

No. 19-1434

IN THE
Supreme Court of the United States

UNITED STATES OF AMERICA,

Petitioner,

v.

ARTHREX, INC., *et al.*,

Respondents.

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

**BRIEF OF ASKELADDEN L.L.C. AS *AMICUS*
CURIAE IN SUPPORT OF PETITIONER**

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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 the court of appeals erred by adjudicating an Appointments Clause challenge brought by a litigant that had not presented the challenge to the agency.

TABLE OF CONTENTS

QUESTIONS PRESENTED.....	i
TABLE OF CONTENTS.....	ii
TABLE OF AUTHORITIES	iii
INTEREST OF <i>AMICUS CURIAE</i>	1
SUMMARY OF ARGUMENTS.....	3
ARGUMENT.....	6
I. The Federal Circuit Erred in Concluding That PTAB APJs Are “Principal” Officers Under the Appointments Clause	6
II. This Is an Important Issue That This Court Should Address	14
III. Answering the U.S. Government’s First Question Can Potentially Resolve All Issues Raised by the Erroneous Federal Circuit Decision	18
IV. There Are Good Reasons Not to Wait for Another Case to Remedy This Error	21
CONCLUSION.....	25

TABLE OF AUTHORITIES

Cases:

<i>Arthrex, Inc. v. Smith & Nephew Inc.</i> , No. 2018-2140 (Fed. Cir. Oct. 31, 2019), <i>reh’g</i> <i>en banc denied</i> (Fed. Cir. Mar. 23, 2020)	2, 3, 5
<i>Bedgear, LLC v. Fredman Bros. Furniture Co.</i> , 783 F. App’x 1029 (Fed. Cir. 2019)	16
<i>BioDelivery Scis. Int’l, Inc. v.</i> <i>Aquestive Therapeutics Inc.</i> , 935 F.3d 1362 (Fed. Cir. 2019).....	12
<i>Blodgett v. Holden</i> , 275 U.S. 142 (1927)	14
<i>Buckley v. Valeo</i> , 424 U.S. 1 (1976)	8
<i>Caterpillar Paving Prods. Inc. v.</i> <i>Wirtgen Am., Inc.</i> , 957 F.3d 1342 (Fed. Cir. May 6, 2020)	19
<i>Cuozzo Speed Techs. LLC v. Lee</i> , 136 S. Ct. 2131 (2016)	15
<i>Customedia Techs. v. Dish Network</i> , 941 F.3d 1174 (Fed. Cir. Nov. 1, 2019), <i>reh’g and reh’g en banc denied</i> (Fed. Cir. Mar. 5, 2020)	19
<i>Edmond v. United States</i> , 520 U.S. 651 (1997)	<i>passim</i>

<i>Free Enter. Fund v.</i> <i>Pub. Co. Accounting Oversight Bd.</i> , 561 U.S. 477 (2010)	7-8, 13
<i>Freytag v. Commissioner</i> , 501 U.S. 868 (1991)	8
<i>Humphrey’s Ex’r v. United States</i> , 295 U.S. 602 (1935)	5, 6, 20, 21
<i>Iancu v. Brunetti</i> , 139 S. Ct. 2294 (2019)	15
<i>In re Alappat</i> , 33 F.3d 1526 (Fed. Cir. 1994).....	14
<i>In re Boloro Global Ltd.</i> , Nos. 2019-2349, -2351, -2352 (Fed. Cir. July 7, 2020).....	17
<i>In re Hennen</i> , 38 U.S. 230 (1839)	8
<i>In re JHO Intellectual Prop. Holdings LLC</i> , No. 2019-2330 (Fed. Cir. June 18, 2020)	17
<i>Lucia v. SEC</i> , 138 S. Ct. 2044 (2018)	7
<i>Matal v. Tam</i> , 137 S. Ct. 1744 (2017)	15
<i>Morrison v. Olson</i> , 487 U.S. 654 (1988)	8
<i>Myers v. United States</i> , 272 U.S. 51 (1926)	8

<i>Nidec Motor Corp. v.</i> <i>Zhongshan Broad Ocean Motor Co. Ltd.</i> , 868 F.3d 1013 (Fed. Cir. 2017), <i>cert. denied</i> , 138 S. Ct. 1695 (Apr. 30, 2018)	14
<i>Oil States Energy v. Greene’s Energy Grp.</i> , 138 S. Ct. 1365 (2018)	10, 12, 14, 15
<i>Phillips v. AWH Corp.</i> , 415 F.3d 1303 (Fed. Cir. 2005).....	11
<i>Polaris Innovations Ltd. v. Kingston Tech. Co.</i> , No. 2018-1831 (Fed. Cir. Jan. 31, 2020)	3, 18, 21
<i>Sanofi-Aventis Deutschland GmbH v.</i> <i>Mylan Pharms.</i> , 791 F. App’x 916 (Fed. Cir. Nov. 19, 2019)....	18-19
<i>SAS Inst. Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	15
<i>Seila Law LLC v. Consumer Fin. Prot. Bureau</i> , No. 19-7 (U.S. June 29, 2020)	9
<i>Smith & Nephew, Inc. v. Arthrex, Inc.</i> , No. 19-1452 (U.S. filed June 29, 2020)	10
<i>Thryv, Inc. v. Click-to-Call Techs., LP</i> , 140 S. Ct. 1367 (2020)	11, 15, 21
<i>United States v. Arthrex, Inc.</i> , No. 19-1434 (U.S. filed June 25, 2020)	9
<i>VirnetX Inc. v. Cisco Sys. Inc.</i> , 958 F.3d 1333 (Fed. Cir. May 13, 2020)	17

