

No. 19-1458

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In The  
**Supreme Court of the United States**

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ARTHREX, INC.,

*Petitioner,*

v.

SMITH & NEPHEW, INC.; ARTHROCARE CORP.;  
AND UNITED STATES OF AMERICA,

*Respondents.*

—◆—  
**On Petition For Writ Of Certiorari  
To The United States Court Of Appeals  
For The Federal Circuit**

—◆—  
**BRIEF AMICUS CURIAE  
ON BEHALF OF US INVENTOR, INC.  
IN SUPPORT OF PETITIONER**

—◆—  
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## **QUESTIONS PRESENTED**

1. Whether the court of appeals' severance remedy is consistent with congressional intent, where Congress has long considered tenure protections essential to secure the independence and impartiality of administrative judges.

2. Whether the court of appeals correctly held that the elimination of APJ tenure protections was sufficient to render APJs inferior officers, even though their decisions still are not reviewable by any principal executive officer.

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**INTEREST OF *AMICUS CURIAE*<sup>1</sup>**

US Inventor, Inc. (“US Inventor”) is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its 13,000 inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the “little guy” inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation. Its members depend heavily on the value created by meaningful patent rights. Their broad experience with the patent system, new technologies, and creating companies, gives them a unique perspective on the important issues presented in the underlying petition.

US Inventor’s membership includes litigants involuntarily drawn into proceedings before the Administrative Patent Judges (APJs) identified as having been appointed in violation of the Appointments Clause. As a friend of the Court, US Inventor has perspective to supply additional reasons beyond those

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<sup>1</sup> No counsel for a party authored this brief in whole or in part. No person or entity other than *Amicus* or its counsel made a monetary contribution to the preparation or submission of this brief. Consent for filing this *amicus* brief has been obtained from all parties, including via docket-filed blanket consents. All parties received timely Rule 37.2 notice of the filing of this brief.

named by Petitioner for adjudicating the soundness of the Federal Circuit remedy (or “fix”) for the adjudged unconstitutionality.

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### SUMMARY OF ARGUMENT

The petition should be granted because the *Arthrex* panel’s remedy for the Appointments Clause violation takes away APJs’ vested property rights in federal employment without due process of law, would not have been preferred by Congress, and overlooks a constitutionally sound and non-disruptive remedy for downgrading APJs to inferior or non-officer status.

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### ARGUMENT

#### **I. Removing APJ Tenure Protection to Make Their Jobs More Political Does Not Validly Remedy the Appointments Clause Violation**

Amicus US Inventor supports the grant of certiorari. Inventors have long believed that something is wrong with the structure of the Patent Trial and Appeal Board (PTAB). In the decision here, the court of appeals validated those beliefs. The court of appeals correctly concluded that APJs are unconstitutionally appointed.

That decision nevertheless devised a remedy that is no remedy at all. The remedy does not require the re-appointment of a single APJ, does not alter future

appointments to require nomination by the President and confirmation by the Senate (the required mode for principal officers), and does not change anything about the character of APJ validity decisions that might downgrade APJ employment status from principal officer to that of inferior or non-officer.

Instead, the Federal Circuit remedy simply waves a metaphorical wand. That remedy declares abolition of APJ tenure protection. The panel deemed that, for all future PTAB decisions, APJs are inferior officers, thus making their decisions constitutionally sound from that day forward.

The result of this non-remedial “remedy” has been a wave of seemingly meaningless remands and mulligans. Hundreds of parties are now forced to repeat proceedings before a new panel assembled from the same roster of APJs who were unconstitutionally appointed in the first place. Only now, APJs have no protection from termination if their decisions do not please their political bosses.

