.* v. *Zdanok*, 370 U.S. 530, 531–32 (1962) (plurality op.) (citing Act of Aug. 25, 1958, Pub. L. No. 85-755, § 1, 72 Stat. 848, 848).

iners-in-chief "always have been[ ] positions of a professional character, rather than political-type appointments," *To Amend Title 35, United States Code, "Patents," and for Other Purposes: Hearing on S. 1254 Before Subcomm. No. 3 of the H. Comm. on the Judiciary*, 92d Cong. 43 (1971) (statement of Edward J. Brenner, former Commissioner of Patents), and that there would remain "clear and direct responsibility in the Commissioner of Patents for all aspects of the administration of the patent system," 117 Cong. Rec. S3220 (Mar. 16, 1971) (remarks of Sen. McClellan).

Thus, the real history found in the statute books and Patent Office records, not the pages of Arthrex's brief, shows that there is nothing anomalous about the modern regime at all. For many decades, Congress and the President have chosen not to require direct principal-officer review of every patentability decision. And this "[h]istory provides no sound basis for classifying administrative patent judges as principal officers" today. U.S. Br. 41 (emphasis removed).

2. Forty years ago, Congress built on the traditional administrative regime for granting patent claims by allowing the USPTO "to reconsider and cancel patent claims that were wrongly issued." *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). Congress sensibly chose to assign these "second look" proceedings "to the very same bureaucracy that granted the patent in the first place." *Thryv, Inc.* v. *Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 n.7 (2020). Notwithstanding four decades of institutional pedigree, Arthrex contends that the AIA's review proceedings marked a "sharp break" from tradition in two respects. Arthrex Br. 27–35. Neither contention has any force.

Arthrex first asserts (at 27) that the AIA broke from a broader "tradition," exemplified by the Administrative Procedure Act of 1946, of having principal-officer review of administrative adjudicators' decisions. Administrative patentability determinations, however, long predate the APA and draw on a separate, much older "history" that "can be traced back to" the creation of the Patent Office in 1836. *Kappos* v. *Hyatt*, 566 U.S. 431, 439 (2012). This particular pedigree must "begin [the] inquiry," as the more general (and modern) "background principles of administrative law" on which Arthrex relies are of limited relevance to patentability determinations. *Id.* at 438–39. And that pedigree unmistakably shows that inferior Officers have been deciding patentability without principal-officer review since the mid-19th century.

Arthrex also argues (at 33) that second-look proceedings including IPRs "vastly expanded APJs' authority." That is overstated. Prior to 1980, interference examiners had long been adjudicating adversarial proceedings that could ultimately revoke issued patents; and examiners-in-chief heard *appeals* from decisions on patent applications. S&N Br. 43–46. After 1980, the only changes that occurred are unremarkable from a constitutional perspective: Congress authorized "the very same bureaucracy" of examiners-in-chief to *reconsider* its initial patent grant. *Thryv*, 140 S. Ct. at 1374 n.7. This Court has repeatedly upheld Congress's authority to establish such a system for reconsidering bad patent claims. *See ibid.* (rejecting view "that Congress lacks authority to permit second looks"); *Oil States*, 138 S. Ct. at 1373 ("Congress has permissibly reserved the PTO's authority to conduct that reconsideration").

Arthrex further ignores that, both substantively and procedurally, the AIA "dr[ew] extensively from" earlier interference and reexamination proceedings. Jeffrey P. Kushan, *The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent and Trademark Office*, 30 Yale L. & Pol'y Rev. 385, 390–91 (2012). While Arthrex contends (at 6, 33) that the AIA instituted *adjudicative* features, interference proceedings had long had such adjudicative features. An additional "problem with [Arthrex's] argument . . . is that, in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016). "[N]othing" in the AIA indicates that "Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision." *Id.* at 2144.

The AIA thus built on deep foundations from the history of administrative patentability determinations and continues an unbroken tradition of nearly 100 years. During that time, Congress has consistently and reasonably elected to have a principal Officer provide primarily *ex ante* supervision of patent decisions, to interpose judicial review before those decisions can become final, and to vest final authority in the Director himself.

The Court should grant "'great weight'" to this "'[l]ong settled and established practice'" of treating APJs and their predecessors as inferior Officers. *NLRB* v. *Noel Canning*, 573 U.S. 513, 524 (2014) (alteration in original; citation omitted); S&N Br. 43–49; Admin. & Const. Law Profs. Br. 12–23. Although this considered judgment by the co-equal branches is not dispositive, *see Freytag* v. *Comm'r*, 501 U.S. 868, 879 (1991), it is over a century old and worthy of this

Court's respect, S&N Br. 47–49. This Court has "never invalidated an appointment made by the head of" a Department. *Free Enter. Fund*, 561 U.S. at 511. And this is not the case to start second-guessing Congress's categorization of Officers—especially because Congress confirmed its view that APJs are inferior Officers by re-vesting their appointment in the Secretary of Commerce in response to previous Appointments Clause concerns. *See* S&N Br. 46.

B. APJs Are Inferior Officers Under *Edmond*'s Established Framework.

Under a straightforward application of *Edmond*'s framework, APJs are inferior Officers because their work is extensively "directed and supervised" by other Officers, especially the Director. 520 U.S. at 663; *see* S&N Br. 25–29; U.S. Br. 25–33. While Arthrex takes issue with a few discrete mechanisms of supervision, Arthrex never disputes that, taken as a whole, APJs' work before, during, and after they decide patentability is subject to supervision and control—which is all the Appointments Clause requires.

1. Like every other administrative adjudicator this Court has encountered, APJs are inferior Officers under *Edmond*'s established framework.

Edmond identified inferior Officers as those who "ha[ve] a superior," *i.e.*, "officers whose work is directed and supervised at some level" by other Officers. 520 U.S. at 662–63. As Arthrex does not dispute, this pragmatic focus reflects both the text and structure of the Appointments Clause. S&N Br. 20–23. The term "inferior Officer" has always connoted merely a "relationship with some higher ranking officer or officers below the President." *Edmond*, 520 U.S. at 662. And

the Appointments Clause envisions several such relationships: A President at the top of the Executive Branch, followed by principal Officers in charge of formulating or implementing federal policy in particular areas, and below them a larger number of "inferior Officers" and an even larger number of non-Officer employees. *See* U.S. Const. art. II, § 2, cl. 2. This tiered structure, enshrined in the Constitution itself and endorsed by this Court for over two centuries, is what Arthrex denigrates as "constitutional mush." Arthrex Br. 25. That argument says much about Arthrex's fidelity to both text and precedent.

Arthrex concedes (at 25–26) that this Court has always deemed administrative adjudicators inferior Officers, whether or not they could render final decisions on behalf of the Executive Branch. *Edmond* so held for intermediate appellate military judges and identified review of individual decisions as one, but not the only relevant, means of "control" over those Officers. 520 U.S. at 665. *Freytag* went even further, holding that STJs were inferior Officers despite their power to "render the decisions of the Tax Court in [certain] cases." 501 U.S. at 882. And *Lucia* recognized that SEC ALJs were "near-carbon copies" of the STJs in *Freytag* because they had "last-word capacity" and could issue decisions that were not reviewed "at all." *Lucia* v. *SEC*, 138 S. Ct. 2044, 2052, 2054 (2018).

APJs are no different. Every facet of their work is subject to supervision and direction by principal Officers. The Secretary of Commerce, a principal Officer, can remove APJs "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). And the Director, another principal Officer, *see* 35 U.S.C. § 3(a)(1), controls their pay, *id.* § 3(b)(6), and is in charge of the USPTO's "policy direction," *id.*

§ 3(a)(2)(A), and its implementation through the work APJs do. Before APJs issue decisions, for example, the Director can control which IPRs are instituted, *id.* § 314(a), and which APJs sit on which panels, *id.* § 6(c). And as APJs decide cases, they must comply with the Director's stated policy guidance—including "exemplary applications of patent laws to fact patterns." U.S. Pet. App. 14a.

As in *Edmond*, APJs cannot "render a final decision on behalf of the United States unless permitted to do so by other Executive officers." 520 U.S. at 665. Indeed, APJs do not undertake any *final* action at all: Their decisions are always subject to rehearing by the Board as well as judicial review. *Cf. Oil States*, 138 S. Ct. at 1379 ("because the Patent Act provides for judicial review by the Federal Circuit, we need not consider whether inter partes review would be constitutional 'without any sort of intervention by a court at any stage of the proceedings'" (citations omitted)). Then, *the Director* takes final action by canceling or confirming any patent claims on which review had been instituted. 35 U.S.C. § 318(b).

In several respects, APJ decisions cannot become final "unless permitted" by the Director. *Edmond*, 520 U.S. at 665. Arthrex does not dispute that, if dissatisfied with a Board decision, the Director can direct that the matter be reheard: While only the Board "may grant rehearings," 35 U.S.C. § 6(c), nothing prevents the Director from informally recommending rehearing before calling on a Precedential Opinion Panel (on which he sits)—or a series of such panels—to vote on rehearing. *See ibid.*; Patent Trial and Appeal Board Standard Operating Procedure 2 (Revision 10) (SOP 2) at 4–5 (Sept. 20, 2018), https://www.uspto.gov/sites/default/files/documents/SOP2%20R10

%20FINAL.pdf; CCIA Br. 13–14. Arthrex thus concedes (at 23) that "[t]he Director can reverse decisions" if other "*inferior* officers [*i.e.*, Board members] agree" on rehearing. In addition, the Director can intervene whenever the Federal Circuit reviews an APJ decision before it becomes final. *See* 35 U.S.C. § 143. And the Director can reconsider the institution decision and terminate the proceedings entirely before any final action is taken. *See BioDelivery Scis. Int'l, Inc.* v. *Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019) (termination of proceedings following judicial review was final and nonappealable).[2]

APJs thus are not rogue officials who can bind the Executive on far-reaching decisions without any review at all. They are technically trained individuals who make patentability determinations with other panel members and explain their reasoning in highly detailed written decisions. And their decisions are reviewable by principal Officers in the Judiciary before they can be carried into effect by the Director. APJs are subordinate—inferior—in every sense of the term.

Indeed, because only the Director has the authority to institute IPRs, and undertakes the final act of

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[2] Arthrex suggests (at 41 n.10) that "the Director cannot de-institute review merely because he disagrees with how the Board may decide a case." But rehearing and de-institution are not the same: Rehearing has estoppel effect, *see* 35 U.S.C. § 315(e), but de-institution does not; and de-institution decisions, which are relatively rare, are non-reviewable in any event, *see Thryv*, 140 S. Ct. at 1373–74; *Cuozzo*, 136 S. Ct. at 2141. Similarly, while Arthrex questions (at 41–42) whether the Director can engage in "panel stacking," that power was not exercised in this case and is not central to the Director's supervision and control of APJs.

confirming or canceling patent claims at the conclusion of an IPR, it is always the Director—a principal Officer serving at the President's pleasure—who "bears the political responsibility" for the work APJs do. *Saint Regis Mohawk Tribe* v. *Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018).[3]

2. Arthrex never denies that the Director's suite of supervisory powers means he can direct and control the work APJs do. While Arthrex quibbles (at 39–44) about a few of those powers as unsuitable stand-ins for direct review, *Edmond* requires a *holistic* analysis of whether APJs' work is "directed and supervised" by other Officers. *See* S&N Br. 30–31; U.S. Br. 20–22. By looking at a few mechanisms of control only in isolation, Arthrex ignores how those mechanisms work in conjunction with others to control APJs' work.

Most significantly, Arthrex suggests (at 40) that the Director cannot instruct APJs how to decide "pending adjudication[s]." But Arthrex does not dispute that the Director—not APJs—remains in charge of formulating USPTO policy and can prescribe instructions for how APJs should decide particular issues or types of cases going forward. *See* U.S. Pet. App. 14a. Especially when coupled with his exclusive ability to designate and de-designate decisions as precedential, *see* SOP 2 at 11–12, the Director can limit the fallout of bad decisions, ensure that errors are not repeated, and thereby control continued policy development through adjudication.

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[3] When participants in the IPR system are unhappy with any USPTO bureaucratic action, they know exactly whom to take to task—the Director. *See Apple Inc.* v. *Iancu*, No. 20-cv-6128-EJD (N.D. Cal. filed Aug. 31, 2020) (APA suit against the Director, brought by technology companies challenging Director's policy regarding consideration of IPR petitions).

Arthrex recognizes (at 23) that only the Director can take final action by canceling or confirming patent claims following an IPR proceeding. *See* 35 U.S.C. § 318(b). But Arthrex entirely fails to grasp the significance of this congressional directive. Given the Director's other supervisory powers, APJ decisions are always *non-final* until the Director "permit[s]" them to become final. *Edmond*, 520 U.S. at 665. After an APJ decision issues, the Director can prevent it from becoming final by pursuing rehearing, intervening in any appeal, 35 U.S.C. § 143, or even de-instituting the IPR proceeding, *see BioDelivery*, 935 F.3d at 1366.

