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**

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

MARK A. PERRY
Counsel of Record
KELLAM M. CONOVER
BRIAN A. RICHMAN
MAX E. SCHULMAN
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
MPerry@gibsondunn.com

CHARLES T. STEENBURG
NATHAN R. SPEED
RICHARD F. GIUNTA
WOLF, GREENFIELD & SACKS, P.C.
600 Atlantic Avenue
Boston, MA 02210
(617) 646-8000

MARK J. GORMAN
SMITH & NEPHEW, INC.
7135 Goodlett Farms Parkway
Cordova, TN 38016
(901) 399-6903

JESSICA A. HUDAK
GIBSON, DUNN & CRUTCHER LLP
3161 Michelson Drive
Irvine, CA 92612
(949) 451-3837

Counsel for Smith & Nephew, Inc. and ArthroCare Corp.

(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.

TABLE OF CONTENTS

	Page
OPINIONS BELOW	1
JURISDICTION	1
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED	2
STATEMENT	2
SUMMARY OF ARGUMENT	15
ARGUMENT	18
I. APJs ARE INFERIOR OFFICERS OF THE UNITED STATES	19
A. Inferior Officers Are Directed And Supervised At Some Level By Another Officer	20
B. APJs Are Directed And Supervised By The USPTO Director	25
C. The Federal Circuit Erred In Holding That APJs Are Principal Officers	29
1. The Federal Circuit Rewrote *Edmond*	30
2. APJs Would Be Inferior Officers Even If Removability And Reviewability Were Paramount	33
3. The Decision Below Calls Into Question Other Executive Branch Adjudicators	38
D. The Co-Equal Branches Have Always Treated APJs And Their Predecessors As Inferior Officers	43
II. THE COURT NEED NOT REACH THE SEVERANCE AND REMEDIAL ISSUES	49
CONCLUSION	50

TABLE OF CONTENTS
(continued)

Page

APPENDIX:

Additional Pertinent Constitutional, Statutory, and Regulatory Provisions

U.S. Const. art. I, § 8, cl. 9 .... 1a
U.S. Const. art. II, § 2 .... 1a
U.S. Const. art. III, § 1 .... 2a
17 U.S.C. § 801 .... 2a
17 U.S.C. § 802 .... 3a
17 U.S.C. § 803 .... 5a
17 U.S.C. § 804 .... 7a
26 U.S.C. § 7443A 8a
28 U.S.C. § 455 .... 9a
35 U.S.C. § 315 (2000) 12a
38 U.S.C. § 7101 .... 14a
38 U.S.C. § 7101A 15a
38 U.S.C. § 7102 .... 16a
38 U.S.C. § 7103 .... 17a
38 U.S.C. § 7104 .... 18a
38 U.S.C. § 7111 .... 19a
38 U.S.C. § 7264 .... 20a
38 U.S.C. § 7265 .... 21a
42 U.S.C. § 1316 .... 22a
37 C.F.R. § 41.52 .... 24a

TABLE OF CONTENTS
(continued)

Page

37 C.F.R. § 42.71 ....25a

42 C.F.R. § 498.103 ....26a

45 C.F.R. § 16.5 ....27a

TABLE OF AUTHORITIES

Page(s)

Cases

Bedgear, LLC v. *Fredman Bros. Furniture Co.*,
783 F. App'x 1029 (Fed. Cir. 2019)......................13

BioDelivery Scis. Int'l, Inc. v.
Aquestive Therapeutics, Inc.,
935 F.3d 1362 (Fed. Cir. 2019)............................27

In re Boloro Glob. Ltd.,
963 F.3d 1380 (Fed. Cir. 2020)............................15

Ciena Corp. v. *Oyster Optics, LLC*,
958 F.3d 1157 (Fed. Cir. 2020)............................14

Cobert v. *Miller*,
800 F.3d 1340 (Fed. Cir. 2015)......................28, 34

Cohens v. *Virginia*,
19 U.S. (6 Wheat.) 264 (1821)..............................21

Comm. of Pa., Dep't of Pub. Welfare v.
U.S. Dep't of Health & Human Servs.,
80 F.3d 796 (3d Cir. 1996) 41, 42

Cox v. *West*,
149 F.3d 1360 (Fed. Cir. 1998)............................41

Cuozzo Speed Techs., LLC v. *Lee*,
136 S. Ct. 2131 (2016)..46

In re DBC,
545 F.3d 1373 (Fed. Cir. 2008)........................6, 46

TABLE OF AUTHORITIES (continued)

Page(s)