Two Federal Circuit Judges later commented on the haste and carelessness of their colleagues’ remedy analysis. They observed that “*Arthrex* disposed of the [remedy] question in a few sentences,” without a “fulsome severance analysis.” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 787 (Fed. Cir. 2020) (Hughes, J. and Wallach, J., dissenting from denial of reh’g *en banc*). Their concern was well-founded. Converting APJs to at-will employees conflicts with the goals and policy behind the Framers’ placement of the

Appointments Clause into our Constitution. It throws to the political winds what should be technological determinations. APJs who step wrongly (*i.e.*, rule contrary to a department head's desired adjudication outcome) risk their jobs. Millions, or even billions, of dollars of adjudicated outcomes are, because of the decision, more politically accountable to the President and his appointees. This exacerbates the problem of a tribunal whose outcomes have always appeared biased and divorced from facts in the inventor community.

These are all patent validity adjudications. Such decisions in theory have an objectively right or wrong answer, albeit under legal standards that include subjective elements.<sup>2</sup> Such decisions mainly resolve where a particular technology sits along the spectrum of technological innovation. Is it anticipated, or not anticipated? Would it have been obvious, or not obvious? A patent claim should either be objectively valid or objectively invalid, at least in theory. The *Arthrex* remedy is incorrect because it makes determinations concerning technology *more* political, not less so.

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<sup>2</sup> Whether a patent claim is anticipated depends on interpretation of the scope of the claim, which depends on findings about what a person of ordinary skill in the art at the time of the invention would have perceived. Whether a patent claim would have been obvious depends on weighing numerous factors, including the difference between the scope of the claim and the level of ordinary skill in the art. These standards are intrinsically subjective, lending considerable camouflage to a decision maker who is motivated to choose one outcome over another for reasons outside of the record.

As Judge Dyk observed (with concurrence from three other Federal Circuit judges): “By eliminating Title 5 removal protections for APJs, the panel is performing major surgery to the statute that Congress could not possibly have foreseen or intended.” *Arthrex*, 953 F.3d 769 (Dyk, J., dissenting from denial of reh’g *en banc*). Making APJs politically accountable by dint of removing their Title 5 tenure protection conflicts with Congressional purpose concerning job security, as first established in the 1946 Administrative Procedures Act for ALJs, and 1975 Patent Act amendments for APJs. *Id.* at 769-71. Since 1975, despite numerous modifications of the Patent Act both big and small, Congress preserved APJ tenure protection for the precise reason that personnel who conduct adjudication within Executive agencies should not be “mere tools of the agency and subservient to the agency heads in making their proposed findings of fact and recommendations.” *Id.* at 770. Judge Dyk (with three other Judges) pointed out, without rebuttal from their fellow Judges, that “ALJs in general and APJs in particular have been afforded longstanding and continuous protection from removal” by Congress. *Id.* at 771. And they additionally noted that after the *Arthrex* panel decision, Congress convened a subcommittee hearing at which one Member stated that eliminating tenure protection was “inconsistent with the idea of creating an adjudicatory body [capable of] providing independent impartial justice.” *Id.* at 772.

Thus Congress only enacts patent laws that ensure no political appointee’s thumb sits on the scales of

justice via control over APJ jobs. Inserting politics subverts, rather than serves, the interests of justice. Nor can this outcome advance the Appointments Clause policy of structuring the most important governmental hires “to curb Executive abuses of the appointment power” and “to assure a higher quality of appointments.” *Edmond v. United States*, 520 U.S. 651, 659 (1997). For instance, the decision never explains how taking away job security from a class of federal employees can possibly curb, as opposed to enable, abuse of Executive appointment and removal power by political appointees. And the panel decision never explains how emplacing a structure that promotes kowtowing to the President’s appointees, as opposed to independence from them, will lead to “higher quality” personnel filling APJ jobs, or doing those jobs more accurately. The *Arthrex* remedy is facially irrational, in the context of an adjudicatory body whose job is to reach the right answer on a single issue, and in the context of the policy behind the Appointments Clause.