Arthrex similarly fails to appreciate that no APJ decision can become final until after any separate review by Federal Circuit judges. *See* 35 U.S.C. § 319. Courts have long been "interposed in aid of the patent-office" as another "step in the statutory proceeding" before a patentability decision becomes final. *Butterworth*, 112 U.S. at 60–61. Overlooking this historical reality, Arthrex asserts that APJs are principal Officers *because* their "'decisions are appealable only to courts of the Third Branch.'" Arthrex Br. 23 (quoting *Edmond*, 520 U.S. at 665–66). That misreads *Edmond*, which did not suggest that judicial review automatically makes the reviewed adjudicators principal Officers. Rather, the Court was explaining that because of this "significant distinction[ ]" between the military judges in *Edmond* and the STJs in *Freytag*, "*Freytag* d[id] not control" the result. 520 U.S. at 665–66.

APJ decisions do not become final unless their superior (or another Officer) says so. Under *Edmond*'s established framework, APJs are "inferior" Officers.

C. Arthrex's Attempt To Rewrite *Edmond* Fails.

The Federal Circuit fundamentally rewrote *Edmond*'s pragmatic inquiry by artificially focusing on two specific mechanisms of supervision (removal and review) *after* finding that APJs are subject to similar "supervisory authority" as the military judges in *Edmond*. U.S. Pet. App. 14a–15a, 22a. S&N and the United States explained at length the flaws in the Federal Circuit's approach. S&N 30–33; U.S. Br. 33–39. And Arthrex confirms that the court of appeals' analytical framework was erroneous by relegating it to a footnote in its opening brief. *See* Arthrex Br. 35 n.6. Indeed, neither Arthrex nor any of its *amici* even attempts to defend the Federal Circuit's reasoning or its best-out-of-three approach to determining inferior-officer status. *See* U.S. Pet. App. 22a. And none of them suggests that the D.C. Circuit decision on which the Federal Circuit relied supplies the appropriate framework, either. *See* U.S. Pet. App. 19a–21a (discussing *Intercollegiate Broad. Sys., Inc.* v. *Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012)).

Arthrex instead advocates an entirely new, bright-line rule for administrative adjudicators that no court in the history of the Republic has ever endorsed. Arthrex now proclaims that "Principal Officer Review of Decisions" is the *sine qua non* of inferior-officer status. Arthrex Br. 20 (emphasis removed). And it asks the Court to adopt that rule for *all* administrative adjudicators, including APJs. In addition to defying both precedent and common sense, Arthrex's radical approach to the Appointments Clause would handcuff the ability of both Congress and the President to adjust administrative adjudication structures to fit the needs of particular agencies.

1. Precedent Forecloses Arthrex's Bright-Line Test.

Every time this Court has considered an Appointments Clause challenge to an administrative adjudicator, it has concluded that the adjudicator is an inferior Officer. *See Lucia*, 138 S. Ct. at 2049 (SEC ALJs); *Edmond*, 520 U.S. at 666 (appellate military judges); *Weiss* v. *United States*, 510 U.S. 163, 176 (1994) (military judges); *Freytag*, 501 U.S. at 882 (STJs). The same holds true for quasi-judicial officials, including United States commissioners, *see Go-Bart Importing Co.* v. *United States*, 282 U.S. 344, 352 (1931), and district court clerks, *see Ex parte Hennen*, 38 U.S. (13 Pet.) 230, 258 (1839). The Court has *never* held (or even hinted) that an administrative adjudicator was a principal Officer. When squarely presented with the question in *Edmond*, the Court said no. *See* 520 U.S. at 666.

a. Ignoring the actual holdings and rationales of this Court's unbroken line of Appointments Clause jurisprudence, Arthrex plucks out of context three sentences—one from *Edmond*, one from *Free Enterprise Fund*, and one from Justice Alito's solo concurrence in *Association of American Railroads*—to support its bold bid for a new "exclusive criterion" test. But none says anything close to Arthrex's proposed bright-line rule. Alone or collectively, they do not remotely support the proposition that APJs are principal Officers.

The sentence from *Edmond* states: "What is significant is 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*." 520 U.S. at 665 (emphases added). That plainly does not mean that *review and*

correction by a *principal* Officer are required—as Arthrex posits. The Court's broad phrasing reflects a pragmatic understanding that administrative adjudicators can be supervised not only through direct review, but also through rehearing, informal review, or other means of "influenc[ing] . . . the outcome," *id.* at 664, and that such supervision can (and often does) come from other inferior Officers rather than principal Officers. Nor does the sentence elevate review power above other mechanisms of supervision. Rather, it merely responds to the immediately previous sentence—which Arthrex ignores—explaining why the "limit[ed]" scope of any review "d[id] not in [the Court's] opinion render the judges . . . principal officers." *Id.* at 665.

The sentence from *Free Enterprise Fund* states: "Given that the Commission [has] the power to remove Board members at will, and given the Commission's other oversight authority, we have no hesitation in concluding that under *Edmond* the Board members are inferior officers." 561 U.S. at 510. This sentence does not require reviewability, or even pertain to administrative adjudicators. As Arthrex concedes (at 21), *Free Enterprise Fund*'s holding was not limited to reviewability, but instead considered multiple aspects of supervision, including "the power to remove Board members at will" and "other oversight authority." 561 U.S. at 510. And while this "other" authority included the power to approve and alter the Board's rules and sanctions, *id.* at 486, those functions were expressly not "adjudicative," as the Court took pains to note, *id.* at 507 n.10.

Finally, the sentence from Justice Alito's concurrence in *Association of American Railroads* states: "Inferior officers can do many things, but nothing final

should appear in the Federal Register unless a Presidential appointee has at least signed off on it." *Dep't of Transp.* v. *Ass'n of Am. R.Rs.*, 575 U.S. 43, 64 (2015). Arthrex's attempted analogy to APJs falls flat. Here, too, nothing final can appear in the Official Gazette of the United States Patent and Trademark Office—which is the relevant analogue to the Federal Register in this context—unless the Director puts it there by "issu[ing] and publish[ing] a certificate" canceling or confirming any reviewed patent claims. *See* 35 U.S.C. § 318(b). And the Director undertakes that action only *after* any rehearing (which he can control) and any judicial review (in which he can intervene). Moreover, Arthrex ignores the reason the "disputes" in *Association of American Railroads* were published in the Federal Register: Unlike with APJ adjudication, they involved two public authorities formulating national policy in a specific area—*i.e.*, "making law" by "set[ting] the metrics and standards" governing the entire railroad industry. *See* 575 U.S. at 62–64 (Alito, J., concurring).

Accordingly, not one of these three sentences suggests, much less requires, that a principal Officer be able to review and modify every decision by an inferior Officer. And Arthrex has literally no other authority to support its new argument.

b. Arthrex's unprecedented rule runs counter to *Edmond* and this Court's repeated refusal to adopt bright-line rules in the Appointments Clause context.

Edmond expressly rejected any "exclusive criterion for distinguishing between principal and inferior officers." 520 U.S. at 661. As even Arthrex concedes (at 20), *Edmond* did not focus solely on reviewability, but instead considered the powers to remove, review,

and determine rules, among other supervisory powers. *See* 520 U.S. at 664–66. Nor did *Edmond* require "complete" supervision of inferior Officers, as Arthrex assumes (at 20). The Court identified two ways in which the supervisor's authority was "not complete": Arthrex latches onto the "power to reverse decisions," while ignoring the power "to influence . . . the outcome of individual proceedings." *Edmond*, 520 U.S. at 664. Even though no principal Officer possessed this latter power, *Edmond* deemed the adjudicators at issue inferior Officers because their "work [wa]s directed and supervised at some level" by other Officers. *Id.* at 663–65.

In other cases, too, this Court has rejected invitations to boil its Appointments Clause analysis down to a bright-line test. Just three Terms ago, this Court was asked to adopt the bright-line rule that "final decisionmaking authority is a *sine qua non* of [inferior-]officer status." *Lucia*, 138 S. Ct. at 2052 n.4. The Court refused to do so. Despite recognizing that "*Buckley*'s 'significant authority'" standard for distinguishing inferior Officers from mere employees was "unadorned" and "framed in general terms," the Court saw no need for further "elaborat[ion]." *Id.* at 2051–52 (discussing *Buckley* v. *Valeo*, 424 U.S. 1, 126 (1976) (per curiam)).

Now, even though nobody in *Lucia* suspected the adjudicators there might be principal Officers, *see* 138 S. Ct. at 2051 n.3, Arthrex asks the Court to adopt essentially the same bright-line rule to differentiate principal from inferior Officers. But as this Court reaffirmed just last Term, there is no "'exclusive criterion for distinguishing between principal and inferior officers.'" *Seila Law*, 140 S. Ct. at 2199 n.3 (quoting *Edmond*, 520 U.S. at 661). What matters is *that* the

inferior Officer's "work is directed and supervised" by other Officers—not *how* such supervision is structured. *Edmond*, 520 U.S. at 663.

Arthrex further ignores the pragmatic reasons why the Court has eschewed bright-line rules in this area. *See* S&N Br. 30–33. This Court has recognized the political branches' primary role in "defin[ing]" and "fill[ing]" offices. *Myers* v. *United States*, 272 U.S. 52, 128 (1926). Courts have an "'inferior understanding of the realities of administration.'" *Seila Law*, 140 S. Ct. at 2225–26 (Kagan, J., dissenting in part) (citation omitted). The Judiciary is thus ill-suited to craft "immutable rules" that would constrain how Congress defines every sort of adjudicator in every single agency. *McCulloch* v. *Maryland*, 17 U.S. (4 Wheat.) 316, 415–16 (1819). Indeed, adopting a "'specific direction'" like Arthrex's proposed bright-line test could "'harass[ ]'" the country with "'endless controversies.'" *Morrison* v. *Olson*, 487 U.S. 654, 674 (1988) (citation omitted). Preserving Congress's discretion within justiciable constraints is a virtue, not a vice, under the Appointments Clause.

2. The Constitution Forecloses Arthrex's Test.

Arthrex's failure to justify its departure from precedents is especially problematic because Arthrex seeks to constitutionalize super-APA review procedures for all Executive Branch adjudications. In its view (at 20), "administrative judges cannot be inferior officers absent a [principal-officer] superior who can review and modify their decisions." This rigid rule would impermissibly straitjacket Congress's constitutional discretion to define offices and the political branches' shared responsibility to structure agencies.

The Constitution bestows upon Congress "significant discretion" to craft executive offices and vest Appointments "'as they think proper.'" *Morrison*, 487 U.S. at 673 (quoting U.S. Const. art. II, § 2, cl. 2). Arthrex's proposed bright-line test, however, would "deprive" Congress of its "capacity to avail itself of experience, to exercise its reason, and to accommodate its legislation to circumstances." *McCulloch*, 17 U.S. (4 Wheat.) at 415. Under Arthrex's inflexible rule, if Congress wants to make an administrative adjudicator an inferior Officer, it *must* give principal Officers in the Executive Branch the "power to review and modify decisions [as] an indispensable element." Arthrex Br. 20.

While direct principal-officer review and correction may make good policy in some instances, they are not—and should not be—forever set in stone as constitutional requirements. Arthrex offers no reason why the Constitution would prohibit Congress from allowing a principal Officer to rehear (rather than review) an individual case or allowing other inferior Officers (rather than principal Officers) to conduct that review.

a. The Constitution permits inferior Officers to make some executive decisions without principal-officer review and correction. While Arthrex insists (at 22) that only principal Officers can "speak for the Executive Branch and deliver that branch's final word," it surely matters on *what* the official is speaking.

Final formulations of broadly applicable federal policy require principal-officer sign-off: for example, "metrics and standards" for the railroad industry, *Ass'n of Am. R.Rs.*, 575 U.S. at 62–64 (Alito, J., concurring), or ratemaking determinations on which "the fates of entire industries can ride," *SoundExchange,*

Inc. v. *Librarian of Congress*, 571 F.3d 1220, 1226 (D.C. Cir. 2009) (Kavanaugh, J., concurring). But context-specific, more quotidian determinations, such as whether a particular individual should be afforded some extant government benefit, do not. For example, Arthrex acknowledges (at 32 n.4) that Congress has made certain Medicaid participation decisions by the Department of Health and Human Services' Department Appeals Board the "final decision of the Secretary," subject only to reconsideration by the Board itself or judicial review. 42 U.S.C. § 1316(e)(2)(B). Similarly, the Board of Veterans' Appeals (BVA) renders "[f]inal decisions" on veterans' benefits claims, 38 U.S.C. § 7104(a), that only the BVA itself—not the Secretary—can "revis[e]," *id.* § 7111(a), (f).[4]

Where government benefits are being allocated, an inferior Officer often renders a decision without any review by a principal executive Officer. Rather, a principal Officer sits in charge of formulating applicable national policy and directing its implementation through agency adjudication. Inferior Officers (and employees) implement that policy through individual proceedings that govern specific parties and normally do not establish broadly applicable policies. For example, last year USPTO patent examiners issued

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[4] Arthrex contends (at 31) that "BVA judges . . . are no different from the Coast Guard judges in *Edmond*" because their decisions are reviewable by the United States Court of Appeals for Veterans Claims. But unlike in *Edmond*, principal Officers have no power to control whether BVA decisions are reviewed; review occurs only if "adversely affected" private parties seek it. 38 U.S.C. § 7266(a); *compare id.* § 7252(a) ("Secretary may not seek review of any such decision"), *with Edmond*, 520 U.S. at 666 (Judge Advocate General could "order any decision submitted for review").