Statutes and Other Authorities:

U.S. CONST. amend. I.....	15
U.S. CONST. art. II, § 2, cl. 2.....	3, 6
U.S. CONST. art. III.....	11, 15, 23
15 U.S.C. § 1501.....	10
35 U.S.C. § 1(a).....	10
35 U.S.C. § 3(a).....	10
35 U.S.C. § 3(b)(6).....	10
35 U.S.C. § 3(c).....	13
35 U.S.C. § 314.....	11
35 U.S.C. § 316(a).....	11
35 U.S.C. § 6(a).....	10, 13, 14, 24
35 U.S.C. § 6(c).....	12, 14
5 U.S.C. § 7513(a).....	13
77 Fed. Reg. 48612 (Aug. 14, 2012).....	11
77 Fed. Reg. 48756 (Aug. 14, 2012).....	11
83 Fed. Reg. 51340 (Oct. 11, 2018).....	11
84 Fed. Reg. 9497 (Mar. 15, 2019).....	11
<i>2019 Revised Patent Subject Matter Eligibility Guidance</i> , 84 Fed. Reg. 50 (Jan. 7, 2019)	12-13
Consolidated Trial Practice Guide (Nov. 2019)	11
H.R. Rep. No. 112-98 (2011).....	15

John F. Duffy, <i>Are Administrative Patent Judges Constitutional?</i> , 2007 PATENTLY-O PATENT L.J. 21 (2007)	23
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).....	7
Patent and Trademark Administrative Judges Appointment Authority Revision, Pub. L. 110-313, 122 Stat. 3014 (2008).....	23-24
Patent Trial and Appeal Board Standard Operating Procedure 2 (Revision 10).....	12
S. Rep. No. 110-259 (2008)	15
Sup. Ct. R. 37.2(a).....	1
Sup. Ct. R. 37.6	1
<i>The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions</i> , U.S. HOUSE COMMITTEE ON THE JUDICIARY (Nov. 19, 2019).....	24
<i>Trial Statistics: IPR, PGR, CBM</i> , UNITED STATES PATENT AND TRADEMARK OFFICE (Nov. 2019)	17
<i>United States Court of Appeals for the Federal Circuit: Appeals Filed, Terminated, and Pending</i> , UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT (2019).....	17

INTEREST OF *AMICUS CURIAE*

Askeladden L.L.C. (“Askeladden”) is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. (“TCH”). Since its founding in 1863, TCH has delivered safe and reliable payments systems, facilitated bank-led payments innovations, and provided thought leadership on strategic payments issues.¹

Today, TCH is the only private sector automated clearing house (“ACH”) and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. TCH continues to leverage its unique capabilities to support bank-led innovation, including launching the RTP[®] network, a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions. As the country’s oldest banking trade association, TCH also provides informed advocacy and thought leadership on critical payments-related issues facing financial institutions today. TCH is owned by 24 financial institutions and supports hundreds of banks and credit unions through its core systems and related services.

¹ Pursuant to Sup. Ct. R. 37.6, Askeladden affirms that no counsel for a party authored this brief in whole or in part, and no one other than Askeladden or its counsel made a monetary contribution to fund the preparation or submission of this brief. Pursuant to Rule 37.2(a), counsel of record for all parties received notice of Askeladden’s intention to file this brief. Additionally, all parties have consented to the filing of this *amicus curiae* brief.

Askeladden founded the Patent Quality Initiative (“PQI”) as an education, information, and advocacy effort to improve the understanding, use, and reliability of patents in financial services and elsewhere.

Through PQI, Askeladden strives to improve the patent system by challenging the validity of low-quality patents and by promoting improved patent holder behavior, while also supporting effective intellectual property practices and improved innovation rights. To that end, Askeladden regularly files amicus briefs in cases presenting important issues of patent law.

Askeladden and the entire financial services industry, as regular participants in IPR proceedings, have a very strong interest in the issues presented in this case. In short, it is critical to the integrity of the patent review process and of the whole patent system that this Court clarify the status of the administrative patent judges (“APJs”) who hear *inter partes* reviews (“IPR”) and other post-issuance hearings before the Patent Trial and Appeal Board (“PTAB”).

To date, as a result of the erroneous determination by the *Arthrex* panel below that APJs were unconstitutionally appointed prior to October 31, 2020, havoc and confusion have occurred, resulting in over 100 otherwise unassailable final written decisions by the PTAB being summarily vacated and remanded to be reheard unnecessarily, the wasting of valuable party and court resources in litigating collateral issues with respect to the Appointments Clause and/or waiver of the Appointments Clause instead of focusing on the merits of the actual dispute

between the parties, and now the questioning of other actions taken by the PTAB APJs in their roles in non-IPR proceedings.

