Nos. 19-1434, 19-1452, and 19-1458

In the Supreme Court of the United States

UNITED STATES OF AMERICA, PETITIONER

v.

ARTHREX, INC., ET AL.

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

BRIEF FOR THE UNITED STATES

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(Additional Captions On Inside Cover)

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

v.

ARTHREX, INC., ET AL.

ARTHREX, INC., PETITIONER

v.

SMITH & NEPHEW, INC., ET AL.

QUESTIONS PRESENTED

1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate's advice and consent, or "inferior Officers" whose appointment Congress has permissibly vested in a department head.

2. Whether, if administrative patent judges are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme prospectively by severing the application of 5 U.S.C. 7513(a) to those judges.

PARTIES TO THE PROCEEDING

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

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

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BRIEF FOR THE UNITED STATES

OPINIONS BELOW

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

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

JURISDICTION

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

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

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

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

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

U.S. Const. Art. II, § 2, Cl. 2.

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

STATEMENT

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

A. Statutory Background

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. The Present Controversy

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

1. a. After excusing Arthrex's failure to raise its Appointments Clause challenge during the administrative proceeding, Pet. App. 4a-6a, the Federal Circuit held that administrative patent judges are principal rather than inferior officers, *id.* at 6a-22a. The court recognized that, under *Edmond* v. *United States*, 520 U.S. 651 (1997), inferior officers are "officers whose work is directed and supervised at some level by others who

were appointed by Presidential nomination with the advice and consent of the Senate." Pet. App. 9a (quoting *Edmond*, 520 U.S. at 663). It distilled from *Edmond* three non-exclusive factors for determining whether a sufficient degree of direction and supervision exists: "(1) whether an appointed official has the power to review and reverse the officers' decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official's power to remove the officers." *Ibid.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF ARGUMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

ARGUMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * * * *

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

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

C. The Federal Circuit's Contrary Conclusion Is Incorrect

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

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

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

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

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

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

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

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

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

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

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

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

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

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

available to the Secretary and Director are similarly complementary here.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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NOVEMBER 2020