350,000 utility patents—and none of those decisions was reviewed by a principal Officer. *See* 35 U.S.C. § 134(a); U.S. Patent Office, U.S. Patent Activity Calendar Years 1790 to the Present (last updated January 21, 2021), https://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm.

APJ adjudications are another case in point. APJs primarily decide just one thing: the validity of certain claims of individual patents. The Director, not APJs, controls the USPTO's "policy direction," 35 U.S.C. § 3(a)(2)(A), and he controls whether a panel decision becomes precedential, SOP 2 at 11–12. Arthrex offers no explanation why the Constitution would require principal-officer sign-off for narrow decisions that do not set policy and typically affect only the patentee or applicant. To be sure, the property rights that inhere in patents may (or may not) be valuable; but the federal bureaucracy administers an enormous number of programs awarding or withholding valuable benefits. Indeed, according to a recent survey by the Administrative Conference of the United States, 41% of non-ALJ hearing types "permit no administrative appeal at all." Administrative Conference of the United States, *Non-ALJ Adjudicators in Federal Agencies: Status, Selection, Oversight, and Removal* 35 (Sept. 24, 2018).

b. The Constitution also does not narrowly require single-handed *review and correction* of adjudicatory decisions by a superior. There are many other ways to supervise and control the content of adjudicatory decisions. *Edmond* named one: the *ex ante* ability to "influence . . . the outcome of individual proceedings." 520 U.S. at 664. Rehearing is another. Like direct review, a superior's ability to call for rehearing ensures that the inferior "ha[s] no power to render a

final decision on behalf of the United States unless permitted to do so by other Executive officers." *Id.* at 665. In fact, rehearing provides more supervision than direct review. Whereas direct review may have substantial "limitation[s]" in scope, *ibid.*, rehearing permits *de novo* review. Finally, judicial review *before* an adjudicator's decision becomes final is a third way to supervise and control the content of that decision.

Freytag and *Lucia* all but foreclose Arthrex's contrary position. The STJs in *Freytag* could "render the decisions of the Tax Court" in certain cases without any review by a principal Officer. 501 U.S. at 882. Yet the Court implicitly rejected Freytag's argument that "a special trial judge is a principal rather than an inferior officer," Br. for Pet'rs 28 n.26, *Freytag* v. *Comm'r*, 501 U.S. 868 (1991)—and upheld STJs' appointment in a manner permissible only for inferior Officers, *see Freytag*, 501 U.S. at 892. Similarly, the SEC ALJs in *Lucia* had "last-word capacity" and issued many decisions that were not reviewed "at all." 138 S. Ct. at 2054. Yet nobody thought this somehow made them principal Officers. *See id.* at 2051 n.3.

Arthrex contends (at 26) that, unlike here, the agencies in *Freytag* and *Lucia* "had *authority* to review every decision," but that overstates *Freytag* and is a distinction without a constitutional difference. The Tax Court in *Freytag* was *not* created as an executive agency, *see* 501 U.S. at 887–88, and was instead "independent of the Executive and Legislative Branches," *id.* at 891. Any authority the Tax Court had to review STJ decisions, therefore, is analogous to the Federal Circuit's authority to review APJ decisions. Regardless, while STJs' final decisions were "subject to such . . . review as the [Tax Court] may pro-

vide," 26 U.S.C. § 7443A(c), the Tax Court did not actually provide for such review and therefore had no mechanism for reviewing final STJ decisions, *see Freytag*, 501 U.S. at 873, 882. Similarly, 95% of the inferior Officers' decisions in *Edmond*, *see* Arthrex Br. 26, and 90% of the decisions in *Lucia* were not reviewed by a principal Officer "at all," 138 S. Ct. at 2054. That these agencies could choose to *eliminate* review altogether or *not* to sign off on their inferior Officers' decisions demonstrates that principal-officer review cannot be constitutionally required.

APJ adjudications again illustrate this point well. Although the Director cannot "'single-handedly'" review APJ panel decisions, *cf.* Arthrex Br. 23 (citation omitted), Arthrex concedes that he "can reverse decisions . . . if [other Board members] agree," *ibid.* (emphasis removed). Specifically, the Director can grant rehearing and modify a decision together with two other Board members of his choosing (such as the Deputy Director, the Commissioner for Patents, or the Commissioner for Trademarks, the constitutionality of whose appointments Arthrex does not question). And other principal Officers (the judges of the Federal Circuit) can directly review and modify APJ decisions. Given that the Director can ensure rehearing by a new panel and a dissatisfied party can appeal to the Judiciary before any APJ decision becomes final, there is little reason to think that an incorrect APJ decision would somehow escape review and bind the Executive.

Arthrex wrongly contends that *only* the unilateral power to review and modify decisions permits the public to "'understand the sources and levers of bureaucratic action'"—a "'fundamental precondition of accountability.'" Arthrex Br. 52 (citation omitted). APJ

decisions, for example, are more transparent than jury verdicts: They are public decisions by technically trained adjudicators whose patentability determinations are explained at length and are reviewable by a new panel or by a court. The Director's own "levers" of control likewise are not "subtle and unseen," as Arthrex suggests (at 52), but instead are overt and open to public scrutiny. Through public decisions, he controls whether to institute IPRs in the first place. 35 U.S.C. § 314(a). The Director also publicly controls which APJs will hear the IPR, *id.* § 6(c), whether a Precedential Opinion Panel will review a panel's decision, SOP 2 at 4–5, and whether that decision will be given precedential effect, *id.* at 11–12.

c. Nor does the Constitution require that an inferior Officer's decisions be reviewable by a *principal* Officer specifically. Such a requirement would be impractical at best and unworkable at worst. It also would make no sense for administrative adjudicators to be *principal* Officers on the basis that their decisions are reviewed by other *inferior* Officers.

Neither *Edmond* nor Justice Alito's concurrence in *Association of American Railroads* supports Arthrex's contrary argument. *Edmond* found it "significant" that "*other* Executive officers"—not principal Officers specifically—could prevent the administrative adjudicator's decision from becoming final. 520 U.S. at 665 (emphasis added). Justice Alito adhered to the same principle, explaining that a principal Officer should "at least sign[ ] off on" the arbitrator's law making before it becomes final "in the Federal Register." *Ass'n of Am. R.Rs.*, 575 U.S. at 64 (Alito, J., concurring) (citing *Edmond*, 520 U.S. at 665). But he did

not suggest that principal-officer sign-off would be required for other determinations that do not appear in the Federal Register.

Here, APJ decisions are reviewable by other Officers on the Board—including the Senate-confirmed Director and three inferior Officers (the Deputy Director, the Commissioner for Patents, and the Commissioner for Trademarks), whose appointments Arthrex does not question. *See* 35 U.S.C. § 3(b)(2)(A); *id.* § 6(a). And APJs do not take final action; the Director does that in canceling or confirming any patent claims, and he cannot do so until after any rehearing and any judicial review has occurred. *See id.* § 318(b). That means that no APJ decision becomes final without sign-off from other executive Officers (and, for good measure, the independent Judiciary). Arthrex offers no explanation why the Appointments Clause would prohibit Congress from electing to create this form of review structure—with its roots dating back over a century—instead of direct principal-officer review.

3. APJs' Removal Protections Do Not Make Them Principal Officers.

With respect to removability, Arthrex does not even try to defend the Federal Circuit's ruling that APJs are principal Officers *because* they have removal protections. *See* Arthrex Br. 36–39. As S&N previously explained, that ruling was backward: Congress may impose removal protections on certain officials precisely because they are "*inferior* officers." *Seila Law*, 140 S. Ct. at 2192. Arthrex's contention (at 15, 35–39) that APJs' removal protections nevertheless "exacerbate" any constitutional violation is wrong.

Like the military judges in *Edmond*, APJs are subject to removal from "judicial assignment without cause." 520 U.S. at 664; *see* 35 U.S.C. § 6(c). Arthrex's response is double-speak. Arthrex says (at 38) that "control over assignments is no substitute for removal from office," even as it concedes (at 39) that *Edmond* involved only removal "from . . . judicial assignments," and agrees (at 49–50) (citation omitted) that at-will removal from office is "'not require[d]'" under the "'established view.'" Arthrex also wrongly asserts that the Director has only limited power to remove APJs from judicial assignment. Arthrex Br. 38 (citing *Shoaf* v. *Dep't of Agric.*, 260 F.3d 1336, 1339 (Fed. Cir. 2001)). *Shoaf* does not preclude agencies from "deliberately 'idl[ing]'" their judges; to the contrary, the Board in *Shoaf* determined that the agency's deliberate "efforts to 'idle'" the employee did *not* "constitute" a constructive removal. 260 F.3d at 1339–40; *see also Shoaf* v. *Dep't of Agric.*, 158 F. App'x 267, 270 (Fed. Cir. 2005) (affirming Board's finding, on remand, that the alleged "'deliberate idling'" did not constitute a constructive removal). The Director thus can induce compliance by not assigning particular APJs to panels.

Similarly, Arthrex does not dispute that APJs' protections against removal from employment are no more restrictive than the tenure protections of other inferior Officers such as ALJs. *See* S&N Br. 34–35. While Arthrex contends (at 36) that the Secretary's power to remove APJs is nonetheless "significantly constrain[ed]," that misses the point. Whether significantly constrained or not, the Secretary has *at least* the same removal power as the supervisors of ALJs in other agencies. *Compare* 5 U.S.C. § 7521(a) (ALJs removable "only for good cause established and determined by the Merit Systems Protection Board"), *with*

id. § 7513(a) (APJs removable under the lesser standard of "such cause as will promote the efficiency of the service"). In fact, the Director has even more levers of control, as he controls APJ case assignments and pay rates, *see* 35 U.S.C. §§ 3(b)(6), 6(c)—something that most agencies cannot do with respect to their ALJs, *see* 5 U.S.C. § 3105 (ALJ cases assigned in rotation); *id.* § 5335 (ALJ step pay increases without agency certification).

Accordingly, to hold that statutory provisions regulating APJs' removal make them principal Officers would be irreconcilable with the decisions in *Edmond*, *Freytag*, and *Lucia*.

D. Arthrex's Proposal Would Require Revisiting *Humphrey's Executor*.

Arthrex asks this Court to invite one of the most dramatic congressional intrusions into executive prerogatives since the Founding. This Court has identified only *eight* principal Officers whom Congress could protect from removal by the President—and those decisions have drawn tremendous criticism. *See Humphrey's Ex'r* v. *United States*, 295 U.S. 602, 619 (1935) (five FTC Commissioners); *Wiener* v. *United States*, 357 U.S. 349, 350 (1958) (three War Claims Commissioners). Now, Arthrex seeks to add *200-plus* APJs to that category—insisting they are principal Officers who also must have removal protections under the Due Process Clause—while providing a blueprint for Congress to add even more. If Arthrex's rigid rule were adopted, Congress could create an army of principal Officers who sit in core executive agencies but are insulated from removal by the President—simply by assigning them "adjudicatory" duties without unilateral executive review. *That*, not the USPTO's historic structure, would be unprecedented

and dangerous—and this Court should reject Arthrex's proposal because it raises "serious constitutional doubts." *Clark* v. *Martinez*, 543 U.S. 371, 381 (2005).

Nearly a century ago, the Court recognized the President's "exclusive power" to remove executive Officers whom he has appointed. *Myers*, 272 U.S. at 106, 176. Since *Myers*, this Court has permitted only one exception to the President's otherwise "unrestricted removal power" with respect to principal Officers: In *Humphrey's Executor*, the Court held that "multimember expert agencies that do not wield substantial executive power" may be subject to for-cause removal. *Seila Law*, 140 S. Ct. at 2192, 2198–2200 (discussing *Humphrey's Ex'r*, 295 U.S. at 620–28).

This *Humphrey's Executor* exception, however, has been roundly criticized by judges and commentators—and the last time it was considered by this Court, the exception was "limited . . . 'to officers of the kind [t]here under consideration,'" *i.e.*, Commissioners of the FTC "as it existed in 1935." *Seila Law*, 140 S. Ct. at 2198 (citation omitted). At this point, *Humphrey's Executor* stands frozen in time, representing "'the outermost constitutional limits of permissible congressional restrictions on the President's removal power.'" *Id.* at 2200 (quoting *PHH Corp.* v. *CFPB*, 881 F.3d 75, 196 (D.C. Cir. 2018) (en banc) (Kavanaugh, J., dissenting)).