SUMMARY OF ARGUMENTS

I. The Federal Circuit erred in concluding that PTAB APJs are “principal” officers under the Appointments Clause.

On October 31, 2019, in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140 (Fed. Cir. Oct. 31, 2019) (Pet. App. A, “*Arthrex I*”), a three-judge panel of the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) took the remarkable step of declaring that “the statute [Title 35, “the Patent Act”] as currently constructed makes the APJs principal officers” and were thus appointed in violation of the Appointments Clause of the U.S. Constitution, U.S. CONST. art. II, § 2, cl. 2. *See* Pet. App. at 1a–2a. Since then, the Federal Circuit in over 100 cases, including *Polaris Innovations Ltd. v. Kingston Tech. Co.*, No. 2018-1831 (Fed. Cir. Jan. 31, 2020) (Pet. App. B), has continued to apply *Arthrex I* to summarily vacate, reverse, and remand final written decisions of the PTAB APJs in IPRs issued on or before October 31, 2020, despite Circuit Judges Dyk’s, Newman’s, Wallach’s and Hughes’ disagreement with this precedent. *See, e.g., Arthrex, Inc. v. Smith & Nephew Inc.*, No. 2018-2140 (Fed. Cir. Oct. 31, 2019), *reh’g en banc denied* (Fed. Cir. Mar. 23, 2020) (“*Arthrex II*”) (Dyk, Newman, Wallach, Hughes, JJ., dissenting) (Pet. App. H).

Arthrex I’s conclusion that the PTAB APJs are “principal” officers was wrong. While this Court’s precedent makes clear that PTAB APJs are “officers”

of the U.S. since they “exercise significant authority,” none of the decisions of this Court relied upon in *Arthrex I* found an administrative judge to be a “principal” officer. Rather, each of this Court’s decisions cited merely held that the official in question was an “inferior” officer.

The touchstone of whether an officer is a “principal” officer rather than an “inferior officer” is whether the officer’s “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). Rather than follow *Edmond*’s admonition that “[o]ur cases have not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes,” *Arthrex I* cherry-picked the facts from *Edmond* to establish a three-factor test to be tallied and mechanically applied. This is clear error, and needs to be addressed by this Court.

II. This is an important issue impacting many cases.

Because the lower court invalidated an Act of Congress, it is important for this Court to ensure that this significant outcome was the correct one. This is especially true in a case like this one, which impacts a large number of stakeholders and will impact a large part of the Nation’s economy.

III. *Arthrex I* and *Polaris* are the right vehicle to decide the issue.

This Court will surely be inundated with petitions from parties to cases in which the Federal Circuit found *Arthrex* challenges to apply, parties to cases in which the Federal Circuit found *Arthrex* challenges to be waived, and parties to proceedings where the Federal Circuit found *Arthrex* challenges not to apply. Unless and until this Court provides guidance, these petitions are unlikely to abate.

Like the U.S. Government, Askeladden respectfully submits that, in the first instance, it would be best for this Court to address the first question presented by the Government and confirm that APJs of the PTAB are merely “inferior officers” of the U.S. and thus were constitutionally appointed. Therefore, severance of Title 5 “without cause” rights is not necessary, the prior decisions can be reinstated, and any appeals to the Federal Circuit can be properly reviewed on the merits.

If the Court determines that *Arthrex I* erred in concluding that PTAB APJs were “principal” officers for purposes of the Appointments Clause, then all the chaos that has ensued will promptly be eliminated. There is no dispute that Congress properly set forth a procedure under Section 6 of the Patent Act to appoint PTAB APJs assuming, as Congress and everyone else did, that PTAB APJs are “inferior” officers. Only if the Court agrees with *Arthrex I* that PTAB APJs (at least prior to October 31, 2019) were “principal” officers, would it be necessary to address other issues like waiver and severance, or potential *Humphrey’s Executor*-type claims from APJs terminated without cause. *See, e.g., Humphrey’s Ex’r v. United States*, 295

U.S. 602 (1935) (claim for lost wages after removal without cause).

IV. Waiting for another case to present the question will serve no useful purposes.

Despite the fact that one-third of the Federal Circuit's bench believes that *Arthrex I* was wrongly decided, there will be no more debate in the lower courts on this issue, as the Federal Circuit denied requests for rehearing by all parties to the proceeding. In addition, waiting for another case to present the question will cause untold harm to the PTAB as an institution, its over 250 APJs, the parties practicing before the PTAB, and the present and potentially future litigants who will need to address the delay in determining the fate of the over 100 patents involved in the remand decisions. Further, Congress has been stymied by *Arthrex I* due to the lack of guidance from the full Federal Circuit or this Court as to the proper way to resolve the problem that it thought had been resolved years ago.

ARGUMENT

I. The Federal Circuit Erred in Concluding That PTAB APJs Are “Principal” Officers Under the Appointments Clause

On October 31, 2019, in *Arthrex I*, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit took the remarkable step of declaring that the Patent Act “as currently constructed makes the APJs principal officers” who were appointed in violation of the Appointments Clause of the U.S. Constitution, U.S. CONST., art. II, § 2, cl. 2. *See* Pet. App. at 1a–2a.