Dep't of Transp. v. *Ass'n of Am. R.Rs.*,
575 U.S. 43 (2015) 28

Edmond v. *United States*,
520 U.S. 651 (1997) 2, 3, 4, 11, 16, 17, 19, 20, 21, 22, 23, 24, 26, 28, 29, 30, 31, 32, 35, 37, 38, 40, 44, 48, 49

Fin. Oversight & Mgmt. Bd. for P.R. v. *Aurelius Inv., LLC*,
140 S. Ct. 1649 (2020) 48

Free Enter. Fund v. *Pub. Co. Accounting Oversight Bd.*,
561 U.S. 477 (2010) 20, 22, 29, 32, 34, 48

Freytag v. *Comm'r*,
501 U.S. 868 (1991) 17, 24, 33, 36

Gen. Hosp. Corp. v. *Sienna Biopharm., Inc.*,
888 F.3d 1368 (Fed. Cir. 2018) 9

Henderson ex rel. Henderson v. *Shinseki*,
562 U.S. 428 (2011) 41

Intercollegiate Broad. Sys., Inc. v. *Copyright Royalty Bd.*,
684 F.3d 1332 (D.C. Cir. 2012) 38, 39, 40

TABLE OF AUTHORITIES (continued)

Page(s)

KSR Int'l Co. v. *Teleflex Inc.*,
550 U.S. 398 (2007) 33

Lucia v. *SEC*,
138 S. Ct. 2044 (2018) 13, 25, 31, 34, 36, 48

Martin v. *Hunter's Lessee*,
14 U.S. (1 Wheat.) 304 (1816) 21

McCulloch v. *Maryland*,
17 U.S. (4 Wheat.) 316 (1819) 32

Medtronic, Inc. v. *Robert Bosch Healthcare Sys., Inc.*,
839 F.3d 1382 (Fed. Cir. 2016) 7, 27, 38

Morrison v. *Olson*,
487 U.S. 654 (1988) 16, 21, 31, 32, 34, 36, 48

N.Y. Tr. Co. v. *Eisner*,
256 U.S. 345 (1921) 48

NLRB v. *Noel Canning*,
573 U.S. 513 (2014) 17, 43, 48, 49

NLRB v. *SW Gen., Inc.*,
137 S. Ct. 929 (2017) 20

Oil States Energy Servs., LLC v. *Greene's Energy Grp., LLC*,
138 S. Ct. 1365 (2018) 4, 5, 6, 8

TABLE OF AUTHORITIES
(continued)

Page(s)

Polaris Innovations Ltd. v. *Kingston Tech. Co.*,
792 F. App'x 820 (Fed. Cir. 2020)........5, 13, 15, 45

Regents of the Univ. of Minn. v. *LSI Corp.*,
926 F.3d 1327 (Fed. Cir. 2019)............................28

Return Mail, Inc. v. *U.S. Postal Serv.*,
139 S. Ct. 1853 (2019)..7

Saint Regis Mohawk Tribe v. *Mylan Pharm. Inc.*,
896 F.3d 1322 (Fed. Cir. 2018)............................28

In re Sealed Case,
838 F.2d 476 (D.C. Cir. 1988)..............................48

Seila Law LLC v. *CFPB*,
140 S. Ct. 2183 (2020).................17, 19, 22, 32, 34,
35, 36, 49

Shenwick v. *Dep't of State*,
92 M.S.P.R. 289 (M.S.P.B. 2002)...........................4

Ex parte Siebold,
100 U.S. 371 (1879)..23, 31

SoundExchange, Inc. v. *Librarian of Congress*,
571 F.3d 1220 (D.C. Cir. 2009)............................40

Thryv, Inc. v. *Click-To-Call Techs., LP*,
140 S. Ct. 1367 (2020)......................................7, 47

TABLE OF AUTHORITIES
(continued)

Page(s)

United States v. *Eaton*,
169 U.S. 331 (1898) 23

United States v. *Germaine*,
99 U.S. 508 (1879) 3, 23, 45

United States v. *Mabe*,
33 M.J. 200 (C.M.A. 1991) 24

United States v. *Perkins*,
116 U.S. 483 (1886) 34

VirnetX Inc. v. *Cisco Sys., Inc.*,
958 F.3d 1333 (Fed. Cir. 2020) 15

Weiss v. *United States*,
510 U.S. 163 (1994) 24, 34, 47, 48

Statutes

5 U.S.C. § 7513 .... 4, 28, 34

10 U.S.C. § 837 35

15 U.S.C. § 1501 28

17 U.S.C. § 801 39

17 U.S.C. § 802 .... 39, 40

17 U.S.C. § 803 39

17 U.S.C. § 804 39

TABLE OF AUTHORITIES
(continued)