Arthrex's approach, if accepted, would revive and reinvigorate that exception. It would add over 200 principal Officers with removal protections in one fell swoop—and potentially hundreds more adjudicators from other agencies. And it would require the Court to consider the vitality of *Humphrey's Executor* and whether Congress can protect principal Officers from

removal. That significant question inhabits "'a field of doubt'" that the Court has "left 'for future consideration.'" *Seila Law*, 140 S. Ct. at 2199 (citation omitted). Principles of constitutional avoidance warrant a similar approach here.

Arthrex's suggestion (at 49 n.14) that the Court "need not embrace *Humphrey's Executor*" because it can instead rely on *Wiener* is no response. Like the 1935 FTC in *Humphrey's Executor*, the now-defunct War Claims Commission in *Wiener* was a "multimember body of experts"—three of them—who did not "exercise any executive power." *Seila Law*, 140 S. Ct. at 2199 (discussing *Wiener*, 357 U.S. at 356). The Board on which APJs sit, in contrast, is composed of the Director, Deputy Director, two Commissioners, and *hundreds* of APJs—and all of them "'exercis[e] the executive power,'" *Oil States*, 138 S. Ct. at 1374 (citation omitted). Indeed, the core executive functions of granting and reviewing patents are nothing like the 1935 FTC's "quasi-legislative or quasi-judicial powers" in "making investigations and reports [to] Congress'" and making recommendations to courts, *Humphrey's Ex'r*, 295 U.S. at 628, or the War Claims Commission's "intrinsic[ally] judicial" power to adjudicate claims to foreign funds, *Wiener*, 357 U.S. at 355.

A ruling that APJs are inferior Officers would not only be consistent with *Edmond* and every other Appointments Clause precedent from this Court, but it would also avert the need for the Court to confront the expansion (or perhaps overruling) of *Humphrey's Executor*. Indeed, if Arthrex is correct (at 63–64) that the Due Process Clause requires that administrative adjudicators (including APJs) be given removal protections, the corollary must be that they fit into the only other exception to the President's "unrestricted

removal power" that this Court has recognized: the "one for *inferior* officers with limited duties and no policymaking and administrative authority." *Seila Law*, 140 S. Ct. at 2192, 2200 (emphasis added).

The path through the constitutional thicket is the one marked by *Edmond*: APJs are inferior Officers because their work is directed and supervised by the Director; as a result, both their appointment by the Secretary and the removal protections conferred by Congress are entirely consistent with the Appointments Clause and the separation of powers.

II. ARTHREX IS NOT ENTITLED TO THE EXTRAORDINARY RELIEF IT REQUESTS.

The Court need not reach the remedial and severance issues raised by the second question presented if it holds (as it should) that APJs are inferior Officers. No case-specific relief to Arthrex would be warranted in those circumstances because the APJs who decided the IPR proceeding below were undisputedly appointed in a manner appropriate for inferior Officers. And no "fix" to the statutory regime would be needed (or permitted) in the absence of an Appointments Clause violation. *See*, *e.g.*, *Edmond*, 520 U.S. at 666.

If the Court were to deem APJs principal Officers, however, it would then need to consider Arthrex's requests for unprecedented and sweeping relief. Arthrex asks the Court both to "dismiss this inter partes review" and to "hold the current inter partes review regime unconstitutional." Arthrex Br. 59. Dismissal of this IPR proceeding is not an available remedy, however. And invalidating the entire PTAB regime would not "*fix*" any Appointments Clause violation at

all. If the Court even reaches the second question presented, it should deny Arthrex's extraordinary requests for both case-specific and systemic relief.

A. The Only Appropriate Arthrex-Specific Relief Is A Declaration.

In a trilogy of cases, this Court has established that a "timely" Appointments Clause challenge warrants "a decision on the merits of the question and whatever relief may be appropriate if a violation indeed occurred." *Ryder* v. *United States*, 515 U.S. 177, 182–83 (1995); *see also Lucia*, 138 S. Ct. at 2055; *United States* v. *L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 38 (1952). Arthrex neither acknowledges this standard, nor even cites any of these cases in this context. It instead slips into its brief (at 59–60) two unadorned requests for the Court to "dismiss the inter partes review" proceeding in this case. As on the merits, Arthrex asks the Court to reject decades of settled precedent and come up with a new remedial approach that has no basis in history, practice, or common sense. That is not constitutional advocacy; it is a letter to Santa Claus.

The only *appropriate* relief for Arthrex under this Court's precedents is a declaratory judgment. Arthrex is not entitled to any additional relief—including a new hearing or dismissal—because Arthrex failed to make a "timely" Appointments Clause challenge "before the [agency]." *Lucia*, 138 S. Ct. at 2055. And dismissal would be particularly inappropriate here because it is not available to courts under the AIA, and Arthrex forfeited its ability to seek a dismissal remedy three times over, after contracting to a settlement with S&N that was contingent in part on having the IPR proceed.

1. S&N has consistently maintained that the only appropriate relief here is declaratory relief. Any additional relief—including the Federal Circuit's remedy of a new hearing or Arthrex's requested dismissal—would not be appropriate because Arthrex failed to make a timely Appointments Clause challenge.[5]

It is well established that an Appointments Clause challenger is not entitled to any relief above and beyond "a decision on the merits" unless it has made a "timely" challenge. *Ryder*, 515 U.S. at 182–83; *see Lucia*, 138 S. Ct. at 2055 (same). Even where a defect in an agency adjudicator's appointment "would [have] invalidate[d] a resulting order . . . had . . . an appropriate objection [been] made during the

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[5] S&N noted in its principal brief (at 49) that this issue would be addressed on the merits, having preserved it at the certiorari stage. *See* S&N Pet. 32–33; S&N Cert. Resp. Br. 7–8; S&N Cert. Reply Br. 1–2. In its response to S&N's petition for a writ of certiorari, Arthrex did not dispute that this issue should be addressed on the merits, and therefore may not dispute the point at this stage. *See* S&N Cert. Reply Br. 1–2 (discussing Sup. Ct. R. 15.2). Certainly, having failed to do so in its opening brief, Arthrex may not do so for the first time in its reply brief. *See Republic of Argentina* v. *NML Capital, Ltd.*, 573 U.S. 134, 140 n.2 (2014) ("We will not revive a forfeited argument simply because the petitioner gestures toward it in its reply brief"). S&N recognizes that the Court did not grant certiorari on the government's separate question asking whether administrative forfeiture precludes reaching the Appointments Clause issue at all, *see* U.S. Cert. Mem. 7, and that the Court has agreed to consider a similar issue in the specific context of Social Security proceedings, *see Carr* v. *Saul*, No. 19-1442; *Davis* v. *Saul*, No. 20-105. But S&N is not here advocating for any generally applicable rule regarding forfeiture of Appointments Clause *challenges*; rather, S&N's argument is that Arthrex's undisputed, and unexcused, forfeiture in this case means that any *remedy* other than a declaration would not be "appropriate." *Ryder*, 515 U.S. at 182–83.

[agency] hearings," this Court has refused to "set aside" the adjudicator's work in the absence of such a "timely objection." *L.A. Tucker*, 344 U.S. at 38.

Arthrex's Appointments Clause challenge was not "timely," however, because it was not pressed "before the [agency]" during the IPR proceeding. *Lucia*, 138 S. Ct. at 2055; *see also Ryder*, 515 U.S. at 182. This Court has long held that "'courts should not topple over administrative decisions unless the administrative body not only has erred, *but has erred against objection made at the time appropriate under its practice*.'" *Woodford* v. *Ngo*, 548 U.S. 81, 90 (2006) (quoting *L.A. Tucker*, 344 U.S. at 37); *see also Hormel* v. *Helvering*, 312 U.S. 552, 556–57 (1941) ("[o]rdinarily," courts should not consider an issue "neither pressed nor passed upon by the . . . administrative agency below").

That "general rule," *L.A. Tucker*, 344 U.S. at 37, dictates that only declaratory relief would be appropriate here. Had Arthrex made a timely challenge before the Board, the Director could have tried to avoid any constitutional problem by assigning himself, the Commissioner for Patents, and the Commissioner for Trademarks—who are all effectively removable at will, *see* 35 U.S.C. § 3(a)(4), (b)(2)(C), and whose appointments Arthrex has not questioned—to preside over Arthrex's case. Or the Director could have tried to avoid any constitutional problem in subsequent cases by temporarily suspending new institution decisions pending judicial review or prompt action from Congress. By not giving the agency an opportunity to act in the first instance, Arthrex has exacerbated the consequences of any constitutional violation. It is not

"appropriate" to reward such sandbagging with additional relief beyond a declaratory judgment. *Ryder*, 515 U.S. at 182–83.

Nor do the particular circumstances of this case come close to relieving Arthrex of the consequences of its forfeiture. Arthrex has repeatedly sought inter partes review—including against S&N—and for years has participated in that administrative process to its own advantage. *See*, *e.g.*, *Arthrex, Inc.* v. *KFx Med., LLC*, Case IPR2016-01697, 2018 WL 1100770 (P.T.A.B. Feb. 26, 2018) (holding claims challenged by Arthrex unpatentable); S&N Cert. Resp. Br. 5–6. No "injustice" would result from subjecting Arthrex's patents to the same procedures Arthrex has long invoked against patents owned by others. *Helvering*, 312 U.S. at 557.

Finally, no other relief would be necessary here because there is no reason to doubt that the political branches can and will respond appropriately to a declaration. *See United States* v. *Armstrong*, 517 U.S. 456, 464 (1996) (courts ordinarily presume that public officials will faithfully perform their public duties). The Court need not and should not micro-manage any adjustments that Congress or the Executive Branch may need to make.

2. Even if the Court were to contemplate awarding Arthrex relief above and beyond a declaratory judgment, it should not order "dismissal of this inter partes review." Arthrex Br. 59–60. That remedy is categorically unavailable under the AIA and would be manifestly inappropriate in this case.

a. To start, dismissal of an IPR proceeding is not a remedy that courts can award for an Appointments Clause violation. The AIA prohibits judicial review of

decisions whether to institute an IPR, *see Thryv*, 140 S. Ct. at 1370 (citing 35 U.S.C. § 314(d)), and whether to reconsider and dismiss an IPR after institution, *see Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1386 (Fed. Cir. 2016). The Board's *merits* decisions following an IPR proceeding are subject to "judicial review of patentability," *Thryv*, 140 S. Ct. at 1374, before they become final, 35 U.S.C. §§ 318(b), 319; *see* S&N Br. 8–9. But neither this Court, nor any other, can second-guess the Director's *institution* decision by ordering "dismissal" of the IPR proceeding.

Even if dismissal were theoretically available in some case, it would be especially inappropriate here because Arthrex *agreed* to an IPR decision. In related civil litigation, the parties reached a settlement agreement contingent on the express understanding that this IPR proceeding could "continue." U.S. Pet. App. 86a. It is particularly disingenuous for Arthrex to argue that the same IPR proceeding that Arthrex agreed could continue must be dismissed outright—especially because S&N could now be time-barred from filing a new IPR. *See* 35 U.S.C. § 315(b) (IPR "may not be instituted" if petition is filed "more than 1 year after" service of "complaint alleging infringement of the patent"). That would unjustifiably threaten S&N's "significant rights in [the] instituted IPR proceeding." *SAS Inst., Inc.* v. *ComplementSoft, LLC*, 825 F.3d 1341, 1351 (Fed. Cir. 2016), *rev'd and remanded on other grounds sub nom. SAS Inst., Inc.* v. *Iancu*, 138 S. Ct. 1348 (2018).

In any event, Arthrex has thrice forfeited its ability to seek dismissal. "'No procedural principle is more familiar to this Court than that a constitutional right,' or a right of any other sort, 'may be forfeited . . .

by the failure to make timely assertion of the right before a tribunal having jurisdiction to determine it.'" *United States* v. *Olano*, 507 U.S. 725, 731 (1993) (citation omitted). Yet Arthrex failed to timely request dismissal before not one, but *three* such tribunals.

Strike one: Arthrex failed to "rais[e] the [Appointments Clause] issue before the Board," much less request dismissal. U.S. Pet. App. 4a. As explained above, the "general rule" is that nothing from the agency should be "set aside" in these circumstances. *L.A. Tucker*, 344 U.S. at 37; *see also Lucia*, 138 S. Ct. at 2055; *Woodford*, 548 U.S. at 90.

Strike two: Arthrex failed to request dismissal before the Federal Circuit panel. *See* C.A. Dkt. 18 at 65–66 (requesting only vacatur of "the presently appealed Decision," not dismissal of the underlying IPR proceeding). Arguments that are "not raise[d] . . . below" and thus "not address[ed]" by the court of appeals are "forfeited" in this Court. *United States* v. *Jones*, 565 U.S. 400, 413 (2012). Indeed, the Federal Circuit has reaffirmed in the wake of this very case that the "'law is well established that arguments not raised in the opening brief are [forfeited]'" even in the court of appeals, and "[t]hat rule applies with equal force to Appointments Clause challenges." *Customedia Techs., LLC* v. *Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. 2019) (per curiam) (citation omitted).