## **II. One Cannot Cure a Constitutional Violation by Creating Another**

The *Arthrex* remedy also appears to replace one type of unconstitutionality with another. It thus cannot be correct. Federal employees possess a property right in their employment. *King v. Alston*, 75 F.3d 657, 661 (Fed. Cir. 1996) (identifying property right intrinsic to the same Section 7513 employment provision applicable to APJs) (citing *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 538-39 (1985)). The *Arthrex*

remedy extinguishes those property rights. No APJ or APJ interest group filed any appearance or had any say. Even so, the remedy took away APJ property rights in federal employment from hundreds of people. Such an action by a court without due process of law to those affected means that the tenure-removal remedy is itself likely unconstitutional.

Confounding things further, the panel decision shows the Federal Circuit's lack of awareness that not all APJs are similarly situated. A large subset of APJs work exclusively on *ex parte* patent application appeals. See USPTO PTAB Standard Operating Procedure 1 (rev. 15, Sept. 20, 2018) at 4 ("As described further below, some judges are assigned to be paneled only on *ex parte* appeals, while other judges are also assigned to be paneled on cases in other jurisdictions of the Board (*e.g.*, reexamination appeals and/or AIA proceedings).") For this subset of APJs, their jobs do not involve holding trials or invalidating patents, and therefore such APJs do not fit the Federal Circuit's analysis of why APJs are "Officers of the United States," much less principal ones. Even under the panel's analysis, no rational basis exists to deprive such APJs of their tenure protections. Their appointments are not invalid. Even so, under a recent decision, the Federal Circuit expanded the panel's sweeping remedy even to *ex parte* appeal outcomes, without performing independent investigation whether such APJs are "Officers of the United States." *In re Boloro Global Ltd.*, No. 2019-2349, \_\_\_ F.3d \_\_\_, 2020 U.S. App. LEXIS 20978 (July 7, 2020).

### **III. This Court Can Devise a Better-Targeted Remedy**

US Inventor submits that the correct remedy is not that which the Federal Circuit chose. Either Petitioner is correct that no severance is possible and Congress must take responsibility through legislation, or the correct remedy is something else. The Court should grant cert to consider the available alternatives.

During merits proceedings, US Inventor submits that the Court should consider whether the correct remedy is to sever the statute so that patentability determinations continue as Congress intended, only with APJs downgraded to making advisory patentability decisions. This would make them either inferior or non-officers.

All that needs to happen under this alternative remedy (which the Court may consider during merits deliberations as a less disruptive alternative to Petitioner's arguments) is severance of the part of the statute that makes final written decisions on patentability binding. Government employees who issue nonbinding decisions do not assert the type of "significant authority" that the court of appeals held make them principal officers: they do not "render a final decision on behalf of the United States." See *Edmond*, 520 U.S. at 665. Consequently, making APJ decisions nonbinding would validate the current mode of APJ hiring by the Secretary of Commerce.<sup>3</sup> Simultaneously,

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<sup>3</sup> In *Lucia v. SEC*, the dissent would have held that officer status turns on whether final decisions of the relevant personnel

this remedy avoids mass destruction of federal employee property rights, and concomitant due process concerns. The statutory language that is ripe for severance is simply eleven words within 35 U.S.C. §§ 318(b) and 328(b) referring to a certificate “cancelling any claim of the patent finally determined to be unpatentable.”

The Court can declare this remedy to be retroactive. Retroactivity of this remedy recognizes that the constitutional flaw inhered at the time of *appointment*, not continued employment, of such APJs. The court of appeals’ current tenure-deprivation remedy does not do anything to make an *appointment* retroactively valid. The appointments of APJs by the Secretary of Commerce happened when and as they did, at a time when tenure protections existed. No remedy that is only forward-looking in effect can alter that fact. Thus the panel’s particular forward-looking remedy suffers from another major flaw: it cannot rationally be deemed to have fixed an 8-year long structural flaw in

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are “binding.” 138 S. Ct. 2044, 2065 (2018) (Sotomayor, J., dissenting, joined by Ginsburg, J.). The majority did not reach whether this standard is correct, since the SEC ALJs exercised the same duties that Special Tax Judges of the United States Tax Court (STJs) did that made STJs officers in an earlier decision (*Freytag*). *Id.* at 2051-52. Thus, while it may be an open question whether making APJ decision-making nonbinding would downgrade APJs to nonofficers, nonbinding decision-making at least downgrades them to “inferior officers.” APJ decisions would have no effect without a jury or Article III trial judge (as trier of fact) accepting their recommendations, thus inserting the supervision of persons nominated by the President and confirmed by the Senate (*i.e.*, federal trial judges). This would make APJ appointment by the Secretary of Commerce valid.

the agency. By contrast, retroactively making APJ patentability decisions advisory cures the Appointments Clause violation from inception.