To remedy this constitutional defect, the panel severed by application the portion of the Patent Act restricting removal of the APJs only “for cause,” thus purportedly rendering APJs “inferior officers” going forward and remedying the constitutional appointment problem. *Id.* at 27a–28a. Since the decision, the Federal Circuit has applied *Arthrex I* in over 100 cases, including *Polaris*, to summarily vacate, reverse and remand final written decisions of the PTAB in IPRs issued on or before October 31, 2020. *See, e.g., id.* at 34a–35a.

Because they “exercise significant authority,” there is no dispute that PTAB APJs are “officers of the United States.” *Id.* at 7a–8a; *see also Edmond*, 520 U.S. at 662. Instead, the issue below was whether APJs are “principal” officers, requiring appointment by the President with the advice and consent of the Senate, or “inferior” officers who may be appointed by the Secretary of Commerce in accordance with the America Invents Act (“AIA”), a law passed by Congress. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”).

Significantly, while each of the Supreme Court cases on which the Federal Circuit panel relied supported the proposition that APJs are “officers” of the United States, ***every single one*** of those cases, in what could be characterized as analogous statutory frameworks, has concluded that the officers in question were “inferior officers” and not merely employees under the Appointments Clause. *See Lucia v. SEC*, 138 S. Ct. 2044 (2018) (SEC Administrative Law Judges are inferior officers); *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477

(2010) (Public Company Accounting Oversight Board members are inferior officers); *Edmond*, 520 U.S. 651 (judges of the Coast Guard Court of Criminal Appeal are inferior officers); *Freytag v. Commissioner*, 501 U.S. 868 (1991) (Special Trial Judges for the Tax Court are inferior officers); *Morrison v. Olson*, 487 U.S. 654 (1988) (independent counsel created by provisions of the Ethics of Government Act of 1978 are inferior officers); *Myers v. United States*, 272 U.S. 51 (1926) (post-master first class is an inferior officer); *In re Hennen*, 38 U.S. 230 (1839) (clerks of district courts are inferior officers).

Arthrex I's analysis failed to pay heed to *Edmond*'s warning that “[t]he 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, as we said in *Buckley*, the line between officer and non-officer.” *Edmond*, 520 U.S. at 662 (citing *Buckley v. Valeo*, 424 U.S. 1, 126 (1976)).

Purporting to rely upon this Court’s guidance in *Edmond*, the panel first correctly stated that “[t]here is no ‘exclusive criterion for distinguishing between principal and inferior officers for Appointment Clause purposes.’” Pet. App. at 9a (quoting *Edmond*, 520 U.S. at 661). Nonetheless, the panel then plucked factors from *Edmond* to create a three factor test: “(1) whether an appointed official has the power to review and reverse the officers’ decisions; (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. at 9a. (citing *Edmond*, 520 U.S. at 664–65). The panel decided that

two of these factors weighed in favor of APJs being found principal officers, while only one factor weighed in favor of APJs being found inferior officers. Pet. App. at 22a. In a quantitative fashion, the panel ruled that APJs were principal officers. *Id.*

At its heart, the panel's analysis misses the point of *Edmond*. This Court did not simply generate a list of factors that could be tallied and weighed like a score card in all future cases, as *Arthrex I* did below. Rather, Supreme Court jurisprudence has made it clear that the touchstone of “[w]hether one is an ‘inferior’ officer depends on whether he has a superior.” *Edmond*, 520 U.S. at 662 (1997). Although this Court has “not set forth an exclusive criterion for distinguishing between principal and inferior officers,” the Court has examined factors “such as the nature, scope, and duration of an officer’s duties.” *Seila Law LLC v. Consumer Fin. Prot. Bureau*, No. 19-7, slip op. at 15 n.3 (U.S. June 29, 2020) (this Court focuses “on whether the officer’s work is ‘directed or supervised’ by a principal officer”).

As both the Government, here, and Smith & Nephew, Inc., in its related petition, No. 19-1452, point out, the Federal Circuit panel’s narrow analysis of the *Edmond* factors and mechanical application of a balancing test based on those nonexclusive factors “misses the central point of *Edmond*: that an official’s status as a principal or inferior officer turns on whether, ***when all of the existing control mechanisms are considered together***, the officer’s ‘work is directed and supervised’ by superiors to a sufficient degree.” Pet. for Cert. at 23, *United States v. Arthrex, Inc.*, No. 19-1434 (U.S. filed June 25, 2020) (quoting *Edmond*,

520 U.S. at 663) (emphasis added); *accord* Pet. For Cert. at 21–24, *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. 19-1452 (U.S. filed June 29, 2020).

In particular, although the Federal Circuit panel properly noted that the Director of the United States Patent and Trademark Office (“PTO”) “exercises a broad policy-direction and supervisory authority over the APJs” (Pet. App. at 14a), the panel’s analysis failed to give due weight to the directorial and supervisory powers the Secretary and Director have over the PTAB APJs.