Strike three: Arthrex failed to mention dismissal in its petition for a writ of certiorari. Despite arguing that "[t]he court's remedy . . . raises serious questions that warrant this Court's review," Arthrex Pet. 14, Arthrex never suggested—much less requested—that this Court dismiss the IPR proceeding. This Court has long been "reluctant to permit parties to smuggle additional questions into a case," *Norfolk S. Ry. Co.* v.

Sorrell, 549 U.S. 158, 164 (2007), especially where the party previously "'persuaded [the Court] to grant certiorari'" based on "'a different argument,'" *Visa* v. *Osborn*, 137 S. Ct. 289, 289 (2016) (mem.) (quoting *City & County of San Francisco* v. *Sheehan*, 135 S. Ct. 1765, 1772 (2015)).

b. Arthrex's entire argument for dismissal—consisting of two conclusory requests on pages 59 and 60 of its brief—is manifestly insufficient. Arthrex has the burden of persuasion, yet it does not even mention this Court's trilogy of cases in *Lucia*, *Ryder*, or *L.A. Tucker*, nor does Arthrex try to explain why dismissal would be "appropriate" in this case. It simply states twice—without elaboration or justification—that the Court "should" or "could" grant such relief. Arthrex Br. 59–60.

Neither of the two cases cited by Arthrex endorsed dismissal of agency proceedings as appropriate relief for the constitutional violation. In *Seila Law*, the Court actually remanded the case, *see* 140 S. Ct. at 2211 (plurality op.); *id.* at 2245 (Kagan, J., concurring in the judgment with respect to severability); and Justice Thomas's concurrence—on which Arthrex relies—would have denied the agency's petition to enforce its subpoena, *see id.* at 2224. Similarly, in *Northern Pipeline*, the Court did not dismiss the entire bankruptcy proceedings, *see Marathon Pipeline Co.* v. *N. Pipeline Constr. Co.*, 12 B.R. 946, 947 (D. Minn. 1981), and it stayed its judgment to "afford Congress an opportunity to reconstitute the bankruptcy courts," *N. Pipeline Constr. Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50, 88 (1982). Yet, other than a couple of "[*s*]*ee*" cites to these cases, Arthrex offers the Court nothing else in support of its request for dismissal.

This Court has repeatedly refused to credit such conclusory requests. When an argument has not been "fully presented," this Court has "prefer[red] not to address" it. *Norfolk*, 549 U.S. at 165; *see*, *e.g.*, *Decker* v. *Nw. Envtl. Def. Ctr.*, 568 U.S. 597, 615–16 (2013) (Roberts, C.J., concurring) (it is not "appropriate" to consider an issue merely "suggested . . . with no argument" rather than "properly raised and argued"). That rule applies with special force where, as here, the issue is "significant," *Norfolk*, 549 U.S. at 165, and was "neither pressed nor passed upon below," *FW/PBS, Inc.* v. *City of Dallas*, 493 U.S. 215, 224 (1990) (plurality op.); *see also Comcast Corp.* v. *Nat'l Ass'n of African Am.-Owned Media*, 140 S. Ct. 1009, 1018 n.* (2020) ("'we are a court of review, not of first view,' and do not normally strain to address issues that are less than fully briefed and that the [lower courts] have had no opportunity to consider" (citation omitted)).

Arthrex is the petitioner on the remedy issue. *See* Arthrex Pet. i. Because it chose not to make out any case for dismissal in its opening brief, it is not entitled to such relief—and should not be heard to advance new arguments for the first time in its reply brief. *See NML Capital*, 573 U.S. at 140 n.2. Dismissal would be manifestly inappropriate here in light of Arthrex's repeated forfeiture, utilization of the IPR system to its own benefit, and settlement agreement with S&N that was partially contingent on the Board's ruling. And dismissing the IPR proceeding would ill serve this Court's teaching that constitutional remedies should "create '[ ]incentive[s] to raise Appointments Clause challenges'" in a timely manner. *Lucia*, 138 S. Ct. at 2055 n.5 (alterations in original; citation omitted). The only "appropriate" relief for Arthrex in this case is a declaratory judgment.

B. Overturning The IPR Regime Is Not An Appropriate "Fix."

Arthrex and its *amici* spill much ink assessing the wisdom of allowing the USPTO a "second look" at issued patents. But Congress already weighed those policy pros and cons and determined that an administrative system for "weed[ing] out bad patent claims efficiently" was better than none. *Thryv*, 140 S. Ct. at 1374. Arthrex's narrow structural challenge provides no occasion for second-guessing Congress's wisdom about how to design a system for administratively reviewing patents. *See Oil States*, 138 S. Ct. at 1369 (sustaining the IPR system against a frontal constitutional attack). Rather, if APJs are inferior Officers, there is nothing else to decide; and if they are principal Officers, only *that* constitutional problem would warrant a systemic "fix."

Arthrex's request—to "hold the current inter partes review regime unconstitutional," Arthrex Br. 59—is destructive, not curative. This Court has a decisive preference for "us[ing] a scalpel rather than a bulldozer in curing" any "constitutional defect." *Seila Law*, 140 S. Ct. at 2210–11 (plurality op.). Depending on how the Court defines the constitutional problem, a distinct surgical alternative could appropriately "'limit the solution to the problem.'" *Free Enter. Fund*, 561 U.S. at 508 (citation omitted).

1. The Court Should Use A Scalpel, Not A Bulldozer.

This Court's precedents foreclose Arthrex's extraordinary request to destroy the entire IPR regime.

a. As this Court has explained, "the 'normal rule' is 'that partial, rather than facial, invalidation is the required course.'" *Free Enter. Fund*, 561 U.S. at 508

(citation omitted). This Court has thus developed a "decisive preference for surgical severance, rather than wholesale destruction." *Barr* v. *Am. Ass'n of Political Consultants, Inc.*, 140 S. Ct. 2335, 2350–51 (2020) (plurality op.); *see also id.* at 2350 (citing cases for a "strong presumption of severability"). And it has refused to let a challenger "ride a discrete constitutional flaw . . . to take down [a] whole, otherwise constitutional" system. *Id.* at 2351 (citing *Marbury* v. *Madison*, 5 U.S. (1 Cranch) 137, 177 (1803)).

Arthrex cannot identify a single Appointments Clause case where this Court has engaged in the type of wholesale destruction that Arthrex now requests. The Court's recent separation of powers cases have opted to cure the constitutional defect not by blowing up the entire statutory regime, but by severing only the particular provisions creating constitutional problems. *See Seila Law*, 140 S. Ct. at 2211 (plurality op.) (invalidating the Director's removal protections rather than eliminating the CFPB's powers); *Free Enter. Fund*, 561 U.S. at 509–10 (invalidating PCAOB members' removal restrictions rather than eliminating the PCAOB's powers).[6]

b. Arthrex argues (at 57–59) that because various *amici* have presented "so many alternatives," the

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[6] The Court has taken the same approach upon finding other constitutional violations. *See Barr*, 140 S. Ct. at 2353 (invalidating and severing the government-debt exception rather than invalidating the entire robocall restriction). S&N recognizes that the severability doctrine is also at issue in at least one other case before the Court this Term. *See Texas* v. *California*, No. 19-1019. That case, however, does not involve the Appointments Clause or related issues regarding removal; regardless of how it is decided, the path marked by *Free Enterprise Fund* and *Seila Law* should be followed here.

Court should just throw up its hands and leave any systemic solution to Congress. That is not how this Court typically solves constitutional problems.

Even where there are "a number of statutory provisions that, working together, produce a constitutional violation," this Court can sever just one of those provisions as an appropriate remedy. *Free Enter. Fund*, 561 U.S. at 509–10; *see also Barr*, 140 S. Ct. at 2350, 2354 (plurality op.) (the Court's "power and preference to partially invalidate a statute" is not affected even where "a court theoretically can cure" the constitutional violation in multiple ways). While the Court does not have "broad license to invalidate *more* than just the offending provision," *Barr*, 140 S. Ct. at 2351 & n.7 (plurality op.) (emphasis added), it is well established that the Court can "sever[ ] any 'problematic portions while leaving the remainder intact,'" *Free Enter. Fund*, 561 U.S. at 508 (citation omitted).

Indeed, none of the cases on which Arthrex relies supports its extraordinary request to "break first, fix later." Even where severance has not been possible, this Court's precedents have favored staying the judgment for a sufficient time to "afford Congress an opportunity" to take any necessary action without impairing the agency's ongoing functions. *Buckley*, 424 U.S. at 143 (staying judgment for 30 days so as not to "affect[ ] the authority of the [agency] to exercise the duties and powers granted it under the Act"); *see also Bowsher* v. *Synar*, 478 U.S. 714, 736 (1986) (staying judgment for "60 days to permit Congress to implement the fallback provisions" enacted to replace the invalidated provisions); *N. Pipeline*, 458 U.S. at 88 (staying judgment for 98 days to "afford Congress an opportunity to reconstitute the bankruptcy courts or

to adopt other valid means of adjudication"). The Court is not required to take down the IPR system.

2. The Contours Of Any Surgical Solution Would Depend On The Court's Merits Analysis.

In order "'to limit the solution to the problem,' severing any 'problematic portions while leaving the remainder intact,'" *Free Enter. Fund*, 561 U.S. at 508 (citation omitted), the Court should tailor any surgical severance to its ruling on the merits of the Appointments Clause issue. Arthrex contends (at 60–62) that *Seila Law* and *Free Enterprise Fund* do not support severance in this case because, in those cases, the remedy was adequate to cure the constitutional violation and was not a "radical departure" from tradition. But that begs the question. Depending on how the Court answers the first question presented—whether it defines the problem as APJs' method of appointment, or adopts Arthrex's exclusive criterion, or even approves the analytical framework of the Federal Circuit—a different surgical severance would be appropriate to "fix" any violation on a systemic basis.

a. If the Court were to view the problem as APJs' method of appointment, it could fix that problem by invalidating the provision requiring that APJs be appointed by the Secretary of Commerce. *See* 35 U.S.C. § 6(a). This would pave the way for presidential appointment with senatorial confirmation, allowing the Board to continue functioning once the APJs are reappointed. This approach would not require any new legislation. And if the Court has concerns about the continued functioning of the Board, it can defer its mandate to give the political branches time to act in the interim. *See N. Pipeline*, 458 U.S. at 88–89 (plurality op.); *Buckley*, 424 U.S. at 143–44.

b. If the Court were to adopt Arthrex's view (at 23) that APJs are principal Officers solely because the Director cannot directly review their decisions, the appropriate fix for that violation would be to provide for such review. The Court could do that straightforwardly by declaring unconstitutional the provision that "[o]nly the Patent Trial and Appeal Board may grant rehearings." 35 U.S.C. § 6(c). The statute still would require that "at least 3 members" of the Board conduct various proceedings in the first instance, but it would be silent as to rehearing or reconsideration of any Board decisions. *Ibid.*; *see generally id.* §§ 141, 318–319. In the absence of statutory authority to the contrary, the Director would have the inherent authority to reconsider APJ decisions in whatever manner he wishes. *See Tokyo Kikai Seisakusho, Ltd.* v. *United States*, 529 F.3d 1352, 1360–61 (Fed. Cir. 2008) ("agencies possess inherent authority to reconsider their decisions" in a manner that is not inconsistent with the statute).

c. If the Court were to agree with the Federal Circuit that the removal protections afforded APJs create the constitutional problem here, those protections could be severed. *See* U.S. Pet. App. 28a. As the Federal Circuit correctly observed, "Congress intended for the *inter partes* review system to function to review issued patents," and "it would have preferred a Board whose members are removable at will rather than no Board at all." *Id.* at 27a.

Congress's overarching purpose in creating the IPR system was "to weed out bad patent claims efficiently" because it was "concerned about overpatenting and its diminishment of competition." *Thryv*, 140 S. Ct. at 1374 (citing H.R. Rep. No. 112-98, pt. 1, at 40

(2011)); *see also* Cross-Industry Groups Br. 6–12; Apple Br. 6–8; Askeladden Br. 4–8. The IPR regime has worked by invalidating scores of bad patent claims and reducing the costs of litigating low-quality patents. Cross-Industry Groups Br. 5, 15–18; High Tech Inventors Br. 14–18; Apple Br. 12–14, 17–18; Askeladden Br. 7–8; Ass'n Accessible Med. Br. 4; Acushnet Br. 10–18. Arthrex offers no evidence that Congress would have preferred to sacrifice patent quality and efficiency on the altar of APJ employment protections.

A Board without removal protections is, in fact, precisely the regime Congress first instituted and maintained for over 100 years. APJs' predecessors had no removal protections until 1975. *See* Act of Jan. 2, 1975, Pub. L. No. 93-601, § 2, 88 Stat. 1956, 1956; Arthrex Br. 4 (acknowledging this point). Far from being a significant addition, those removal protections were incidental to examiners-in-chief's "appoint[ment] under the classified civil service," which Arthrex acknowledges (at 4) was enacted merely to avoid administrative "burden." *Cf. Barr*, 140 S. Ct. at 2353 (plurality op.) ("where Congress added an unconstitutional amendment to a prior law . . . , the Court has treated the original, pre-amendment statute as the 'valid expression of the legislative intent'" (citation omitted)).