This Court’s severability precedents support US Inventor’s proposed alternative remedy, but not the court of appeals’.

Under *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678 (1987), the standard for determining severability of an unconstitutional provision is: “Unless it is evident that the Legislature would not have enacted those provisions which are within its power, independently of that which is not, the invalid part may be dropped if what is left is fully operative as a law.” *Id.* at 684 (internal quotation omitted). US Inventor’s alternative remedy (ripe for consideration during merits deliberations) meets this standard.

First, under US Inventor’s remedy, “what is left is fully operative as a law.” That is, there is nothing constitutionally wrong if APJ final written decisions were advisory and not binding. Nor does US Inventor’s remedy destroy any federal employment property rights.

Second, it is not evident that Congress would have rejected an APJ patentability trial system that, to exist, left final written decisions advisory and nonbinding. For example, a different agency already exists that adjudicates patent decisions for the Executive without preclusive effect—the International Trade Commission (ITC). While ITC decisions on questions of infringement and validity may be found persuasive in Article III trial courts, they are nonbinding and

advisory beyond the role they play in directing Customs and Border Protection agents to block certain imports at the border. *Hyosung TNS Inc. v. Int’l Trade Comm’n*, 926 F.3d 1353, 1358 (Fed. Cir. 2019) (“[W]e have held that the ITC’s determination of patent infringement and validity do not have claim or issue preclusive effect even if affirmed by our court.”) (citation omitted). Thus the proposed fix matches an agency structure for patent review that Congress has already enacted.

On the other hand, it is plainly evident that Congress would not have enacted an APJ patentability trial system that was more political than the one they did enact, by virtue of having no tenure protections. Within days of the *Arthrex* panel decision, the relevant Congressional subcommittee with authority over intellectual property held a hearing at which voting Members made statements critical of the Federal Circuit’s chosen remedy. See *Arthrex*, 953 F.3d at 771-72 (Dyk, J., dissenting from denial of reh’g *en banc*). Criticism was justified. Tenure protections are important for anyone appointed to be a member of a quasi-judicial tribunal. Independence is the hallmark of an adjudicative body. Severance of tenure protections “paradoxically imposes the looming prospect of removal without cause on the arbiters of a process which Congress intended to help implement a ‘clearer, fairer, more transparent, and more objective’ patent system.” *Arthrex*, 953 F.3d at 788 (Hughes, J., dissenting from denial of reh’g *en banc*) (quoting Statement of Sen. Kyl, 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011)).

US Inventor is aware of no federal administrative agency adjudicative tribunal in which Congress enacted at-will employment for the tribunal members. That is anathema to the interests of justice, and the ideals of substantive due process. And as explained above, the Federal Circuit's extinguishment of tenure makes the resulting law no longer "fully operative as a law," since it takes away vested property rights in federal employment without due process of law.

#### **IV. The Panel Misread Constitutional Case Law**

Finally, the panel's tenure-removal remedy purports to follow two court decisions that applied a tenure-removal remedy to a constitutional violation (*Free Enterprise Fund* and *Intercollegiate*). But the panel misapplied the first decision, while the second decision is factually distinguishable. Thus, two prior instances of courts imposing a similar remedy does not make the panel's remedy here correct.