The Secretary and the Director—both of whom are principal officers and, as such, are appointed by the President and confirmed by the Senate (*see* 15 U.S.C. § 1501; 35 U.S.C. § 3(a))—have substantial supervisory authority of PTAB APJs and their work. (35 U.S.C. §§ 1(a), 3(b)(6), 6(a)). *Cf. Oil States Energy v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1380–81 (2018) (Gorsuch, J., dissenting) (“The Director of the Patent Office is a political appointee who serves at the pleasure of the President. 35 U.S.C. § 3(a)(1), (a)(4). He supervises and pays the Board members responsible for deciding patent disputes. §§ 1(a), 3(b)(6), 6(a).”).

To begin with, the PTO, which includes the PTAB, in general, is “subject to the policy direction of the Secretary of Commerce.” 35 U.S.C. § 2(a). In turn, the Director is “responsible for providing policy direction and management supervision for the Office” (35 U.S.C. § 3(a)(2)(A)), which, again, includes the PTAB.

In relation to IPR proceedings, the Director “shall prescribe regulations” governing substantive and procedural conduct, which the PTAB APJs must abide by. 35 U.S.C. § 316(a). Indeed, the Director not only exercised the power to prescribe regulations when the PTAB was first established under the AIA, but has also since continued to exercise this power in changing those regulations by, for example:

- Instituting a pilot program concerning motions to amend in PTAB proceedings and related trial procedure. 84 Fed. Reg. 9497 (Mar. 15, 2019);
- Replacing the broadest reasonable interpretation claim construction standard with the standard used by Article III federal courts—the standard applied in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). 83 Fed. Reg. 51340 (Oct. 11, 2018);
- Updating trial practice guide providing guidance on the timelines, procedures, and trial practice for post-issuance patent challenges, originally issued as 77 Fed. Reg. 48612 (Aug. 14, 2012); 77 Fed. Reg. 48756 (Aug. 14, 2012). *See* Consolidated Trial Practice Guide (Nov. 2019)
<https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf?MURL=> (last visited July 24, 2020).

In addition, the Director (not the PTAB APJs, to whom he delegates his authority) has the unfettered authority to determine whether to institute an IPR proceeding. 35 U.S.C. § 314; *see Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020). The Director’s authority extends beyond the institution

decision and can even be exercised to terminate a proceeding before a final written decision, or on remand after a final written decision is reversed. *See BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics Inc.*, 935 F.3d 1362, 1366 (Fed. Cir. 2019) (petition for writ of certiorari filed June 16, 2020).

“The Director is allowed to select which of these members, and how many of them, will hear any particular patent challenge. See § 6(c).” *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting).

Further, while PTAB APJs may participate in panels of three (which the Director controls and designates, *see* 35 U.S.C. § 6(c)) and issue orders in a particular proceeding that govern the parties to that proceeding, they have no ability to set policy for the PTO, or even designate a decision as precedential or informative “without the approval of the Director.” Patent Trial and Appeal Board Standard Operating Procedure 2 (Revision 10) (SOP 2) at 1, 10–11, <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> (last visited July 24, 2020). Therefore, without the approval of the Director, an APJ may not “render a final decision on behalf of the United States unless permitted to do so.” *Edmond*, 520 U.S. at 665.

The Director also has the authority to issue binding guidance on the Board, and has in fact done so, for example, in issuing subject matter eligibility guidance. *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) (“Nor has the Director proven bashful about asserting these statutory powers to secure the ‘policy judgments’ he seeks.”); *see also, e.g., 2019*

Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50, 51 (Jan. 7, 2019) (stating that all PTO personnel, including its more than 8,500 patent examiners and administrative patent judges, “are, as a matter of internal agency management, expected to follow the guidance”).

In addition to the authority to define agency policy and guidance which binds PTAB APJs, the Secretary and the Director are authorized to select, appoint and remove the PTAB APJs. The Patent Act provides that PTAB APJs are “appointed by the Secretary, in consultation with the Director” (35 U.S.C. § 6(a)), in a manner consistent with other “inferior officers.”² The Secretary also has the authority to remove PTAB APJs from federal service “for such cause as will promote the efficiency of the service.” 5 U.S.C. § 7513(a); 35 U.S.C. § 3(c) (making USPTO “officers and employees...subject to the provisions of title 5, relating to Federal employees”); *see also Free Enter. Fund*, 561 U.S. at 509 (“Under the traditional default rule, removal is incident to the power of appointment.”). While this removal is generally considered “for cause,” as noted by the panel in *Arthrex I*, the failure or refusal to follow binding agency policy or guidance, is no doubt one example of such “cause.”

Indeed, if the PTAB APJs on a particular panel “reach a result he does not like, the Director can add

² Section 6 was modified in 2011 as part of the AIA when the Board of Patent Appeals and Interferences was reconstituted into the PTAB. Thus, as discussed below in Section IV, the constitutional “fix” adopted in response to a 2007 article, was again ratified by the amendments made.

more members to the panel—including himself—and order the case reheard.” *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) (citing 35 U.S.C. § 6(a), (c); *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (*en banc*); *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring), *cert. denied*, 138 S. Ct. 1695 (Apr. 30, 2018)).