In this regard, Congress has not treated APJs like ALJs in other agencies. Whereas the APA created good-cause removal protections for ALJs in 1946, *see* Pub. L. No. 79-404, § 11, 60 Stat. 237, 244 (1946); 5 U.S.C. § 7521(a), Congress waited nearly three decades before creating any removal protections for patent adjudicators—and even then never gave APJs or their predecessors ALJ-level for-cause protections,

see, *e.g.*, 5 U.S.C. § 7513(a); 35 U.S.C. §§ 3(c), 6(b) (2010); S&N Br. 28. Ultimately, the patentability determinations made by APJs are an "'exercis[e] [of] the executive power.'" *Oil States*, 138 S. Ct. at 1374–75 (citation omitted). APJs thus require no more decisional independence in reviewing the agency's decision "in the first instance" than in conducting the agency's "'second look'" at a patent grant. *Id.* at 1373, 1374; *see also Cuozzo*, 136 S. Ct. at 2143 (IPR is "more like a specialized agency proceeding" than a "judicial proceeding").

To be clear, Congress has chosen to give APJs limited protection from removal, and the best way to effectuate congressional intent would be for this Court to recognize that APJs are inferior Officers who may be given such protections. But to the extent those removal protections create Appointments Clause difficulties—an argument no party or *amicus curiae* champions in this Court—severance would be the appropriate remedy. *See Seila Law*, 140 S. Ct. at 2211 (plurality op.); *Free Enter. Fund*, 561 U.S. at 509.

d. This Court has set forth "'a general rule of retrospective effect for [its] constitutional decisions.'" *Harper* v. *Va. Dep't of Taxation*, 509 U.S. 86, 94 (1993) (citation omitted). If the Court were to adopt a systemic "fix" that makes APJs' current method of appointment constitutional and if the Court were to apply that ruling to the parties in this case, the result would be that the APJs who participated in the Board's decision in this case were constitutionally appointed. *See* Prof. Harrison Br. 5–8; Prof. Michaels Br. 7–8; *see also* U.S. Pet. App. 265a–267a (Dyk, J., dissenting from the denial of rehearing en banc). This would be an additional reason why Arthrex is not entitled to any relief beyond a declaration.

* * *

Arthrex seeks to transform a significant "safeguard[ ] of the constitutional scheme," *Edmond*, 520 U.S. at 659, into a weapon of mass destruction. The Appointments Clause protects liberty by ensuring accountability; it does not require Congress and the President to structure administrative adjudications within agencies in a particular manner, or courts to blow up agencies that have long been structured in some other manner. Today's APJs are the latest in a long line of inferior Officers charged with administrative patent review. The Court should hew to its longstanding precedents and make clear that APJs are inferior Officers whose appointment Congress may constitutionally vest in a Head of Department. That would restore the constitutional order, preserve the structural guardrails of the Constitution, and permit the political branches the needed flexibility in defining and filling federal offices.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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January 22, 2021

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.

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

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SMITH & NEPHEW, INC., ET AL.,
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v.
ARTHREX, INC., ET AL.,
Respondents.

ARTHREX, INC.,
Petitioner,
v.
SMITH & NEPHEW, INC., ET AL.,
Respondents.

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 prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, Arthrex, Inc. states that the corporate disclosure statement included in its opening brief remains accurate.

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REPLY BRIEF FOR ARTHREX, INC.

PRELIMINARY STATEMENT

Neither the government nor Smith & Nephew cites a single case where this Court has upheld, much less imposed, a regime remotely similar to the one the Federal Circuit imposed below. The standard federal model for

agency adjudication has long granted tenure protections to ensure the impartiality of administrative judges, while granting transparent review power to accountable agency heads. The court below created a regime that has *neither* impartiality *nor* accountability.

Administrative patent judges make final decisions involving billions of dollars of intellectual property that shape the course of innovation across entire industries. But they now face the threat of being fired if their superiors—for reasons unknown to the parties—disagree. Their rulings may be driven, not by the facts and law, but by a desire to please their bosses. Superiors, meanwhile, must interfere behind the scenes to try to achieve desired outcomes, because the statute denies them any transparent power of review. Superiors thus avoid accountability for their actions—to the President and the public alike. That structure is anathema to a constitutional provision "designed to preserve political accountability" so the public knows whom to blame for poor decisions. *Edmond* v. *United States*, 520 U.S. 651, 663 (1997).

Smith & Nephew invokes Congress's need for "flexibility in defining and filling federal offices." S&N Reply 51. The Appointments Clause does grant Congress flexibility—but only within constitutional bounds. And that flexibility is precisely why the court of appeals erred by imposing its own preferred remedy rather than letting Congress decide. The court's remedy is unrecognizable in the annals of American administrative law. The Appointments Clause does not permit it. Congress never would have enacted it. The court's severance remedy should be reversed.

ARGUMENT

I. THE COURT OF APPEALS' SEVERANCE REMEDY WAS INSUFFICIENT TO CURE THE VIOLATION

Even shorn of tenure protections, APJs still issue the Executive Branch's final word, revoking valuable property rights with no opportunity for review by any superior officer. That power alone makes them principal officers. The court of appeals' remedy was no remedy at all.

A. The Appointments Clause Requires Review of Administrative Patent Judges' Decisions by Superior Executive Officers

The government does not dispute that neither the Director nor any other superior executive officer can review APJ decisions. Only the Board can grant rehearing. 35 U.S.C. §6(c). And only the Federal Circuit can review decisions on appeal. *Id.* §141. No superior executive officer can "single-handedly review, nullify or reverse [an APJ's] decision." Pet. App. 10a. That remains the case, whether APJs have tenure protections or not.

1. That absence of review cannot be squared with precedent. *Edmond* treats review of decisions as an indispensable element of supervision for administrative judges: "What is significant is that the judges * * * have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers." *Edmond* v. *United States*, 520 U.S. 651, 665 (1997). *Edmond* thus makes clear that review and correction by a principal officer are required.[1]

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[1] Arthrex never "agree[d]" that severance would cure the violation. Compare Gov't Reply 33 with Arthrex Pet. in No. 19-1458, at 13 n.2.

Smith & Nephew quotes *Edmond*'s observation that there is no "exclusive criterion" for inferior officers. S&N Reply 21. But the fact that different considerations may be relevant for different types of officers does not mean that for *this* category—administrative judges who do nothing but decide cases—Congress can eliminate the one oversight mechanism crucial to ensure accountability. That *Edmond* considered other oversight mechanisms in addition to review proves only that review alone may not be *sufficient* to make administrative judges inferior officers—not that Congress can eliminate review entirely. Arthrex Br. 24-25.[2]

The Constitution's other uses of the term "inferior" confirm as much. Cf. S&N Br. 21. Article III refers to lower federal courts as "inferior" *precisely because* their decisions are subject to this Court's review. See Steven G. Calabresi & Gary Lawson, *The Unitary Executive, Jurisdiction Stripping, and the* Hamdan *Opinions*, 107 Colum. L. Rev. 1002, 1006-1007 (2007). Courts that issued unreviewable decisions in minor matters might be "lesser" in quality or rank. But they would not be "inferior." See *Edmond*, 520 U.S. at 662-663.

The government does not deny that this Court has *never* held an administrative judge to be an inferior officer absent some superior who could review his decisions. Smith & Nephew argues otherwise based on *Freytag* v. *Commissioner*, 501 U.S. 868 (1991). Even though the Tax Court could review special trial judge decisions, it

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[2] For policymakers, removal may well be sufficient: Removing the policymaker changes the policy. By contrast, removing an administrative judge does not alter decisions already made. Those decisions stand as the Executive Branch's final word. Arthrex Br. 22.

claims, that court was not an Executive Branch entity and never actually reviewed any decisions. S&N Reply 27-28. That is wrong on both counts. The Tax Court *is* an Executive Branch entity. See *Kuretski* v. *Comm'r*, 755 F.3d 929, 939-945 (D.C. Cir. 2014) ("[T]he Tax Court exercises its authority as part of the Executive Branch."), cert. denied, 135 S. Ct. 2309 (2015); William Baude, *Adjudication Outside Article III*, 133 Harv. L. Rev. 1511, 1563-1567 (2020). And it *has* reviewed special trial judge orders—dozens if not hundreds of times. See, *e.g.*, *Guerra* v. *Comm'r*, 110 T.C. 271, 271-272 (1998); *Givens* v. *Comm'r*, 90 T.C. 1145, 1145 (1988); Tax Ct. R. 182(d).

2. The government and Smith & Nephew find no support in Patent Office history. Gov't Reply 25-30; S&N Reply 5-12. For more than a century, Congress lodged final decisionmaking authority in presidentially appointed, Senate-confirmed officers like the Commissioner and examiners-in-chief. Arthrex Br. 3-4. The handful of supposed counterexamples crumble upon inspection.

The arbitrators who decided interferences and other limited matters under the 1793 and 1836 statutes were nothing like APJs. Cf. Gov't Reply 25-26; S&N Reply 6-7. They acted in only *one specific case*. An arbitrator who decides a single case is not an "officer," let alone a principal officer, because "[h]is position is without tenure, duration, continuing emolument, or continuous duties, and he acts only occasionally and temporarily." *Auffmordt* v. *Hedden*, 137 U.S. 310, 327 (1890); see also *Constitutional Limitations on Federal Government Participation in Binding Arbitration*, 19 Op. O.L.C. 208, 216-219 (1995) ("arbitrators are not officers" because "their service does not bear the hallmarks of a constitutional office—tenure, duration, emoluments, and continuing duties" and they "do not occupy a position of employment

within the federal government"); *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 100-111 (2007) (canvassing Framing-era authorities). At most, the temporary and narrow nature of the assignments makes arbitrators inferior officers, even absent agency review. See *Morrison* v. *Olson*, 487 U.S. 654, 672 (1988) (independent counsel "appointed essentially to accomplish a single task").[3]

The patent examiners who consider patent applications are irrelevant too. Cf. Gov't Reply 28; S&N Reply 7. Their decisions have always been subject to agency review. The 1870 statute provided that "*the commissioner* shall cause an examination to be made * * * and if on such examination it shall appear that the claimant is justly entitled to a patent * * * issue a patent therefor." Act of July 8, 1870, ch. 230, § 31, 16 Stat. 198, 202 (emphasis added); see also Act of July 4, 1836, ch. 357, § 7, 5 Stat. 117, 119-120. The current statute is almost identical. 35 U.S.C. § 131. That language does not grant examiners *any* unreviewable authority. "Unlike an IPR, which by statute the Board must 'conduct,' examination is entirely within the control of the Director," who has "sole authority over the decision whether to grant the requested patent." U.S. Supp. Br. in *In re Boloro Glob. Ltd.*, No. 19-2349, Dkt. 27, at 3, 7-9 (Fed. Cir. filed Mar. 20, 2020) (citation omitted); see also 37 C.F.R. § 1.181(a)(1) (permitting peti-

[3] Arbitrations under the early statutes were exceedingly rare. See P.J. Federico, *Early Interferences*, 19 J. Pat. Off. Soc'y 761, 762 (1937) (about one case per year under 1793 statute); P.J. Federico, *Evolution of Patent Office Appeals*, 22 J. Pat. Off. Soc'y 838, 841 (1940) (nine cases total under short-lived 1836 statute). Arbitrations under the 1793 statute, moreover, had little effect: The losing party could obtain a patent regardless. See Federico (1937), *supra*, at 763.

tions for Director review). Unlike here, the Director has the final word.[4]

The 1927 statute eliminating appeals from examiners-in-chief to the Commissioner is beside the point. Cf. Gov't Reply 27-28; S&N Reply 7-8. Examiners-in-chief themselves remained presidentially appointed, Senate-confirmed officers until 1975. Arthrex Br. 4. The Commissioner's role as "chief officer" does not prove Congress understood examiners-in-chief to be inferior officers. Cf. Gov't Reply 27-28. The Framers recognized, for example, that there could be "Superior Officers below Heads of Departments." 2 *The Records of the Federal Convention of 1787*, at 627 (Max Farrand ed., 1911) (Madison). The best evidence of Congress's understanding of the status of examiners-in-chief is that Congress gave them power to render the Patent Office's final word while providing for their appointment in the manner required for principal officers. Arthrex Br. 4.[5]

Finally, the 1952 statute permitting examiners to "act as a member of the Board" for up to six months is no precedent either. Cf. Gov't Reply 28-29. "Acting" officers are inferior even when they wield principal-officer powers: "[A] subordinate officer * * * charged with the performance of the duty of the superior for a limited time and under special and temporary conditions * * * is not

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[4] Smith & Nephew urges that examiners had the "*de facto* last word" because, as a practical matter, the Commissioner could not review every decision. S&N Reply 7. But the *power* to review, not its exercise, is what matters. Arthrex Br. 26-27. The Director has that same broad power over reexaminations too. 35 U.S.C. § 305; 35 U.S.C. § 314(a) (2006).