The *Arthrex* panel looked first to *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 561 U.S. 477 (2010), as support for its tenure-removal remedy. But the panel missed two major distinctions. First, the Court removed a for-cause termination layer between the PCAO Board and the President (where originally there were two) to remedy a Separation of Powers violation, not directly to remedy an Appointments Clause problem. All discussion of transforming Board members into at-will employees beholden to the Commission was to make the Board more accountable

to the President, and the President more responsible for Board actions, thus ensuring a “role for oversight by an elected President.” *Id.* at 499. This ruling applied Separation of Powers principles and goals to transform the Board into proper employees within the Executive branch. *Id.* at 499-502. By the time discussion reached the Appointments Clause, there was no need to consider whether the same judicial remedy would have cured an Appointments Clause violation, ***if only the Appointments Clause were violated.*** *Id.* at 510. While it is true that the Court noted that there was no Appointments Clause violation “given” the previously-imposed Separation of Powers remedy, *id.*, this was coincidental, and without discussion of how the case might have resolved if the Court considered solely how to remedy an Appointments Clause violation.

Second, no federal employment due process right in *Free Enterprise Fund* constrained the Court’s menu of available options. The PCAO Board Members were not federal employees for statutory purposes, and their organization exists as a private nonprofit corporation. *Id.* at 484. The Court therefore did not confront the situation here, where a vested property right in employment within the federal government constrains what remedies may be considered.

The only other authority cited by the panel to support the tenure removal remedy is *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d 1332 (D.C. Cir. 2012). In that case, the D.C. Circuit uncritically followed the *Free Enterprise Fund*

Separation of Powers model to implement a tenure-reduction remedy for a stand-alone Appointments Clause violation. But in doing so, that court failed to recognize that different considerations may apply to distinct types of constitutional violations, insofar as a remedy should narrowly address the violation itself. The *Intercollegiate* panel did not explain how a remedy selected to ensure an oversight role for an elected President (as discussed in *Free Enterprise Fund*) might somehow redeem a mistaken governmental appointment of a principal officer that, at some time in the past, wrongly skipped over nomination by the President and confirmation by the Senate. It defies logic to hold that removing tenure protections of an existing officer retroactively makes the *appointment* of that officer subject to political accountability at the highest levels of the political branches (the President and the Senate), or retroactively attracts the finest and most vetted talent to the job.

In addition, the D.C. Circuit in *Intercollegiate* (like the Federal Circuit in this case) did not reconcile its selected remedy with the Copyright Royalty Board Judges' vested federal employment property rights. Only three Copyright Royalty Board Judges exist at a given time. *Id.* at 1335. This stands in contrast to the hundreds of APJs affected by the incorrect remedy in this case (over 260). Evidently, the due process question was not as urgent at the D.C. Circuit, and also erroneously overlooked.

In short, while the *Arthrex* panel did conform its remedy to that of *Intercollegiate*, the reasoning of

*Intercollegiate* itself is faulty. In addition, Congressional purpose over how to structure the Copyright Royalty Board is irrelevant to Congressional purpose over how to structure the PTAB, which implicates a long history (discussed above) of Congress's solicitude toward tenure protection of ALJs and APJs. Meanwhile, the *Intercollegiate* panel's failure to address due process rights of just three federal employees is at least somewhat understandable, in contrast to the *Arthrex* panel's failure to do so here for hundreds of unrepresented APJs.



## CONCLUSION

Stakeholders in the patent system are entitled to a government that, if it gives patent invalidation authority to Executive Branch employees, at least requires such employees to be nominated by the President and confirmed by the Senate. That would have made them properly-appointed principal officers, guaranteeing the highest quality personnel to do the job, while simultaneously assuring political accountability over their hiring at the highest levels of the political branches. The *Arthrex* panel decision commendably recognizes the constitutional violation in how APJs are hired under the AIA. But the panel decision selected the wrong remedy. US Inventor therefore requests that this Court grant cert to consider the correct remedy, which if not the remedy Petitioner advocates, is at least retroactive conversion of APJ decisions into advisory and nonbinding decisions. This would make APJs

either inferior officers or non-officers, fixing faulty appointments without additional unconstitutional government action.

Respectfully submitted,

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