Given the Director’s power to define and enforce such binding agency policy and guidance, and ability to out-vote any particular APJ, the Director’s power over a PTAB APJ is sufficiently substantial to meet this Court’s test.

In short, Askeladden respectfully submits that the Federal Circuit panel below erred in focusing too narrowly on the three factors it plucked from *Edmond*, in addition to improperly evaluating their cumulative effect in determining whether PTAB APJs work is sufficiently “directed and supervised” by superior officers.

II. This Is an Important Issue That This Court Should Address

Justice Holmes warned that it “is the gravest and most delicate duty that this Court is called on to perform” to declare an Act of Congress unconstitutional. *Blodgett v. Holden*, 275 U.S. 142, 147–48 (1927) (Holmes, J., concurring). Here, where a lower court has improvidently done so, it is incumbent on this Court to perform its supervisory duty and either confirm that the lower court was correct, or rectify the error.

This Court in recent times has taken a particularly vigilant role in policing the constitutionality of our nation’s intellectual property laws. *See, e.g., Oil States*, 138 S. Ct. at 1379 (affirming Federal Circuit’s conclusion that “inter partes review does not violate Article III or the Seventh Amendment”); *Iancu v. Brunetti*, 139 S. Ct. 2294, 2302 (2019) (affirming Federal Circuit’s conclusion that the “immoral or scandalous” clause of the Lanham Act governing trademark registrations “violates the First Amendment”); *Matal v. Tam*, 137 S. Ct. 1744, 1765 (2017) (affirming Federal Circuit’s conclusion that “the disparagement clause [of the Lanham Act governing trademark registrations] violates the Free Speech Clause of the First Amendment”). Such vigilance is called for here.

As *Arthrex I* properly observed, “[t]he issue presented today has a wide-ranging effect on property rights and the nation’s economy. Timely resolution is critical to providing certainty to rights holders and competitors alike who rely on the *inter partes* review scheme to resolve concerns over patent rights.” Pet. App. at 5a. IPRs were intended by Congress to provide a “quick and cost effective” alternative to patent litigation. H.R. Rep. No. 112-98, at 48 (2011); *see also* S. Rep. No. 110-259, at 20 (2008). IPRs have now become an integral part of the U.S. patent system, and this Court has addressed the procedure four times since its adoption in 2011. *See, e.g., Thryv*, 140 S. Ct. 1367; *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018); *Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131 (2016); *Oil States*, 138 S. Ct. 1365.

However, *Arthrex I* has upset the applecart. Patent holders and challengers alike may have doubts as to whether past rulings by APJs are valid, or whether patent claims that were voided are now enforceable. Contrary to the legislative objective of avoiding waste of judicial and party resources and duplicative litigation, *Arthrex I* risks inserting a significant amount of uncertainty into prior adjudications.

Similarly, *Arthrex I* has resulted in the Federal Circuit remanding over 100 IPRs, which now must be resolved again by different panels of APJs on remand, without any indication of what, if any error, the Federal Circuit thinks might have occurred in the original determination. This burdensome and wasteful procedure needlessly multiplies the PTAB's workload and ensures delays.

The uncertainty and delay caused by *Arthrex I* will surely multiply as different Federal Circuit panels render conflicting decisions on collateral issues coming out of *Arthrex I*, all of which will likely need to be resolved by the Federal Circuit sitting *en banc* or by this Court.

Simply put, if *Arthrex I* remains unaltered, working through these collateral issues will necessarily impose workload, personnel, and timing burdens on the PTAB, will delay the resolution of IPRs (and no doubt other proceedings that PTAB APJs are charged with), and undercut Congressional intent for implementing the IPR scheme. *See Bedgear, LLC v. Fredman Bros. Furniture Co.*, 783 F. App'x 1029, 1030 (Fed. Cir. 2019) (*Arthrex I* "imposes large and

unnecessary burdens on the system of *inter partes* review, requiring potentially hundreds of new proceedings”) (Dyk, J., concurring).

Further, it is well worth noting that the number of parties potentially affected by this situation is quite large.³ As of November 2019, there have been over 10,000 trials held by the PTAB.⁴ And forty-three percent of the Federal Circuit’s caseload (over 600 appeals) in 2019 came from appeals from the PTO.⁵ *Arthrex I* arguably potentially impacts each and every one of these over 10,000 PTAB trials and thousands of Federal Circuit appeals.

³ The Federal Circuit has already made it clear that *Arthrex I* will impact not just IPRs, but other types of post grant proceedings as well. *See, e.g., VirnetX Inc. v. Cisco Sys. Inc.*, 958 F.3d 1333, 1336–37 (Fed. Cir. May 13, 2020) (on panel rehearing) (*inter partes* reexamination); *In re JHO Intellectual Prop. Holdings LLC*, No. 2019-2330, Order (Fed. Cir. June 18, 2020) (*ex parte* reexamination); *In re Boloro Global Ltd.*, Nos. 2019-2349, -2351, -2352, Order (Fed. Cir. July 7, 2020) (*ex parte* appeal).

⁴ *Trial Statistics: IPR, PGR, CBM*, UNITED STATES PATENT AND TRADEMARK OFFICE, at 3 (Nov. 2019), https://www.uspto.gov/sites/default/files/documents/fy20_nov_trial_stats.pdf (last visited July 24, 2020).