[5] Smith & Nephew's claim that "Arthrex does not actually dispute" Congress's intent is thus wrong. S&N Reply 6.

thereby transformed into the superior and permanent official." *United States* v. *Eaton*, 169 U.S. 331, 343 (1898); see *Designating an Acting Attorney General*, 2018 WL 6131923, at *5-17 (O.L.C. Nov. 14, 2018).[6]

3. The government and Smith & Nephew scour other agencies for counterexamples. Gov't Reply 23; S&N Reply 26. Those efforts come up short. There is no serious dispute that the "vast majority" of agency adjudication regimes permit superior officer review. Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Calif. L. Rev. 141, 157 (2019). The Board is a sharp break from that tradition.

Smith & Nephew cites one study reporting that certain agency hearings "permit no administrative appeal at all." S&N Reply 26. By the study's own account, however, "[t]he matters in which the [officer] could issue a final decision without the possibility of any appellate review were limited to what appear to be extremely low-volume adjudications: CFTC wage-garnishment proceedings, labor arbitrations within the Alcohol and Tobacco Tax and Trade Bureau of Treasury, public/private partnerships with NASA, and certain license-transfer agreements before the NRC." Kent Barnett, *et al.*, Admin. Conf. of the U.S., *Non-ALJ Adjudicators in Federal Agencies* 35 (Sept. 24, 2018). Moreover, *none* of those four examples actually supports Smith & Nephew's position. Two are situations where the agency had *authority* to provide review, but chose not to. See 31 U.S.C.

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[6] The 1939 statute permitting bills in equity likewise proves nothing. Cf. S&N Reply 8. Parties still had the *right* to seek administrative review. Arthrex Br. 33-34. Lower federal courts are "inferior" to this Court even though parties might decline to appeal.

§3720D(c) (wage-garnishment proceedings); 5 U.S.C. §572 (authority for NASA ombudsman). The other two involve arbitrations or orders that *are* subject to principal officer review. See 5 U.S.C. §§7121-7122 (labor arbitrations); 10 C.F.R. §2.1320(b)(2) (NRC license-transfer orders).

The government points to another study to claim "substantial variety" in review structures. Gov't Reply 23 (citing Michael Asimow, Admin. Conf. of the U.S., *Federal Administrative Adjudication Outside the Administrative Procedure Act* app. A (2019)). Mere "variety" does not imply elimination of review entirely. "In addition to the PTAB, [only] two agencies out of Asimow's ten case studies * * * lacked higher-level agency reconsideration of their decisions." Walker & Wasserman, *supra*, at 172 (citing draft). And *neither* helps the government.[7]

The government cites three statutes that designate subordinates' decisions as "final" without expressly providing for principal officer review. Gov't Reply 23. But the government itself has repeatedly denied that such language precludes review. In 1991, the Office of Legal Counsel ruled that the Secretary of Education could review ALJ decisions despite a statute stating that they "shall be considered * * * final agency action." *Secretary of Education Review of Administrative Law Judge Decisions*, 15 Op. O.L.C. 8, 13 (1991). A contrary construction, it noted, "would raise serious questions under the Appointments Clause" because "*[a]n ALJ whose decision could not be reviewed by the Secretary * * * would*

[7] One was the Board of Veterans' Appeals; its decisions are reviewable by an administrative court. Arthrex Br. 31. The other was the Civilian Board of Contract Appeals, one of the government's three examples discussed next.

appear to be acting as a principal officer." *Id.* at 14 (emphasis added); see also *Special Master for Troubled Asset Relief Program Executive Compensation*, 34 Op. O.L.C. 219, 233-237 (2010) ("final and binding" order subject to "secretarial review"); Arthrex Br. 32 n.4.

In any event, the government's purported counter-examples are all recent, narrow, obscure, or some combination of the three.[8] In *Seila Law LLC* v. *Consumer Financial Protection Bureau*, 140 S. Ct. 2183 (2020), the Court found a "telling indication of [a] severe constitutional problem" despite a similar handful of outliers. *Id.* at 2201-2202. History justifies the same conclusion here.

4. Smith & Nephew urges that APJs issue only "narrow decisions that do not set policy." S&N Reply 26. The scope of an officer's authority, however, "marks, not the line between principal and inferior officer," but "the line between officer and nonofficer." *Edmond*, 520 U.S. at 662. Besides, deciding the fate of billions of dollars of intellectual property is hardly inconsequential. APJs' authority is all the more striking because APJs have the power to overrule the Director's decision to grant a patent in the first place. Smith & Nephew cites no other context where purportedly "inferior" officers could overrule their own agency head.

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[8] See Pub. L. No. 109-163, § 847(a), (d)(2)(B), 119 Stat. 3136, 3391-3394 (2006) (creating Civilian and Postal Service Boards of Contract Appeals); cf. Pub. L. No. 95-563, § 8(a)(1), 92 Stat. 2383, 2385 (1978) (authorizing but not requiring such boards); Pub. L. No. 99-603, § 102(a), 100 Stat. 3359, 3374-3379 (1986) (one narrow category of discrimination claims); Pub. L. No. 92-576, § 15(a), 86 Stat. 1251, 1261 (1972) (creating Benefits Review Board for longshoremen and harbor workers); cf. Pub. L. No. 803, § 21(a), 44 Stat. 1424, 1436 (1927).

B. Other Oversight Powers Are Not Substitutes for Review

The government and Smith & Nephew "brainstorm[] [other] methods of * * * control." *Seila Law*, 140 S. Ct. at 2207. None of them is an adequate substitute for review.

1. Smith & Nephew urges that the Director can "informally recommend[]" that the Board grant rehearing, S&N Reply 14, or "intervene" on appeal, *id.* at 15. But trying to cajole other officers or a court into correcting an APJ's mistakes does not make the APJ a subordinate. The Appointments Clause requires direction and supervision, not hortatory recommendations to third parties.

The Director, of course, is the one who ultimately cancels a patent at the conclusion of an inter partes review. S&N Reply 17. If the Board finds a claim invalid, "the Director *shall* issue and publish a certificate canceling [the] claim." 35 U.S.C. §318(b) (emphasis added). That mandatory and ministerial duty does not give the Director any power to review Board decisions. It permits the *Board* to control the *Director*.

Judicial review does not matter either. Cf. S&N Reply 17. Administrative judges' decisions must be reviewable by "Executive officers," not federal judges. *Edmond*, 520 U.S. at 665. If judicial review were enough, even cabinet secretaries would be inferior officers.[9]

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[9] Review by other *inferior* officers is likewise insufficient. Cf. S&N Reply 29. *Edmond* requires oversight (direct or indirect) by officers "appointed by Presidential nomination with the advice and consent of the Senate." 520 U.S. at 663. Nor does the Board include other officers "whose appointments Arthrex does not question." S&N Reply 30. The Deputy Director's and Commissioners' appointments are invalid too. See Arthrex Cert. Reply in No. 19-1458, at 6-7.

2. The government exaggerates the scope of other powers. Even after the statutory removal restrictions are severed, for example, due process limits removal as a tool of control. Removing or threatening to remove an administrative judge to change the outcome of a case raises obvious due process concerns. See Arthrex Br. 63-64; Pet. App. 16a-17a n.3; *Utica Packing Co.* v. *Block*, 781 F.2d 71, 78 (6th Cir. 1986). The government insists those concerns are insubstantial because agency heads can personally adjudicate disputes despite being removable at will. Gov't Reply 15. But the *use* of removal power to alter the outcome of a case by secretly threatening to fire the judge if he does not rule a particular way presents distinct due process problems. It is also flatly inconsistent with the statute, which charges the Board, not the Director, with adjudicating cases. Arthrex Br. 39-41.[10]

The government overstates the Director's rulemaking power. Gov't Reply 11. Even after *Cuozzo Speed Technologies, LLC* v. *Lee*, 136 S. Ct. 2131 (2016), "the Director has no substantive rule making authority with respect to interpretations of the Patent Act." *Facebook, Inc.* v. *Windy City Innovations, LLC*, 973 F.3d 1321, 1353 (Fed. Cir. 2020) (additional views); see also U.S. Br. in *Cuozzo*, No. 15-446, at 14 (Mar. 2016) ("Congress has declined to authorize the PTO to issue rules interpreting the substantive patentability criteria * * * ."). Applying new substantive rules to pending cases could also raise serious retroactivity concerns. See Doerre Br. 29-35.

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[10] The government dismisses *Abrams* v. *Social Security Administration*, 703 F.3d 538 (Fed. Cir. 2012), as involving the removal standard for ALJs. Gov't Reply 7-8. But *Abrams* relied on the separate APA provision that prohibits agency interference in pending cases—the same constraint the statute imposes here. 703 F.3d at 545-546.

The government admits that policy guidance is *not binding* on the agency. Gov't Reply 12. The Patent Office may "expect[ ]" APJs to follow it. *Ibid.* But the fact that aggrieved parties cannot complain surely hampers the Director in identifying departures and holding APJs accountable. The government admits, moreover, that the Director cannot use rules or policy guidance to "simply *tell* the Board how to rule." *Id.* at 15.

Finally, the Director cannot de-institute review merely because he disagrees with how the Board may rule. Cf. Gov't Reply 13. The Board, not the Director, decides cases on the merits. 35 U.S.C. §318(a). The government points to situations where the agency genuinely reconsidered an institution decision. See, *e.g.*, *Medtronic, Inc.* v. *Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1383-1386 (Fed. Cir. 2016) (petition did not name all real parties in interest), cert. dismissed, 137 S. Ct. 2113 (2017). The Director cannot use that reconsideration authority to invade the Board's statutory role. See *Tokyo Kikai Seisakusho, Ltd.* v. *United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008).

3. Even if the Director had all the powers claimed, they would still be poor substitutes for review. Removing an APJ does not vacate decisions already made. Nor does issuing rules or policy guidance. The government admits the Director cannot de-institute review after the Board rules. Gov't Reply 13. None of those powers permits the Director to correct a decision an APJ has already issued as the Executive Branch's final word.

Nor can the Director compel particular outcomes beforehand. The Director cannot realistically predict every way an APJ may go astray. And terminating a proceeding by de-instituting review is no remedy at all when the Director thinks the *petitioner* should prevail. None of

the Director's powers ensures that he can stand behind, and be held accountable for, everything the agency says.

The government proposes a contrived scheme in which Board panels must circulate draft opinions so that, if the Director disagrees, he can either de-institute review or issue policy guidance dictating a different result (threatening to fire APJs if they object). Gov't Reply 13-14. It is hard to imagine a more blatant evasion of the statute and due process. The Board, not the Director, decides inter partes reviews. Arthrex Br. 39-41.

The government's comparison to pre-circulation rules on courts of appeals is inapt. All judges on a court of appeals have the right to call for en banc review; pre-circulation facilitates that process. See, *e.g.*, Fed. Cir. IOP 10.5, 14.3. By contrast, requiring pre-circulation so the Director can overrule the Board subverts rather than advances the statutory design.

II. The Court Of Appeals' Severance Remedy Defies Congressional Intent

Even if the court of appeals' severance remedy were sufficient to cure the defect, Congress never would have adopted it. Congress would not have enacted the statute without tenure protections for APJs. And the sheer number of potential remedies makes severance inappropriate. This Court normally severs invalid provisions to avoid judicial policymaking. Where the Court can only speculate about Congress's preferences, severance has the opposite effect.

A. Congress Would Not Have Enacted the Statute Without Tenure Protections

Congress has long considered tenure protections essential for administrative judges, traditionally pairing them with transparent review by an accountable agency

head. Arthrex Br. 48-52. Those protections became even more important when Congress enacted the AIA, putting APJs in charge of new adjudicative proceedings under a statutory structure designed to ensure the Board's independence. *Id.* at 52-56. Congress would not have enacted a regime that includes *neither* tenure protections for APJs *nor* transparent review by an accountable agency head. Requiring APJs to decide cases subject to unseen pressures to please superiors is fundamentally contrary to what Congress envisioned.

The government urges that the Constitution does not *require* tenure protections, noting that "agency *heads* who are removable at will [may] personally adjudicate cases." Gov't Reply 34. But the question is not whether tenure protections are constitutionally required. It is whether Congress would have enacted the statute without them. See *Bowsher* v. *Synar*, 478 U.S. 714, 735 (1986) (severing removal restrictions impermissible if it would "lead to a statute that Congress would probably have refused to adopt"). Congress has long insisted on tenure protections for administrative judges who do no more than adjudicate cases, even while striking a different balance for agency heads with broad policymaking responsibilities. Arthrex Br. 48-52.[11]

True, Congress did not give APJs the same tenure protections it gave ALJs. Gov't Reply 35-36. But Congress clearly understood that APJs' civil service protec-

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[11] Even the government's few counterexamples are a mixed bag. Gov't Reply 35-36. Section 7511(b)(8) exempts employees only from *that subchapter's* civil service protections; tenure protections still apply to ALJs. See 5 U.S.C. § 7521; *e.g.*, 39 C.F.R. § 3013.2(a). Postal Service Board members have tenure protections too. See 41 U.S.C. § 7105(b)(3), (d)(2).

tions would "insulate these quasi-judicial officers from outside pressures and preserve integrity within the application examination system." H.R. Rep. No. 104-784, at 32 (1996). Making APJs removable for political reasons, or for no reason at all, would undermine Congress's goal of "creat[ing] a patent system that is clearer, fairer, more transparent, and more objective." 157 Cong. Rec. 12,984 (Sept. 6, 2011) (Sen. Kyl).