Page(s)

26 U.S.C. § 7443A..36

28 U.S.C. § 455 41

35 U.S.C. § 1 3

35 U.S.C. § 2 3

35 U.S.C. § 3 ....3, 4, 8, 12, 25,
26, 27, 37, 38

35 U.S.C. § 3 (1975)..45

35 U.S.C. § 6 ....4, 7, 8, 25, 26,
28, 35, 46

35 U.S.C. § 6 (2000)..46

35 U.S.C. § 134 5

35 U.S.C. § 135 6

35 U.S.C. § 311 ....6, 7, 10, 47

35 U.S.C. § 314 ....7, 16, 25, 26, 38

35 U.S.C. § 315 (2000)...46

35 U.S.C. § 316 ....7, 8, 27

35 U.S.C. § 318 ....8, 9, 28

35 U.S.C. § 319 8

TABLE OF AUTHORITIES (continued)

Page(s)

35 U.S.C. § 321 .... 6, 47

38 U.S.C. § 7101 40

38 U.S.C. § 7101A 40, 41

38 U.S.C. § 7102 41

38 U.S.C. § 7103 41

38 U.S.C. § 7104 41

38 U.S.C. § 7111 41

38 U.S.C. § 7264 41

38 U.S.C. § 7265 41

42 U.S.C. § 1316 42

Act for Establishing an Executive Department, ch. 4, 1 Stat. 28 (1789) 21

Section 2, 1 Stat. 29 21

TABLE OF AUTHORITIES
(continued)

Page(s)

Act of July 4, 1836,
ch. 357, 5 Stat. 117 .... 4, 22, 43

Section 1, 5 Stat. 117 .... 4, 22, 43

Section 2, 5 Stat. 118 .... 4, 22, 43

Section 7, 5 Stat. 119 .... 4, 43

Section 8, 5 Stat. 120 .... 4, 43

Act of Mar. 2, 1861,
ch. 88, 12 Stat. 246 .... 5, 44

Section 2, 12 Stat. 246 .... 5, 44

Act of July 8, 1870,
ch. 230, 16 Stat. 198 .... 5, 44

Section 2, 16 Stat. 198 .... 5, 44

Section 10, 16 Stat. 200 5

Act of Mar. 2, 1927,
ch. 273, 44 Stat. 1335 .... 5, 44

Section 3, 44 Stat. 1335 .... 5, 44

Act of Aug. 5, 1939,
ch. 451, 53 Stat. 1212 .... 5, 44

Section 1, 53 Stat. 1212 .... 5, 44

TABLE OF AUTHORITIES (continued)

Page(s)

Section 2, 53 Stat. 1212 .... 5, 44

Section 3, 53 Stat. 1212 .... 5, 44

Section 4, 53 Stat. 1212 .... 5, 44

Act of July 19, 1952,
Pub. L. No. 82-593, 66 Stat. 792 45

Section 3, 66 Stat. 792 45

Leahy-Smith America Invents Act,
Pub. L. No. 112-29,
125 Stat. 284 (2011) 6, 47

Section 3, 125 Stat. 293 6

Section 7, 125 Stat. 315 6

Section 18, 125 Stat. 329 6

Patent Law Amendments Act of 1984,
Pub. L. No. 98-622,
98 Stat. 3383 .... 6, 46

Section 201, 98 Stat. 3386 .... 6, 46

Section 202, 98 Stat. 3386 .... 6, 46

Constitutional Provisions

U.S. Const. art. I, § 8 21

TABLE OF AUTHORITIES
(continued)

Page(s)

U.S. Const. art. II, § 2 .... 2, 3, 15, 18, 19, 22, 23, 31

U.S. Const. art. III, § 1 21

Regulations

37 C.F.R. § 41.52 38

37 C.F.R. § 42.71 38

42 C.F.R. § 498.103 42

45 C.F.R. § 16.5 41

Other Authorities

1 Annals of Cong. 19, 22

117 Cong. Rec. S320 (Mar. 16, 1971) 45

83 Fed. Reg. 29,312 (June 22, 2018) 4

Administrative Conference of the United States, *Non-ALJ Adjudicators in Federal Agencies: Status, Selection, Oversight, and Removal* (Sept. 24, 2018) 42

In re Alchemy Ventures, *Inc.*, Exchange Act Release No. 70,708, 2013 WL 6173809 (Oct. 17, 2013) 25, 36