⁵ *United States Court of Appeals for the Federal Circuit: Appeals Filed, Terminated, and Pending*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT (2019), [http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/05 -
_Appeals_Filed_Terminated_and_Pending_2019_Final.pdf](http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/05_-_Appeals_Filed_Terminated_and_Pending_2019_Final.pdf) (last visited July 24, 2020).

Given the deleterious nature and scope of *Arthrex I*'s impact on the U.S. patent system, this Court's scrutiny of the Federal Circuit panel decision is needed in order to avoid unnecessary confusion, effort, delay, and costs among patent holders, patent challengers, patent examiners and APJs, and all who benefit from the inventions protected by U.S. patents.

III. Answering the U.S. Government's First Question Can Potentially Resolve All Issues Raised by the Erroneous Federal Circuit Decision

In addition to *Arthrex I* and *Polaris*, the Federal Circuit has issued orders vacating and remanding for rehearing (by newly-designated panels of APJs) over 100 final written decisions in appeals of PTAB IPRs. *See* General Order in Cases Remanded Under *Arthrex, Inc. v. Smith & Nephew, Inc.*, (P.T.A.B. May 1, 2020) (listing 103 cases in which such orders have been received, with indication that "more such Orders are expected") (Pet. App. G). The orders were based solely on the allegedly unconstitutional status of the APJs who heard those decisions, with no flaws were identified with the substantive analyses set forth in those decisions. *Id.* A flood of certiorari petitions is coming from these cases, and the PTAB has *sua sponte* stayed all remands in those cases until this Court has weighed in, or the parties exhausted their appeals.

Further, there are additional cases in which the Federal Circuit considered *Arthrex I* Appointments Clause challenges forfeited, due to the failure of parties to timely raise the issue in an opening brief or preopening motion. *See, e.g., Sanofi-Aventis Deutschland GmbH v. Mylan Pharms.*, 791 F. App'x

916, 928 n.4 (Fed. Cir. Nov. 19, 2019) (“Our precedent holds that failure to raise the *Arthrex* Appointments Clause issue in the opening brief forfeits the challenge.”) (petition for writ of certiorari filed on June 26, 2020; application to stay mandate denied); *Customedia Techs. v. Dish Network*, 941 F.3d 1173 (Fed. Cir. Nov. 1, 2019) (denying motions to vacate and remand because “Customedia did not raise any semblance of an Appointments Clause challenge in its opening brief or raise this challenge in a motion filed prior to its opening brief”); *Customedia Techs. v. Dish Network*, 941 F.3d 1174 (Fed. Cir. Nov. 1, 2019), *reh’g and reh’g en banc denied* (Fed. Cir. Mar. 5, 2020) (per curiam). Even though such conclusion should be affirmed by this Court, many of these cases, too, are likely to be presented to this Court.

In addition, the Federal Circuit has continued to expand *Arthrex I* beyond final written decisions in IPRs to other activities of the same APJs outside the IPR context (*e.g.*, *inter partes* reexaminations, *ex partes* reexaminations, and even *ex parte* appeals). See note 3, *supra*. This expansion increases the number of potential petitions this Court is likely to face.

Further, even though *Arthrex I* purports to have “fixed” the issue as of October 31, 2019, parties continue to raise challenges to decisions that issued after that time. See *Caterpillar Paving Prods. Inc. v. Wirtgen Am., Inc.*, 957 F.3d 1342 (Fed. Cir. May 6, 2020) (denying *Arthrex* motion since Final Written Decision issued November 13, 2019 after *Arthrex I* fixed the Appointment Clause issue). These cases are also likely to present petitions to this Court.

Down the road, lawsuits by PTAB APJs who are fired without cause as a result of *Arthrex I* are likely. *Cf. Humphrey's Ex'r v. United States*, 295 U.S. 602 (1935) (claim for lost wages after removal without cause). Like *Humphrey's Executor*, one or more of these cases is likely to end up with a petition to this Court.

Each of these cases will needlessly burden this Court if the threshold issue, raised here, is not dispositively addressed by this Court and corrected.

Like the U.S. Government, Askeladden respectfully submits that, in the first instance, it would be best for this Court to address question 1 presented by the Government and confirm that APJs of the PTAB are merely “inferior officers” of the U.S., and thus were constitutionally appointed, so that severance of Title 5 “without cause” rights are not necessary, the prior decisions can be reinstated, and any appeals to the Federal Circuit can be properly reviewed on the merits.

If the Court determines that *Arthrex I* erred in concluding that PTAB APJs were “principal” officers for purposes of the Appointments Clause, then all the chaos that has ensued will promptly be eliminated. There is no dispute that Congress properly set forth a procedure under Section 6 of the Patent Act to appoint PTAB APJs assuming, as Congress and everyone else did, that PTAB APJs are “inferior” officers. Only if the Court agrees with *Arthrex I* that PTAB APJs (at least prior to October 31, 2019) were “principal” officers, would it be necessary to address other issues like

waiver and severance, or potential *Humphrey's Executor*-type claims from APJs terminated without cause.