Constitutional avoidance compels the same result. Arthrex Br. 62-64. Even if due process does not require tenure protections for agency adjudicators, firing or threatening to fire an administrative judge behind the scenes to achieve a desired outcome raises obvious due process concerns. See p. 12, *supra*. The court of appeals' remedy not only permits but *encourages and relies upon* such abuse by forcing the agency head to use the threat of removal, rather than review, to supervise adjudications. Congress would not have strayed so close to the constitutional line.

B. Congress Should Determine the Appropriate Remedy

The sheer number of ways to fix the problem is reason enough to reject the Federal Circuit's approach. The government does not deny there are at least *ten different ways* Congress could respond. Arthrex Br. 57-59. Selecting among them would invite rather than avoid judicial policymaking—the linchpin of this Court's severability precedents. See *Barr* v. *Am. Ass'n of Pol. Consultants, Inc.*, 140 S. Ct. 2335, 2351 (2020) (plurality).

This is not a case like *Seila Law* or *Free Enterprise Fund* v. *Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), where there were multiple ways to fix the problem, but one was clearly superior. Those cases involved agency heads, not administrative judges, and

the removal restrictions were the avowed targets of the claims. Arthrex Br. 60-62. This case challenges APJ *appointments*, and the Court can only speculate what Congress would prefer. Congress, not courts, should select among the many alternatives.

The government suggests that the Court sever 35 U.S.C. § 6(c)'s directive that "[o]nly the Patent Trial and Appeal Board may grant rehearings." Gov't Reply 40-41. That approach would not fix the problem. Only the officer who makes a decision has inherent power to reconsider it. See *Tokyo Kikai Seisakusho*, 529 F.3d at 1360 ("The power to reconsider is inherent in the power to decide."). Eliminating the rehearing provision thus would not shift authority to the Director. It would leave that authority with the Board, the entity that decides inter partes reviews. 35 U.S.C. § 318(a).

Even if the government's approach had its intended effect, it would be a drastic departure from Congress's intent. As the court of appeals recognized, "[t]he breadth of backgrounds and the implicit checks and balances within each three-judge panel contribute to the public confidence by providing more consistent and higher quality final written decisions." Pet. App. 25a. Allowing the Director to decide cases single-handedly would be "a significant diminution in the procedural protections afforded to patent owners" and "a radical statutory change to the process long required by Congress in all types of Board proceedings." *Id.* at 24a-25a.

Smith & Nephew's proposal to sever the appointment provision would not work either. S&N Reply 47. Eliminating secretarial appointments for APJs would not transfer authority to the President. Under the statute's default provision, it would transfer appointment authority to the Director. 35 U.S.C. § 3(b)(3)(A). Like the govern-

ment's proposal, Smith & Nephew's speculation about what Congress would prefer only underscores that Congress should decide.

Deferring to Congress would not require the Court to revisit *Humphrey's Executor* v. *United States*, 295 U.S. 602 (1935). Cf. S&N Reply 32-35. There are many ways Congress could respond without making APJs principal officers—for example, by providing for agency-head review. Regardless, granting tenure protections to administrative judges does not raise serious constitutional questions, whether they are principal or inferior officers. See Arthrex Br. 48-50 & n.14; *e.g.*, 10 U.S.C. § 942(c) (Court of Appeals for the Armed Forces); 26 U.S.C. § 7443(f) (Tax Court); 38 U.S.C. § 7253(f) (Court of Appeals for Veterans Claims).

The government's feared impacts on other Board proceedings are overblown. Gov't Reply 36-37. Because the Director has plenary control over patent examinations, Congress need not alter the Board's role in appeals from those proceedings. See U.S. Supp. Br. in *Boloro*, *supra*, at 7-9 & n.2. The Board's remaining proceedings are rare compared to inter partes reviews.[12]

Smith & Nephew's legion of amici bemoan any disruption to their preferred method for challenging patents. S&N Reply 49. But there are two sides to that story.

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[12] See Patent Trial & Appeal Board, *Trial Statistics* 5 (Sept. 2020) (1,429 petitions for inter partes review, 64 for post-grant review, and 20 for covered business method review in FY2020); Patent Trial & Appeal Board, *Appeal and Interference Statistics* 5, 7 (Sept. 30, 2020) (less than 90 reexamination appeals in FY2020; 10 interferences remaining); Anthony A. Hartmann, *PTAB Finds No Derivation in First Derivation Proceeding*, Finnegan AIA Blog (Mar. 25, 2019) (only 18 petitions for derivation proceedings ever).

Inter partes review has had a devastating impact on American innovation, particularly for small inventors. See, *e.g.*, 39 Aggrieved Inventors Br. 14-23; TiVo Br. 6-13; Malone Br. 1-3; U.S. Inventor Br. 1-2. Congress could well decide not to make an unfair process even less fair by eliminating tenure protections for APJs. Those policy debates belong before Congress, not this Court.

C. Arthrex Is Entitled to Dismissal

Smith & Nephew urges the Court not to dismiss this inter partes review even if the statutory provisions are not severable. S&N Reply 39-43. But if the entire statute is unsound and the defect not severable, the Court cannot send Arthrex back to the Board for more of the unconstitutional same. That would hardly create "incentives to raise Appointments Clause challenges." *Lucia* v. *SEC*, 138 S. Ct. 2044, 2055 n.5 (2018) (alterations omitted). Arthrex's argument is not a "letter to Santa Claus." S&N Reply 36. Arthrex seeks only the unavoidable consequence of non-severability.[13]

Neither *Seila Law* nor *Northern Pipeline Construction Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50 (1982), holds otherwise. In *Seila Law*, the removal restrictions were severable. 140 S. Ct. at 2211 (plurality). Dismissal

[13] Arthrex did not forfeit this claim. Cf. S&N Reply 40-42. Arthrex urged in the court of appeals that the statute is not severable. See Arthrex Pet. in No. 19-1458, at 13 n.2; S&N Cert. Resp. in No. 19-1458, at 10 (admitting preservation). It made the same argument in this Court. Arthrex Pet. in No. 19-1458, at 14-34. Arthrex's argument for dismissal is not distinct from its argument against severability; those are two sides of the same coin. If the entire statute is invalid, this inter partes review necessarily cannot proceed. See Arthrex C.A. Reh'g Pet. 4 ("[T]he statute cannot be saved and must be ruled unconstitutional. Accordingly, the Final Written Decision here must be vacated and the case dismissed.").

is appropriate here because the provisions are *not* severable. In *Northern Pipeline*, the lower court *did* dismiss the proceeding, *Marathon Pipeline Co.* v. *N. Pipeline Constr. Co.*, 12 B.R. 946, 947 (D. Minn. 1981), and this Court affirmed, 458 U.S. at 87-88 & n.40 (plurality). The Court should follow the same course here.[14]

III. SMITH & NEPHEW'S REMAINING ARGUMENTS ARE NOT PROPERLY BEFORE THE COURT

Smith & Nephew raises a host of other arguments. The Court need not address any of them.

1. Arthrex timely raised its constitutional claim. Cf. S&N Reply 36-39. The court of appeals "agree[d] with Arthrex that its Appointments Clause challenge was properly and timely raised before the first body capable of providing it with the relief sought." Pet. App. 31a. The government sought this Court's review of that timeliness ruling. Gov't Pet. in No. 19-1434, at i. But the Court *denied review*. 141 S. Ct. 549 (2020). Neither of the two questions the Court granted covers the timeliness issue—either the government's original version or the variation that Smith & Nephew now presents. Gov't Br. i. The Court should not reach out to decide a ques-

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[14] Although the Court stayed its judgment in *Northern Pipeline*, 458 U.S. at 88-89 (plurality), it should not do so here. "A structural-redesign grace period implicitly tells Congress that it may blatantly violate the Constitution's structural safeguards * * * and then later create a proper agency, if it acts fast enough, without any adverse consequences at all." Kent Barnett, *To the Victor Goes the Toil—Remedies for Regulated Parties in Separation-of-Powers Litigation*, 92 N.C. L. Rev. 481, 530-536 (2014). The stay in *Northern Pipeline*, moreover, was cut from the same cloth as the Court's decision to apply its holding prospectively only. 458 U.S. at 87-88 (plurality). The Court abandoned that approach in *Harper* v. *Virginia Department of Taxation*, 509 U.S. 86, 94-97 (1993).

tion the parties and amici have had no fair opportunity to address. S. Ct. R. 14.1(a).[15]

In any event, the court of appeals correctly held that Arthrex "properly and timely raised [its claim] before the first body capable of providing it with the relief sought." Pet. App. 31a. Consistent with longstanding principles of administrative law, the Board has repeatedly held that it lacks authority to consider constitutional challenges to its own enabling statute, including Appointments Clause claims just like Arthrex's. Arthrex Cert. Resp. in No. 19-1434, at 24-25 & n.6. Pressing this objection before the agency would have been futile. See *id.* at 23-30; Arthrex Cert. Reply in No. 19-1458, at 6-9.[16]

2. Dismissal would not violate the statutory bar on appealing institution decisions or the settlement agreement in separate infringement litigation. Cf. S&N Reply

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[15] Arthrex did not forfeit this objection at the petition stage. Cf. S&N Reply 37 n.5. Smith & Nephew nowhere asserted in its petition that the Court could consider its timeliness argument even if the Court *denied review* of the timeliness question. S&N Pet. in No. 19-1452, at 31-33. The first time Smith & Nephew made that argument was in response to Arthrex's petition—and even then, it claimed only that the issue was somehow subsumed within the government's first question, not *Arthrex's* questions. S&N Cert. Resp. in No. 19-1458, at 4, 7. Arthrex promptly objected in reply. Arthrex Cert. Reply in No. 19-1458, at 10-11. Having done so, Arthrex was not required to renew the objection in its opening brief merely because Smith & Nephew made one fleeting reference to its intent to argue the point in a *future* submission. S&N Br. 49.

[16] For the same reason, Arthrex was not required to seek dismissal before the Board. Cf. S&N Reply 41. Nor did Arthrex forfeit its claim by petitioning for inter partes review in unrelated cases. See Arthrex Cert. Reply in No. 19-1458, at 8-9.

39-40. Smith & Nephew forfeited both arguments at the petition stage. S. Ct. R. 15.2. And neither has merit.

Arthrex is not asking this Court to review the Director's decision "*whether to institute* an inter partes review." 35 U.S.C. §314(d) (emphasis added). It seeks a ruling that this inter partes review cannot proceed any further because the statute authorizing the proceeding is unconstitutional.

Nor is the settlement agreement relevant. While that agreement allowed the inter partes review to continue despite settlement of the infringement litigation, Arthrex did not agree to refrain from making otherwise valid arguments for dismissal. Cf. Pet. App. 86a.

3. Finally, retroactivity principles do not somehow render the Board's decision constitutional. Cf. S&N Reply 50. Smith & Nephew forfeited that claim too by not raising it at the petition stage. S. Ct. R. 15.2. And the government has rejected Smith & Nephew's argument, explaining that "retroactivity principles" do not bar relief where "APJs * * * did not at the time understand themselves to be subject to removal at will." U.S. Supp. Br. in *Polaris Innovations Ltd.* v. *Kingston Tech. Co.*, No. 18-1768, Dkt. 96, at 12-15 (Fed. Cir. filed Jan. 6, 2020).

The principle that judicial decisions apply retroactively does not mean a party cannot complain when an adjudicator operates under a misunderstanding of governing law. See, *e.g.*, *United States* v. *Booker*, 543 U.S. 220, 267-268 (2005) (remanding for resentencing under advisory guidelines despite applying holding retroactively to all pending cases). Saying what the law "is" does not avoid the need to require decisionmakers to adjudicate cases under a correct understanding of the law.

The APJs who decided Arthrex's case were acting under the misimpression that the statutory restrictions on their oversight and accountability were valid. So too were their superiors. The agency would not even *consider* constitutional challenges to those restrictions. See Arthrex Cert. Resp. in No. 19-1434, at 24-25 & n.6. If this Court now holds the restrictions invalid, retroactivity would be a reason to *correct* the Board's structural legal error, not to ignore it.[17]

CONCLUSION

The court of appeals' judgment should be reversed with respect to the severance remedy.

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[17] Even where retroactivity is relevant, an exception applies if there are "alternative way[s] of curing the constitutional violation." *Reynoldsville Casket Co.* v. *Hyde*, 514 U.S. 749, 759 (1995). Here, there are at least *ten different alternatives*.

Respectfully submitted.

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