TABLE OF AUTHORITIES
(continued)

Page(s)

Arthrex, Inc. v. *Smith & Nephew, Inc.*,
No. 15-cv-1756
(E.D. Tex. filed Nov. 10, 2015) 9

Arthrex, Inc. v. *Vite Techs., Inc.*,
Case IPR2016-00381, Paper 7
(P.T.A.B. June 23, 2016) 10

Arthrex, Inc. v. *Vite Techs., Inc.*,
Case IPR2016-00381, Paper 15
(P.T.A.B. Nov. 7, 2016) 10

Bd. of Veterans' Appeals Annual Report
Fiscal Year (FY) 2018 41

Jack M. Beermann & Jennifer L. Mascott,
Research Report on Federal Agency ALJ Hiring After Lucia *and Executive Order 13843* (May 31, 2019) 42

Levin H. Campbell,
The Patent System of the United States so Far as It Relates to the Granting of Patents: A History (1891) 43

Christopher M. Davis & Michael Greene,
Presidential Appointee Positions Requiring Senate Confirmation and Committees Handling Nominations,
CRS Report RL30959 (May 3, 2017) 31

TABLE OF AUTHORITIES
(continued)

Page(s)

Dep't of Health & Human Servs.,
2018 Board Decisions (Oct. 19, 2020)..................42

John F. Duffy,
Are Administrative Patent Judges Unconstitutional?,
2007 Patently-O Pat. L.J. 21 (2007)....................46

General Order,
2020 WL 2119932 (P.T.A.B. May 1, 2020)..........14

H.R. Rep. No. 93-856 (1974)......................................45

Aydin H. Harston,
Responding to Growing Criticisms, PTAB Expands Discretion to Deny Institution,
Rothwell Figg (May 17, 2019)..............................29

Samuel Johnson,
Dictionary of the English Language (1755) 21

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 (2012).......................47

Florian Mueller,
USPTO Drifting Out of Balance Under Director (Undersecretary) Andrei Iancu: PTAB Under Attack,
Foss Patents (May 20, 2019) 29

TABLE OF AUTHORITIES
(continued)

Page(s)

Order,
In re JHO Intellectual Prop. Holdings, LLC, No. 19-2330, Dkt. 25 (Fed. Cir. June 18, 2020) 15

Patent Trial and Appeal Board Standard Operating Procedure 1...7

Patent Trial and Appeal Board Standard Operating Procedure 2.........................8, 26, 37, 38

Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66,502 (Oct. 20, 2020).....................26

RPX Corp. v. *Applications in Internet Time, LLC*, Case IPR2015-01750, Paper 124 (P.T.A.B. Sept. 4, 2020).......................................27

RPX Corp. v. *Applications in Internet Time, LLC*, Case IPR2015-01750, Paper 126 (P.T.A.B. Sept. 9, 2020).......................................27

R. of Prac. of the U.S. Patent Office in Patent Cases (1949)...45

Daniel T. Shedd,
Overview of the Appeal Process for Veterans' Claims, CRS Report R42609 (Apr. 29, 2013)....................40

TABLE OF AUTHORITIES
(continued)

Page(s)

Thomas Sheridan,
A Complete Dictionary of the English Language (2d ed. 1789) 21

Matthew A. Smith et al.,
Inter Partes Revocation Proceedings: Inter Partes Review, Post-Grant Review and Inter Partes Reexamination (West 2012 ed.) 47

U.S. Court of Appeals for Veterans Claims,
About the Court 41

Noah Webster,
An American Dictionary of the English Language (1828) 21

Writings of George Washington
(John C. Fitzpatrick ed., 1939) 22

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.fosspatents.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.

MARK A. PERRY
Counsel of Record
KELLAM M. CONOVER
BRIAN A. RICHMAN
MAX E. SCHULMAN
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500
MPerry@gibsondunn.com

CHARLES T. STEENBURG
NATHAN R. SPEED
RICHARD F. GIUNTA
WOLF, GREENFIELD & SACKS, P.C.
600 Atlantic Avenue
Boston, MA 02210
(617) 646-8000

JESSICA A. HUDAK
GIBSON, DUNN & CRUTCHER LLP
3161 Michelson Drive
Irvine, CA 92612
(949) 451-3837

MARK J. GORMAN
SMITH & NEPHEW, INC.
7135 Goodlett Farms Parkway
Cordova, TN 38016
(901) 399-6903

Counsel for Smith & Nephew, Inc. and ArthroCare Corp.

November 25, 2020