Thus, taking this question first will further the Congressional “objective” of the AIA, as recognized by this Court, of not “wasting the resources spent resolving patentability and leaving bad patents enforceable.” *Thryv, Inc.*, 140 S. Ct. at 1374.

The U.S. Government has confirmed that *Arthrex I* and *Polaris* are the correct vehicles for this Court to address this critical threshold issue. By granting certiorari, this Court will gain the benefit of the Government’s impartial advice and guidance on this issue. The parties have a substantial interest in the outcome, will vigorously and zealously argue their respective positions, and are well represented by experienced counsel. Finally, amici have shown an interest in these issues and willingness to participate in this case, sharing the advice of numerous stakeholders interested in the continued health of the U.S. patent system.

IV. There Are Good Reasons Not to Wait for Another Case to Remedy This Error

On March 23, 2020, the Federal Circuit issued an Order denying the three petitions for rehearing *en banc* filed with respect to *Arthrex I*. The decision was far from unanimous. Notably, one-third of the Federal Circuit’s bench think that *Arthrex I* was wrongly decided. Circuit Judges Dyk, Newman, Wallach and Hughes dissented based on their conclusions that PTAB APJs are not principal officers. *See* Pet. App. at

273a–275a (Dyk, Newman, Wallach, Hughes, JJ., dissenting); *id.* at 277a–288a (Hughes, Wallach, JJ., dissenting); *id.* at 292a–295a (Wallach, J., dissenting).

In particular, Judges Dyk, Newman, and Wallach argued that PTAB APJs are inferior officers because they are not charged with articulating policy, have limited authority, and are subject to review by Article III courts. *Id.* at 273a–275a. Judges Hughes and Wallach argued that PTAB APJs are inferior officers because of the Director’s power to direct and supervise them, and to remove them under the efficiency of the service standard. *Id.* at 277a–288a. Finally, Judge Wallach argued that PTAB APJs are inferior officers because of the Director’s power to select a panel’s members, designate decisions as precedential, and de-designate precedential opinions. *Id.* at 292a–295a.

The fact that a third of the Federal Circuit’s bench believes that *Arthrex I* was wrongly decided renders the decision controversial and suggests that the Decision below may need to be revised in order to be effective.

There is no reason to wait for further discourse at the Federal Circuit, as there will be no more debate in the lower courts on this issue. Notwithstanding the fact that four Circuit Judges of the Federal Circuit voiced their objection to *Arthrex I*, and the fact that all the parties, including the losing IPR petitioner, the U.S. Government, and even the winning patent owner expressed the need for the Federal Circuit to reconsider the *Arthrex I* decision *en banc*, the Federal Circuit denied rehearing. *See* Pet. App. H. Therefore,

it is clear that the Federal Circuit has laid down its rule; even the nay-sayers are following it. There will be no more debate at the Federal Circuit, which is the only Article III Court, besides this Court, that has jurisdiction to address the issue.

This signals the need for this Court to step into the breach and provide definitive guidance on this issue of key importance to America's patent system.

Waiting for another case to address this threshold issue will cause untold harm to the PTAB as an institution, its hundreds of APJs, the parties practicing before the PTAB, and the present and potentially future litigants who will need to address the delay in determining the fate of the over 100 patents involved in the remand decisions. The burden imposed by these cases was so extraordinary, that the PTAB *sua sponte* issued an order staying all remands until the last of the petitions for certiorari with respect to *Arthrex I* are decided by this Court. *See* Pet. App. G.

Congress has also been stymied by *Arthrex I*. After the appointment issue was first raised in a 2007 article by Professor Duffy, with respect to APJs of the Board of Patent Appeals and Interferences ("BPAI", the predecessor of the PTAB), Congress sought to resolve the issue by treating such APJs as inferior officers, as opposed to mere employees, and established an appropriate appointment procedure. *See* John F. Duffy, *Are Administrative Patent Judges Constitutional?*, 2007 PATENTLY-O PATENT L.J. 21 (2007); *see also* Patent and Trademark Administrative Judges Appointment Authority Revision, Pub. L. 110-313, sec. 1, § 6, 122 Stat. 3014,

3014 (2008) (codified as amended at 35 U.S.C. § 6(a) (2012) (providing for appointments of APJs by the “Secretary of Commerce, in consultation with the Direction” instead of solely by the Director).

This choice made by Congress to treat APJs as inferior officers, and thus require their appointment by the Head of Department, was reaffirmed when Section 6 was amended in 2011, to replace the BPAI with the newly constituted PTAB. After *Arthrex I*, Congress held a hearing in November 2019 to once again “fix” the appointment process, but it was stymied by a lack of guidance from the full Federal Circuit or this Court as to both the need for and proper way to resolve any actual appointment problem.⁶

⁶ See *The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions*, U.S. HOUSE COMMITTEE ON THE JUDICIARY (Nov. 19, 2019), <https://judiciary.house.gov/calendar/eventsingle.aspx?EventID=2249>.

CONCLUSION

For these reasons, Askeladden respectfully urges this Court to grant certiorari with respect to the first question posed in the United States of America's Petition.

Respectfully submitted,

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